Kiwi Companies Employ Number 8 Wire Approach

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Top Kiwi Companies Employ Number 8 Wire Approach To Avoid Job Cuts

The country’s top companies are seeking innovative ways to manage their costs rather than cut jobs according to leading remuneration specialists dsd Consulting.

The Auckland-based company has surveyed 92 of the country’s top businesses with employees of 50 to more than 5000 about their strategies for managing people-related costs in the current climate. Most employers said they would rather take a broad range of actions than cut jobs.

Although 52% of organisations are decreasing salary review budgets [across all industry sectors], the heartening finding is that most employers are genuinely seeking innovative ways to save costs before taking cutting jobs,” says Susan Doughty, Director of dsd Consulting. “The number one priority is supporting sustainable business and safeguarding jobs.

“Our findings suggest the Kiwi spirit is re-asserting itself with a sense that working with ‘No. 8 wire’ will help New Zealand companies safeguard the bottom line. We were surprised by the number of organisations which are looking internally and actively engaging with their staff in finding solutions, and really promoting the message that ‘we are all in this together’.

“These organisations are asking for ideas in a range of ways including staff focus groups and open forums. One company reported cost savings of $500,000 as a direct result of staff input and feedback. Another innovative organisation has a hot-line to the CEO which is open to all staff. The key message these initiatives sends is that we all need to do what we can to protect the company and our jobs,” says Doughty.

So where are the savings going to be made? First cab off the rank is the immediate reduction in the use of temporary and contract staff to safeguard permanent jobs.

Over 60% of companies are adopting this strategy and at the same time implementing a total freeze on recruitment for the foreseeable future. In contrast, only a third plans to make staff redundant, indicating that more companies are focusing on retaining permanent staff at this stage.

A freeze on travel is also high on the list at 52%, with many companies encouraging the use of in-house video conferencing facilities in lieu of travel.

“Although there has also been a lot of ‘noise’ about compulsory reduced hours of work and four day weeks, only 15% have actually implemented these policies,” says Doughty. “What our research shows is that over 75% of those surveyed report their first priority before considering forcing cuts in pay or hours, is to encourage those with large outstanding annual leave balances to work shorter weeks until those balances are reduced.

“The broader focus of these organisations is on reducing overheads such as overtime, extraneous benefits and back filling staff on leave or covering vacant positions within current staff levels rather than hiring new staff.

“The biggest cost saving for organisations is the annual salary review,” says Doughty. “There is no doubt that budgets have been slashed. Last November our national remuneration survey REMonTAP© showed salary forecasts for 2009 at a median of 4%. By February, this figure was down to 2.5%-3% - the lowest in well over a decade. Organisations are being very cautious and we can expect to see greater discernment over who gets pay increases this year.

“What is also revealing is that 9.2% of the companies surveyed are planning nil increases to all staff in the next year. Executives are in the spot light with 23% of organisations placing a freeze on executive salary increases in 2009.

“In addition, there has been a lot of discussion about ‘wage cuts’, but none of the 92 companies surveyed have, or plan to take this action for general staff at this time. Our survey results highlight the disconnect between ‘rumour’ and fact as many of these are significant high-profile companies in New Zealand,” says Doughty.

No cost cutting exercise would be complete without incentives and bonuses coming under scrutiny.

“These are often the next biggest cost to employers after salaries”, says Doughty. “Most companies are considering remodelling current schemes to realign them with market conditions and reduce payments this year. For many employers operating profit share schemes, there will be no bonus payments in 2009. Employees will therefore have a double whammy in their take home pay this year with no salary increase and no bonus,” she adds.

But it’s not all doom and gloom. Only a third of organisations believe that their business will significantly contract in the next 12 months and a number are driving a positive message throughout their business.

“They are making a lot of noise and placing focus on key engagement issues such as talent retention, development of staff and learning opportunities. Smart companies are also actively engaging with staff with meaningful and simple recognition programmes. You can’t beat the team BBQ or simple non costly rewards for a ‘job well done’,” says Doughty.
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