



Viewpoint: The Coronavirus Crisis Doesn't Have to Lead to Layoffs

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March 25, 2020

Editor's Note: SHRM has partnered with Harvard Business Review (<https://hbr.org/>) to bring you relevant articles on key HR topics and strategies.

During a crisis, the path between corporate denial and layoffs is often a short one. For weeks, our corporate clients and contacts waved off concerns about a potential economic impact from the Covid-19 outbreak. Then something changed. First, our contacts told us they were restricting visitors to their offices and encouraging remote work. Now, we are hearing that many of them are considering layoffs to ensure they make it through the crisis — and a recent survey (https://www.pwc.com/us/covid-19-survey?WT.mc_id=CT1-PL52-DM1-TR1-LS4-ND30-PRG6-CN_CFOPulseSurvey&eq=CT1-PL52-DM1-CN_CFOPulseSurvey) found that a vast majority of corporate leaders are considering some sort of financial action as a result of the pandemic.

To be sure, a cost-cutting reflex is understandable. Leaders are obligated to make responsible decisions to keep their companies afloat. But those who manage the economic effects of this crisis in a clear and compassionate way create more value for their companies and will come out of this pandemic stronger than ever before. So before announcing deep layoffs, we recommend that you consider these measures first.

Communicate Openly

Many leaders assume that if they admit that the company is facing turbulent times it will scare away its best employees. The assumption is that these employees will worry less if management holds their cards close to their chest. Nothing could be further from the truth. Everyone knows that we are going through a global pandemic. Everyone knows certain sectors of the economy are already getting hit hard by changes in consumer behavior as a result of this virus. And everyone knows a slowdown in parts of the economy and increased uncertainty might impact their company as well.

Instead of forcing your employees to second-guess what might be in store for them, be utterly clear with them about the financial health of your firm and what goals you will prioritize. These goals will not be the same for every company, and you shouldn't communicate empty statements you don't believe in, such as "we put our employees first." These statements can be confusing and even counterproductive when people are worried about their jobs. It's better for you to be specific. For example, if your goal is to save jobs while meeting your bank covenants, say that. If it is to make a series of changes swiftly to shore up job security, clarify that you are prioritizing that decision over other, slower changes.

Share the Pain

If you are doing cut backs to save job losses, you must lead by example and do cut backs that impacts your own day-to-day as well. If you don't, there is a danger that your staff will feel like saps, doing sacrifices while the C-suite continues unaffected. Get a commitment for a pay cut from your senior leaders. As CEO, you should take the largest salary cut yourself. Several airline CEOs, for example, are temporarily forgoing salaries (<https://www.hcamag.com/us/news/general/more-airline-ceos-take-pay-cut-amid-outbreak/216929>) or taking pay cuts amid looming cutbacks for the industry.

SHRM RESOURCE SPOTLIGHT

Coronavirus and COVID-19 (www.shrm.org/ResourcesAndTools/Pages/communicable-diseases.aspx)

Consider Crowdsourcing Ideas with Employees

It can be overwhelming to open the floor for ideas from employees on what the company should do. You might fear that employees will be resentful if their ideas are not selected. You might also fear that asking your employees for ideas means that you will appear to have less control. We know one CEO who slapped down the idea of such open consultation, saying, "Participation is one thing, pandemonium is another." But crowdsourcing doesn't have to be equivalent to chaos. In our experience, it is critical that you ask your employees to voice their ideas. By showing them, not just saying, that you care about what they think, you will have stronger buy-in for the initiatives you eventually prioritize.

For example, when Beth Israel Deaconess Medical Center (BIDMC) undertook a crowd-sourcing approach to cost-cutting following the 2008 financial crisis, most of the comments were positive; indeed, employees appreciated the openness so much that they defended the moves to disgruntled colleagues who wanted to lash out or sabotage the process.

To begin the crowdsourcing process, leaders should offer structure by articulating that you intend to prioritize initiatives with lower capital requirements, lower risk profiles, proven positive impact on cash flow, higher chances of saving jobs, and so on. Then truly demonstrate that you are open to the ideas of the staff. You might even present the final packages to the staff and let them indicate their preferences between the various options. The bottom line is, you lose no control by this kind of approach. You enhance your standing as a leader.

Review All the Options (Even the Less Conventional Ones)

Before layoffs, consider all your non-obvious options for reducing cost. A four-day work week for roles where you have excess capacity will reduce staff cost by nearly 20% (assuming some costs will remain due to overhead and benefits). Some employees might agree to working half-time if they know that doing so will save jobs.

You can also offer employees the opportunity for unpaid leave if they so wish — framing this leave as a "sabbatical" can help take some of the stigma of the absence away. In fact, you might find that some employees welcome these options and wish they could have had them all along. By making it clear that one of your overriding goals is to avoid layoffs, you might find that employees are amenable to the personal sacrifices inherent in salary-increase freezes, halting bonuses, bans on overtime, pausing of payments into retirement funds, reduction of vacation days, and other cost-saving measures.

Consider decelerating pay decreases for lower salary ranges to protect employees who are the most vulnerable. For example, you might reduce salaries of your highest paid employees by 10%, mid-range salaried employees by 5%, and everyone else above a certain threshold by half of that. This is what was done at BIDMC during its cost-reduction—and employees appreciated that senior leaders tried all sorts of creative approaches to minimize head-count reduction.

Have 'Ice in the Belly'

Being a leader in turbulent times can be nerve wracking. If you act too fast, it might turn out that you overreacted. If you act too slow, the business might go under. It would be wise to have what in Swedish is called *Is i magen*, "ice in the belly," roughly translated as your ability to keep your cool in a critical situation.

First, recognize that as bad as things look, government assistance is forthcoming. Many business leaders recall that there was resistance toward economic stimulus packages in the aftermath of the 2008 financial crisis. Part of that resistance was due to public resentment towards bailing out financial institutions that had caused the crisis. The public is more likely to be supportive of economic stimulus packages in the current case where the downturn is hard to blame on one particular industry. And economic aid might also be targeted towards companies that can prevent layoffs.

Furthermore, don't treat all negative indicators for your business the same. If your client is a movie theater and they need to pause your project, you have reason to believe they will not be able to pick the project back up anytime soon since the theater industry is taking a big financial hit. However, if your client is a hospital that says they'd like to pause your project so that they can focus on the high volume of patients at the moment, it's worthwhile showing their management team that you understand their current priorities.

It's also reasonable to explain to them that you are trying to understand what the economic impacts of this pandemic will be on your firm and ask them if they can have an open discussion with you to help you understand how likely it is that they will continue the project once things calm down.

But *Is i magen* does not mean that you are cool to the needs of your staff. This is a time to show empathy, rather than maintaining an emotional distance from your people. Lead with compassion, especially for the most vulnerable members of your company. One common misconception is that most people primarily look out for themselves in turbulent times. On the contrary, our experience is that during a crisis, individuals overwhelmingly prefer to make

sacrifices if it means that their company can help more of their colleagues keep their jobs.

Going through a downturn and making tough decisions to keep your company afloat is hard. However, if you lead with compassion you will touch the lives of your employees in an extraordinary way and come out of this potential slowdown stronger than ever before, enhancing the shared values of your staff.

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