COLORADO
Division of Human Resources
Department of Personnel & Administration

LABOR COST REDUCTION OPTIONS

Current financial shortfalls may force state agencies and institutions of higher education to consider staffing changes, temporary or permanent, to alleviate budget pressure. There are many options for reducing personal services costs; to avoid losing valuable talent and the severe effect on employee morale, layoffs should be the last solution for consideration.

It is critical that Human Resources, budget staff, and leadership work together to understand the full scope of the shortfall, then choose a mitigation plan that will minimize impact on staff while continuing to provide critical services to the residents of Colorado. This document outlines the options available to leadership for reducing labor costs.

1. **Job Sharing:** Flexible means of pooling the talents and energies of two part-time employees to perform the work of one full-time position.

   Advantages
   - Allows an agency to retain experienced, skilled workers and avoid layoffs.
   - Many employees find that part-time work allows them to better balance career and personal life.

   Considerations
   - Works best as a voluntary arrangement planned collaboratively between employees and management.
   - A detailed work plan should be created that outlines specifics about the arrangement (e.g. schedule, division of duties, communication).

   Example
   Employees are offered the option to job share as a way of reducing labor costs. Two full-time employees opt to reduce to 50% FTE and share one position. Both employees retain their benefits while the department realizes savings in salary and retirement contributions.

2. **Voluntary Reduction in Hours:** Employee FTE is temporarily reduced.

   Advantages
   - Employee has predictable time away from work for a period of time.
   - When the reduction period is over, the salary and job assignment is restored and leave accrual returns to the full-time accrual rate.

   Considerations
   - Employee's leave accrual and some benefits are impacted (e.g., holiday pay, short term disability benefits).
   - Employees are not eligible for restoration of full leave accrual for the part-time period.
   - Temporary reduction of positions to part-time could influence the agency's future personal services funding.
   - It is recommended that this request is made to all employees in writing, noting a specific period of time, and individual written agreements are drafted.

Example
Full-time employee reduces time to 80% and changes schedule to Monday - Thursday for three months.

3. **Voluntary Reduction in Pay:** Employee volunteers to reduce their base pay for a predetermined period of time.

   Advantages
   - A voluntary reduction of base pay has no impact on the employee's service date, leave accrual rates, or benefits, and provides the agency with flexibility in terms of the percentage of savings.
   - When the reduction period is over, base pay returns to the regular amount.

   Considerations
   - For overtime exempt employees, reduction of base pay must be done on a weekly basis.
   - It is strongly encouraged that if this option is used, the offer should be extended to all interested employees in writing, noting a specific period of time, and there is an individual written agreement with each employee who volunteers.

   Example
   An employee's predetermined weekly pay is $1000, employee voluntarily reduces the predetermined weekly amount to $950 for three months.

4. **Voluntary Unpaid Leave:** Employee reports Leave Without Pay (LWOP) for a predetermined period of time.

   Advantages
   - Employee is given time away from work that does not deplete their current banks of paid time off; apart from the unpaid period, there is no ongoing financial impact to the employee.

   Considerations
   - For each 173 hours of LWOP in a twelve-month period, employee does not accrue leave and duration of state service is reduced.
   - Employees need time to prepare financially for longer durations of unpaid time.
   - Best used with higher-compensated employees who are better able to tolerate the financial impact; they will also make a more significant budget impact.

   Example
   Employee uses LWOP to take unpaid, month-long vacation.

5. **Postemployment Compensation:** Used as an alternative to a layoff in process or anticipated layoff, employee chooses to leave and is provided post-employment compensation (e.g. voluntary separation incentives, severance pay).

   Advantages
   - Employee receives financial benefit for voluntarily separating in lieu of or to avoid layoffs.
   - The employee has more control over their departure and the morale impact of layoffs is avoided.

Considerations

- The Postemployment compensation program must result in savings and minimize the need for layoff or further bumping.
- Savings must be realized in the next fiscal year and be greater than the cost of the post employment compensation and leave payout. Any payment shall not exceed an amount equal to one week of an employee's salary for every year of service, up to 18 weeks.
- Post employment contracts must be obtained, reviewed and approved by the Attorney General's office or legal counsel from institutions of higher education.

Example

Employee volunteers to separate so they may spend more time with family and receives a severance package, thus avoiding the need for layoff.

6. **<u>Voluntary Furlough</u>:** Unpaid job protection when a department head declares a budget deficit in personal services **(**different from a "fiscal emergency" mandatory furlough that is authorized by the Governor and approved by the General Assembly)**.**

Advantages

- The employee may request absence to avoid layoffs or reduction in hours.
- Voluntary furloughs can be taken in segments, or they can involve a reduction in the number of workdays or hours in a week.
- Unlike utilization of LWOP, Employees earn sick and annual leave and continue to receive service credit as if the furlough had not occurred.

Considerations

- Voluntary furlough cannot go beyond 72 work days.
- Voluntary furlough should be offered throughout the agency for a predetermined period of time and written agreements should exist.
- Special attention must be paid to overtime exempt employees those on Family Medical Leave (FML).
- Because the employee continues to earn leave at the regular rates, the agency continues to accrue fiscal liability related to leave and, therefore, the desired cost savings may not be achieved.

Example

An employee opts to take a week off each month for three months, but continues to earn leave at their normal rate.

7. **<u>Hiring/Pay Freeze</u>:** Agency freezes all new appointments or simply delays the start date of new hires.

Advantages

- This approach minimizes financial impact to employees.
- The agency has the opportunity to analyze current filled positions and vacancies in terms of business needs, sometimes leading to reorganization and/or elimination of unnecessary positions.
- A "soft" freeze allows key positions to be filled upon justification to management.

Considerations

- While financial impact to employees is mitigated, day-to-day workload may increase and staff resources are reduced, which can affect the ability to provide some services.
- Change in organizational structure or workload needs to be managed closely, and there are risks of employee burnout and low morale.

Example
Agency declares a hiring freeze and reevaluates its current structure. Analysis indicates that a particular service is has low impact and value to customers. One position will go unfilled, work is redistributed among existing employees, and priorities are adjusted.

8. **Place Affected Employee into Vacant Position within Department:** Employee is placed in a similar position for which they are qualified in the same department.

   Advantages
   - It is a "win-win" situation: need for one position is eliminated and a vacant position is filled with an experienced employee.

   Considerations
   - Employee being placed in the vacant position must be qualified for entry into the class. Employee may choose to decline the offer.

   Example
   Budget reductions necessitate elimination of one position, but the affected employee is qualified for a vacant opening on another team within the same department. The appointment is offered to the employee and accepted, thus avoiding layoffs.

9. **Place Affected Employee into Vacant Position within another Department:** Employee is placed in a similar position for which they are qualified in another department.

   Advantages
   - Allows the state to retain a skilled worker while filling a need in another department.
   - Employee retains service dates, benefits, and accruals.

   Considerations
   - Employee being placed in the vacant position must be qualified for entry into the class.
   - All attempts should be made to place the employee into a position at the same rate of pay.
   - Requires collaboration with other departments or agencies.
   - Employee may choose to decline the offer.

   Example
   Budget reductions necessitate elimination of one position, but the affected employee is qualified for a vacant opening in another department. The appointment is offered to the employee and accepted, thus avoiding layoffs.

10. **Layoff:** After exhausting all the available options outlined above, a layoff may still be unavoidable. Layoffs in the State personnel system are governed both by Colorado law and by the State Personnel Board Rules and Director's Administrative Procedures; the layoff process is complex and requires extensive preparation and collaboration with HR leadership at your agency. Department heads and appointing authorities are encouraged to consider all the alternatives outlined above, as layoffs can have extensive impact on employee morale, and result in the loss of valuable talent and institutional knowledge.