

Management case study: 15% employee payroll decrease

[Business](#), [Employee](#)



I hope all is well since our last meeting. As we have recently been confronted with financial difficulties within Austen Pharmaceuticals, I have given extensive consideration in devising an effective plan for adequately addressing the directive of decreasing payroll by 15% and am prepared to share my prospective solution. As this transition will directly impact the employees, I have met with them to apprise them of the proposed cuts that have been presented and will ultimately take place.

In an effort to maintain morale and make this evolution as seamless as possible for the employees, I have incorporated some of their ideas and suggestions in constructing the plan to decrease the payroll while preserving the workforce. After reviewing the most current performance evaluations for each employee, I have established a ranking system that rates each employee based on their overall performance in addition to any individual contributions that they have made which resulted in more efficiency within our division.

By rating the employees based on performance, this provides a reference point to determine the most productive employees versus those who are marginal in the event that lay-offs are inevitable. The first step in fulfilling the objective of the plan is to immediately eliminate overtime and have salaried staff help out where possible to complete the work.

Next, is to restructure or reduce the amount of hours that each employee works while allowing them to maintain their benefits. The more productive employees will work during peak hours and the average staff will work during off-peak hours. This will allow for the work to be completed while

utilizing our best resources when the workflow is the highest. The final step in the plan is to cut pay for each employee based on their performance. The pay cuts will be based on the rankings providing a 1% cut for the best performance and a 3% cut for those who are within the lower rankings. This will allow for our best performer to be acknowledged for their efforts while meeting the needs of the company. Additionally, this will allow our average performers to maintain employment while striving to improve performance.