

Dealing with the “L” Word— When Layoffs Are Necessary

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Layoffs. Downsizing. Rightsizing. Managed workforce reductions. Whatever phrase you apply, terminating the employment of staff members due to economic conditions is not pleasant for administrators or doctors. Fortunately, the need for layoffs has been rare in ophthalmology over the last few decades, but some practices have had to adjust their workforce in recent months due to declining revenues.

Recommendations for Avoiding Layoffs

If you are considering downsizing your staff, we recommend that you follow these steps to make the process as painless as possible.

Practice prevention first. Good planning and appropriate hiring decisions reduce the likelihood that you will need to lay off staff. Always follow a staffing plan so you avoid the temptation to add staff when not really necessary.

Study all expenses. Before reducing staff, look at other costs that can be cut without affecting the operations of your practice. One office found more than \$25,000 in reduced expenses and avoided having to terminate an employee. Staff bonuses and pay raises are fair game for expense reductions in difficult times.

Develop an individual practice staffing plan. Don't undertake staff cutbacks solely because of a published benchmark. Every practice is different and some offices will naturally be outside recognized benchmarks. Staff terminations should be based on workloads, practice needs, and available resources—and not simply because of a benchmark.

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Quit avoiding performance terminations. Many practices avoid releasing staff members who are chronic discipline problems, but tough times can provide the impetus for eliminating employees who are disruptive or nonproductive. The impact of a layoff on staff morale will be lessened if those who lose their jobs are the least productive members of your staff.

Ask for volunteers. If a staff reduction is necessary, it is best to first ask for volunteers. Some staff members may already be contemplating leaving the practice, and a severance package may entice them to make the move now.

Offer a voluntary reduction of hours. Ask if any staff members would like to work fewer hours. Voluntary reductions by several staff members can reduce payroll such that the aggregate reduction allows you to avoid reducing any one person's hours to zero.

Institute work furloughs. If reduced hours through voluntary methods are not enough to meet practice needs, consider mandatory trimming of work schedules. Keep in mind that some employees may need to look for other jobs if their hours are reduced, so there is a risk of losing good employees if mandatory schedule reductions are enforced.

When Layoffs are Inevitable

If all of the preceding steps fail, it may be necessary to lay off some employees. If that is the case in your practice, make sure to reduce the stress and ensure compliance by following these steps.

Consult with your attorney or human resources advisor prior to implementing layoffs. It is critical to make sure that your actions cannot be challenged for violating regulations or for unfairly targeting any protected class of employee.

Think strategically about the needed staff reductions. Some companies have a "last in, first out" philosophy of downsizing, where the

most recent hires are terminated first. However, for most practices, that approach can result in losing exceptional talent or in reducing departments that are already thinly staffed. It is best to eliminate positions that will have the least effect on practice operations.

Handle terminations individually and with sensitivity. If appropriate, give the departing employees the rationale for the staff reductions, to diminish the personal impact.

If possible, soften the blow to those who lose their jobs by offering severance pay, paid-out vacation and sick leave, or other benefits for a period of time. Be sure to follow all laws in your state regarding the treatment of laid-off employees.

Provide any assistance to the terminated employees that you can offer. Letters of recommendation and referrals to other employers or to local employment agencies can help the person find new employment as quickly as possible.

Recognize that staff members who retain their jobs with the practice are also affected by the layoffs. Most will have concerns about whether their job will be eliminated. Some will question the financial stability of the practice and may begin searching for other opportunities, fearing that your practice will not continue in business. Others will feel some measure of guilt that their friends are now out of work while they still draw a paycheck. Meeting with the remaining staff members to honestly explain the need for the layoffs and the ongoing status of the practice will help resolve their concerns. As with all staff interactions, it is very important to be clear and transparent at this time of high stress. However, be careful also to not make unwarranted promises or statements about the future security of anyone's position.

Be sure to monitor staff workloads after the layoffs. It is common for employees to be unwilling to express their need for help in

their jobs, and that tendency is magnified after they see coworkers terminated. It is possible that the work of those who left the practice, spread across the remaining employees, may overwhelm some staff members and cause serious bottlenecks and poor results if not watched closely.

Is it possible to damage a practice by laying off staff members? Of course it is—if a reduction in employees results in fewer patient visits, or if it means more unanswered phone calls, increased waiting times, or less follow-up on mishandled insurance claims, the costs of downsizing may be greater than the savings realized.

Reducing your staff is not one of the more enjoyable parts of managing a practice. But if you follow a thoughtful process in making sure your staff levels are appropriate, and if you explore less drastic options first, necessary layoffs can be handled in a way that has the least possible effect on the employees who lose their jobs, on the retained staff members, and on the financial health of the practice. **AE**



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