

The logo for Astrachan Gunst Thomas features a stylized, swirling blue graphic to the left of the firm's name. The name "astrachan gunst thomas" is written in a lowercase, sans-serif font, with "astrachan" and "gunst" in a lighter blue and "thomas" in a darker blue.

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Layoffs: Magic Bullet or Nail in the Coffin?

By: Julie R. Rubin

I had been “good” for days, relegating myself to cardboard for breakfast, twigs for lunch and air for dinner. Much to my relief, and my husband’s chagrin, my jeans were finally losing that painted on look. But this was more than I could take. My father had invited us for Sunday dinner. The menu? His lamb cassoulet. A big ol’ mess o’ white beans plumped by hours of cooking in rich stock, olive oil and herbs, cuddled up to chunks of lamb so tender they give way to the mere shadow of your fork. And then there are the little bacon gems suspended in the thick stew. This peasant dish could make even my Aunt Anne fall silent and withdraw into her internal mmmm world. It really is that good. I was a goner.

Bzzz. Bzzz. Bzzz. My crackberry had come to rescue me from certain demise. “Hello?,” I answered. “Julie, hi, dear,” said the gravelly voice on the other end of the line. I knew right away who it was. Years ago, I inherited Charles Staple as a client from my mentor who trained me. Charles is as old as dirt. He is the feistiest, toughest business owner I know. He’s seen it all, weathered it all, and lived to tell. He eats lawyers for breakfast. And he has a sweet spot for me. He talks to me like I’m family. I like that.

Charles owns a large general contracting company headquartered in Anne Arundel County that made its early money in planned business communities, but has grown over time to include large federal contracts, as well as public and private universities all over the country. Like most companies – large and small alike – Charles had been progressively tightening the company’s belt as the economy drifted south. He had spent this rainy Sunday in his home office combing his books for more ways to cut costs, but found he had trimmed as much as he could without making layoffs. Charles concluded he simply couldn’t avoid the abyss any longer. That’s why he called.

"It's time I gotta cut some folks loose," he said with that twang that betrays his southern roots. "Can I meet with you tomorrow?" I could hear in his voice the resignation that came with his difficult decision to hurt a few to save the rest, to save the business. As tough an old bird as he was, Charles felt personally to blame and took it hard that he had to hurt some of his employees. He knew what it was to work hard to get ahead.

The following Monday, Charles and I met to discuss the status of his business, what was in the pipeline, how the receivables looked, which positions could be consolidated, and how and when he was going to approach the layoffs. I was prepared to give him my standard advice about taking care to document the reasons for the layoff, to discuss possible severance packages and the like.

Charles had a core group of about forty office employees, top-level construction field supervisors and engineers that had been with the company for several years and kept the operation humming. Base level construction workers and certain specialists were hired on a project basis as independent contractors. Even though the work was still flowing, he was having some trouble collecting receivables, particularly ones that had aged, and the pipeline was uncertain. Charles was worried he would not be able to make payroll if things didn't improve. He refused to lay off his loyal employees, however, without offering them severance packages.

In the midst of crunching severance numbers, it struck me like a two by four that layoffs may not be the answer. After reviewing employee schedules, wages, outstanding receivables, current projects, leasing expenses and other monthly expenses necessary just to keep the lights on, I proposed that Charles consider a different approach. It wouldn't be easy – in fact, it probably would take more work on his part – but I was sure Charles could weather the storm without layoffs. At least it was worth a try.

Severance payments cost money. Unemployment claims raise your premiums. Not to mention the client and community good will that walks out the door along with laid off employees – especially employees like Charles' that had been with the company for years. They are the first line of contact for clients, vendors and the community as a whole. And what about that pipeline? If Charles' company were awarded a few contracts it had bid on, or if other work came in the door, he would have to hire replacement field supervisors and others if his laid off employees were no longer available. New employees take time to train and may demand better benefits and wages. Plus, layoffs cue other employees to consider leaving before they're next on the chopping block. Even if Charles planned only one round of layoffs, some remaining employees would likely go into survival mode and right out the door to another employer perceived as more stable.

Instead of layoffs, Charles and I devised a plan that included shortening certain employees' workweeks and a universal wage cut across the board. He would save the money he needed to save, avoid hurting his employees, and sidestep the downsides of layoffs. A few days after our meeting, Charles presented his plan to his employees. No one was happy about less take home pay, but most of Charles' employees were grateful that he took their well-being seriously enough to do what he could to avoid layoffs. There were some casualties, yes – a few could not bear the pay cut – but the company has thus far remained profitable by implementing creative, intermediate solutions in lieu of layoffs. Next month, the company is scheduled to break ground on a 400-bed dormitory at a major state university. Things are looking up.

In a bleak economy, layoffs may seem like the best defense against closing your business' doors. But consider closely whether layoffs will ultimately cost your business more than they save. Long-term solutions – not immediate relief measures – are the key to longevity and survival in this economy.