

# Keep or toss: Is a demotion a good alternative to termination?

If you're faced with an employee who isn't a good fit with his or her current job, is termination the answer or is demotion a better alternative? The answer is, of course, it depends.

Demotions should always be considered on a case-by-case basis. The main factor is whether or not the employee is worth keeping around; however, a demotion will be more effective in some situations than others.

**Poor performance.** If an employee is underperforming, you must first investigate to find out why. Is he simply unsuited for a particular role, but could thrive elsewhere? If so, he might be relieved at the opportunity to be moved back to a position that better suits his talents and skills. *Example:* An outstanding employee was promoted, but is floundering in a supervisory role.

**Misconduct.** Using demotion as a disciplinary tool for misconduct is dangerous. First, does it actually solve the problem, or will the employee carry those same issues to the other position? Second, is this consistent with similar situations in the past? Third, are you creating an unwanted precedent for how to deal with similar situations in the future? Finally, what kind of a message are you sending to other employees? ("Goof off and get punished with a lighter workload? Hey, I wanna get demoted, too!")

**Restructuring.** Losing a valuable employee during a company or departmental restructuring is difficult. It's tempting to try to shuffle the best performers into new roles, even if that means demoting some of them. It could be a good move if the demoted employees are truly appreciative to retain a job. It could be bad if other good workers lose their jobs as a result.

## Demotion dangers

There are plenty of other caveats that should be considered before choosing demotion over termination in any situation.

- An employee who agrees to a demotion only to avoid being fired may feel demoralized and have difficulty performing well even in his old, more comfortable position.
- The employee may be embarrassed, considering the public nature of the demotion, and also if the employee becomes a peer to employees he once supervised.
- If the demotion is accompanied by a corresponding pay cut, the demoted employee is likely to leave for a better-paying job. **Tip:** To entice demoted employees to stay, consider offering a bonus for staying on board, payable after a certain amount of time; offering a transitional salary that will allow them to get their finances in order; or keeping them at the same pay level, with the understanding that future pay increases will be less than they would have otherwise received.

**The bottom line:** Demotion can be a workable alternative to termination, if all the implications are factored in beforehand.

## So, you decide to keep him: Here's what to do

If you decide that demotion is a viable alternative to terminating a particular employee, knowing how to execute the demotion properly is essential to making it work.

- ✓ **Treat the employee with dignity and respect.** In fact, speak as if the entire conversation is being recorded, to be replayed in front of a jury.
- ✓ **Explain the reason(s) behind the demotion,** which should not come as a surprise to the employee. Poor performance should be documented and based on objective criteria; should contain no discrepancies or contradictions; and, of course, should never be falsified.
- ✓ **Explain the new job.** Present details on the new position you're offering the employee (job title, chain of command, responsibilities, pay, benefits, etc.).
- ✓ **Be prepared for a negative reaction.** The employee is likely to be angry or upset, and may balk, object or plead. Stay firm in your decision and be clear about the options you're presenting (i.e., "You have two choices: either you can accept this new position I've just described to you, or you can choose to resign from the company").
- ✓ **Have a plan in place if the employee decides to quit.** *Best-case scenario:* Give the employee the option to leave on good terms with a generous severance package. *Worst-case scenario:* Escort the employee to his desk/workspace to collect his belongings and immediately leave the premises.

## Remember, give reasons for your decision

When making an employment decision (such as demotion or firing), it's important for your words and actions to be consistent with your true reasons. It's equally vital that you document and provide witnesses for such decisions. The U.S. Supreme Court made this point clear in its decision in *Reeves v. Sanderson Plumbing Products Inc.*, an age discrimination case. (120 S. Ct. 2097)

Sound obvious? It's not. Many employers mistakenly believe it's better to say little or nothing at the time of decisions such as terminations, or to offer a less confrontational reason for their actions to avoid offending the employee or provoking a lawsuit.

Taking the path of least resistance, however, may backfire.

Under *Reeves*, if a court has reason to disbelieve your explanation, if only because of a feeling that you were unfair, insensitive or inconsistent, it could increase the risk of your being found guilty of discrimination, or at least having to go to trial when no discrimination has occurred.

## Final thought

The most successful demotions are the ones in which everyone agrees it is the best option. It is, however, a rare situation in which the employee truly wants to take a step back and the employer considers the employee an asset worth retaining. So it is highly important to think through a demotion decision and how you will carry it out.