

# How to cut work perks without damaging team morale

Ah, the joys of being a manager. By order from above, the company is eliminating its tuition reimbursement program, and you get to deliver the news to your team. How can you approach the matter without damaging team morale?

It won't be easy. Whether pizza Fridays are history or telecommuting opportunities are getting reduced, employees generally do not respond favorably to any perk cuts.

"It's important to realize that the strength of the emotions around these issues far surpass the quantifiable," says Ed Muzio, CEO of Group Harmonics and author of *Iterate: Run a Fast, Flexible, Focused Management Team*. "This makes the removal of even the simplest employee benefit a serious problem. You're changing the 'benefit for effort' equation for your employees and acting in conflict with what they've come to expect as fair."

## Transparency

For starters, avoid the urge to sugar-coat. Making the cut a bit more palatable often begins with a truthful explanation.

"You need to be very sincere when delivering the news and very honest and transparent about why the cutbacks are happening," says Steve Pritchard, HR consultant at Anglo Liners. "A lack of transparency is often the reason that employee backlash occurs in these situations. Employees will feel that if they are to lose a benefit, then at the very least they deserve to know why they are going to lose it. While they will still be frustrated, they will at least be able to appreciate why the decision had to be made."

Larry Sternberg, Talent Plus senior leader and co-author of *Managing to Make a Difference*, learned this first-hand while working in HR for a major hotel chain:

The company changed its health insurance benefits. Previously, it paid the entire premium on behalf of each employee. Going forward, employees would be required to pay part of the premium. I was assigned a group of hotels to visit and to explain the new plan. The corporate office sent me a canned presentation, which attempted to spin this development as if it were something good for the employees. OMG! I did not use that presentation. Instead, I told the employees in a plain and honest way what was happening and why. I said that I was not happy about it, and I knew they were not going to be happy about it. I explained that due to rising health care costs almost all companies were implementing similar plans. I invited them to ask their friends what was happening in their companies. I stated truthfully that the company had held onto the old plan much longer than many other companies, but we just could not do it any longer. Rising health care costs were taking a toll on us all.

Although nobody was happy about this development, they appreciated that I showed enough respect for their intelligence that I did not try to put a positive spin on it. I received the best evaluations among all the presenters who explained this at other hotels.

Also, remember that without the facts, people will feel free to fill in the blanks about the perk's elimination—which often results in rumors or unnecessary panic.

## **Fairness**

A loss also becomes a little more tolerable when employees know the change is widespread, not just affecting them or their department.

“Tread carefully around fairness,” Muzio says. “This doesn’t mean everyone always gets the exact same treatment, but it does mean paying attention to differences between groups. If snacks are being taken away from all employees in a certain part of the company, are their peers in other areas having the same experience or a different one? And, is there a highly visible executive lounge still populated with free treats? There’s no one right answer here, but try to find ways to create the reality (not just the perception) of fairness.”

## **Input**

Finally, if possible before instituting a cut, give workers a chance to make their voices heard. For example, maybe people would rather eliminate the annual holiday party than lose the bagel spread they enjoy at weekly staff meetings.

Involvement in the company’s operations and continued well-being can make employees more supportive of necessary changes.