

The Hogan Lovells logo is enclosed in a thin black rectangular border. The text "Hogan" is on the top line and "Lovells" is on the bottom line, both in a black serif font.

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Managing employee costs in a changing business environment

Decision-making at a time of
economic uncertainty



Introduction

At a time of global economic and geo-political uncertainty, employers need to understand their options for achieving financial savings while preserving business continuity and retaining their ability to respond quickly to improvements in the economic outlook.

This guide highlights some of the short, medium and longer term options for managing employee costs in a number of jurisdictions, to help employers protect their business, while operating within appropriate legal frameworks and cultural norms. Our green/ amber/ red coding highlights:

Green: Immediate actions such as overtime bans and recruitment freezes that can be implemented reasonably quickly in response to future uncertainty

Amber: Actions that preserve the workforce and maintain flexibility, but which may take more planning and consultation, such as short-time work or temporary salary reductions

Red: Longer term measures including those that involve workforce reductions on either a voluntary or compulsory basis

Please get in touch if you'd like further detail about the options or how to implement them effectively and in a way that minimises legal risk.

Germany



Options	Ease of implementation/ financial impact	Legal considerations
Overtime reductions	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Whether employees can be requested to work and are entitled to be paid for overtime depends on their employment contract. If there is no contractual right to overtime, employers can withdraw overtime with immediate effect. If the employment contract and/or works council agreements allow employers to choose between paying overtime and offering time off in lieu (TOIL), it would be possible to require employees to take TOIL instead of pay, or alternatively to agree this with employees.
Salary freezes	Easy to implement; moderate financial impact	<ul style="list-style-type: none"> Only truly voluntary pay increases can be stopped readily. In contrast, where employees are entitled to salary increases (due to individual agreements, tariff agreements, works council agreements or binding operational practice) they cannot be stopped without consent of the respective counterpart. Counterparts may demand concessions in return for freezing non-voluntary pay increases (e.g. temporary waiver of redundancies).
Hiring freezes	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Employers can implement a hiring freeze at any time and can stop recruitment exercises at any stage before a job offer is made and accepted. If an offer has been made and accepted, it may be possible to defer the employee's starting date by agreement (sometimes in return for a payment to encourage employees to accept a deferral). If he/she does not agree to the postponement the employment contract can be terminated (even prior to the beginning of the employment) observing the applicable notice period (unless otherwise agreed). New joiners do not enjoy protection against dismissal. Works councils must be informed about personnel planning and have a right to consult with the employer.
Terminating external personnel (agency workers or contractors)	Relatively easy to implement; moderate to significant financial impact depending on numbers	<ul style="list-style-type: none"> Termination of contractors or temporary workers can be implemented by not extending or terminating existing service agreements. In general, ordinary terminations do not require a particular justification. Termination without notice will usually not be an option. Agency workers and those who are genuinely self-employed do not have unfair dismissal rights. Termination of contractors or temporary workers can be implemented by not extending or terminating existing service agreements. In general, ordinary terminations do not require a particular justification. Termination without notice will usually not be an option.

Options	Ease of implementation/ financial impact	Legal considerations
Short-time working/ reductions in working hours	Relatively difficult to implement; high financial impact	<ul style="list-style-type: none"> Short-time work is the temporary reduction in operational working hours (including the complete cessation of work for a certain period of time, so-called "zero working hours" [<i>Kurzarbeit Null</i>]). This can apply to the entire operation or selected organizational units. Where short-time work applies, employees work less (on a temporary basis) and, accordingly, receive less remuneration from their employer during this period. This allows employers to reduce labour costs if, for example, supply chain interruptions occur or if an operation has to be shut down temporarily due to protective measures imposed by the government. Reductions in remuneration for employees will – under certain conditions – be made up for by the government (so-called "short-time work allowance" [<i>Kurzarbeitergeld</i>]) (as a rule, 60 to 67% of the net wage lost). Short-time work cannot be ordered unilaterally by the employer but requires an agreement with the works council or (if there is none) with the individual employees concerned. The granting of short-time work allowance requires a <u>significant reduction in working hours</u> which (i) is due to economic factors or uncontrollable circumstances; (ii) is temporary (i.e. there must be a certain likelihood that the operation will switch back to full-time work in the foreseeable future); (iii) is unavoidable (i.e. all reasonable measures must be taken to prevent a reduction in working hours); and (iv) where more than a certain number of the employees working in the operation or operational unit (not necessarily in the entire company) are affected by a loss in remuneration exceeding ten percent in a given calendar month.
Sabbaticals / unpaid or part paid leave	Relatively difficult to implement; high financial impact	<ul style="list-style-type: none"> Unpaid leave or unpaid sabbaticals cannot be granted against the employee's wishes. Employees will usually not agree to unpaid leave.
Withdrawing discretionary benefits	Moderately difficult to implement; moderate financial impact	<ul style="list-style-type: none"> Only truly discretionary (voluntary) benefits can be stopped readily. In contrast, where employees are entitled to benefits (due to individual agreements, tariff agreements, works council agreements or binding operational practice) they cannot be stopped without consent of the respective counterpart (see suspension of other benefits below).
Withdrawing other benefits	Very difficult; medium to high financial impact	<ul style="list-style-type: none"> As a rule, non-discretionary benefits cannot be suspended without the employees' consent (which usually cannot be achieved easily). At most it may be that underlying agreements (individual agreements, works council agreements) contain reservations of amendment or revocation which could apply. It is highly probably that the suspension of benefits will trigger co-determination of works councils unless limited to truly individual arrangements without a collective dimension.
Temporary salary reductions	Very difficult; medium to high financial impact	<ul style="list-style-type: none"> As a rule, (temporary) salary reductions can only be implemented with the employees' consent. Employees will however usually not agree to salary reductions (outside short-time work – see above) without considerable concessions or commitments for the future. Salary reductions outside of short-time work are very difficult to implement in practice.

Options	Ease of implementation/ financial impact	Legal considerations
Permanent salary reductions	Extremely difficult to implement; high financial impact	<ul style="list-style-type: none"> ▪ This would generally only be possible with employee consent / agreement with competent employee representatives. ▪ Dismissals with the option of altered conditions of employment [<i>Änderungskündigung</i>], i.e. a reduced salary, are only considered in very exceptional cases based on comprehensive restructuring plans if the company's existence is at stake. Such dismissals require substantial justification and are subject to strict legal scrutiny.
Permanent benefit reductions	Very difficult to implement; high financial impact	<ul style="list-style-type: none"> ▪ Again, it will generally only be possible to reduce contractual benefits with employee consent / agreement with competent employee representatives. ▪ At most it may be that underlying agreements (individual agreements, works council agreements) contain reservations of amendment or revocation which could apply.
Voluntary redundancy	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ Voluntary redundancies can be implemented either by truly individual agreements or – which is common in practice – by a voluntary leaver scheme (VLS) [<i>Freiwilligenprogramm</i>] which is addressed to several or even all employees. ▪ When implementing a VLS special attention must be paid to the selection of participants or the employer ultimate right of decision, respectively, principles of equal treatment and non-discrimination and mass dismissal implications (works council consultation, notification of authorities).
Early retirement	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ Employer and employee can mutually terminate the employment and convert it into an early retirement relationship [<i>Vorruhestandsverhältnis</i>] by way of an individual agreement. In return for terminating the employment the employee receives a monthly allowance of at least 65% of the most recent gross salary until he/she is eligible for regular or early old-age pension from the statutory pension scheme. ▪ As an alternative semi-retirement [<i>Altersteilzeit</i>] can be taken into consideration. Under this concept, employees however stay actively employed either until they retire (and work part-time) or half of the time until they retire (and work full time).
Redundancy while retaining critical skills	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ Redundancies can be implemented by mutual agreement (termination agreement with the employee) or dismissal. ▪ Termination agreements generally provide for severance payments taking the employee's length of service, remuneration and the prospects of a (hypothetical) notice of termination into account. ▪ Virtually any dismissal will be challenged in front of the labour court and court proceedings will be settled by concluding settlements which, again, provide for severance payments. ▪ Individual termination agreements can be concluded without involving works councils. In contrast, notices of termination can only be issued after individual consultation of the works council. ▪ If an employer terminates the employment (dismissal or termination agreement) of a certain portion of employees within a 30 day period <u>mass dismissal procedures</u> (advance notification of regional labour offices, works council consultation) must be observed. ▪ Such large-scale redundancies will also constitute an <u>operational change</u> [<i>Betriebsänderung</i>] which triggers comprehensive co-determination rights of the works council. In particular, a reconciliation of interests [<i>Interessenausgleich</i>] and a social plan [<i>Sozialplan</i>] must be negotiated.

Italy



Options	Ease of implementation/ financial impact	Legal considerations
Overtime reductions	Easy to implement; moderate financial impact	<ul style="list-style-type: none"> ▪ The overtime should be authorized by the employer/employee's manager ▪ Accordingly, the employer can deny authorize any overtime/instruct the employee to not perform overtime (unless they have been authorized/requested).
Salary freezes	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> ▪ Pay increases unilaterally decided by employer can be stopped, while salary increases due to individual agreements, company or national collective agreements or binding operational practice shall apply, unless the parties agree differently.
Hiring freezes	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> ▪ Employers can implement a hiring freeze at any time by stopping the recruitment at any stage before a job offer is made and accepted, since the applicants are generally not entitled to be hired. ▪ If an offer has been made and accepted by the employee the employment should start at the hiring date.
Terminating external personnel (agency workers or contractors)	Relatively easy to implement; moderate to significant financial impact depending on numbers	<ul style="list-style-type: none"> ▪ The conditions of terminating external personnel depend on the signed service agreements. ▪ In general, permanent relationship can be terminated with notice period under the contract or for agents under the law/collective agreements, while fixed term relationships can be terminated before the expiring date only for cause, in lack of cause the company shall pay commissions until expiration of natural term.

Options	Ease of implementation/ financial impact	Legal considerations
Temporary salary reductions	Highly difficult to implement; high financial impact	<ul style="list-style-type: none"> Temporary salary reductions cannot be implemented unilaterally. The salary constitutes an integral part of the individual terms & conditions of employment and can be reduced only with the consent of the relevant employee with an agreement signed before a protected venue (labour offices, unions, conciliation bodies)
Short-time working/ reductions in working hours	Highly difficult to implement; high financial impact	<ul style="list-style-type: none"> The reduction of working time/conversion of the full time into part time cannot be unilaterally imposed by the employer. Evaluate the opportunity to request/apply for furlough programs provided by law in case of decrease/shut down of the company
Sabbaticals/ unpaid or part paid leave	Highly difficult to implement; moderate financial impact	<ul style="list-style-type: none"> Unpaid leave or unpaid sabbaticals cannot apply without the employee consent and in any case employer shall pay the relevant social contributions.
Unpaid shutdowns	Highly difficult to implement; high financial impact	<ul style="list-style-type: none"> This can only be implemented in the context of furlough programs or, according to some national collective agreement, if the shutdown is determined by a natural disaster or a situation triggering force majeure.
Withdrawing discretionary benefits	Moderate difficult to implement; high financial impact	<ul style="list-style-type: none"> Benefits regularly granted to employees constitutes an integral part of the individual terms&conditions of employment and can be withdrawn or reduced only with the consent of the relevant employee (it is debated if an agreement before a protected venue applies – i.e. labour office, unions, conciliation bodies –. The employer may withdraw from discretionary benefits granting to the employee the economic value of the benefit
Suspending pension benefits	Highly difficult to implement	<ul style="list-style-type: none"> Pensions benefits and pensions schemes in Italy are provided by the law and national collective bargaining agreement and are mandatory, they cannot be suspended

Options	Ease of implementation/ financial impact	Legal considerations								
Permanent salary reductions	Highly difficult to implement; high financial impact	<ul style="list-style-type: none">A unilateral reduction of the employee’s salary by the employer is unlawful.								
Permanent benefit reductions	Highly difficult to implement; high financial impact	<ul style="list-style-type: none">Benefits regularly granted to employees constitutes an integral part of the individual terms&conditions of employment and can be withdrawn or reduced only with the consent of the relevant employee (it is debated if an agreement before a protected venue applies – i.e. labour office, unions, conciliation bodies –.								
Voluntary redundancy	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none">Voluntary redundancies shall be implemented through individual agreements between the parties.Please note that<ol style="list-style-type: none">it is customary to insert in the settlement agreement also employee's waiver to any claim against the employer (like salary differences, damages, etc.) andThe agreement should be formalized before a protected venue – i.e. labour office, unions, conciliation body – in order to have the provisions of such agreement immediately and definitely enforceable and valid.								
Early retirement	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none">An Early-retirement Pension requires to have meet the following criteria by the employee:<table><tr><td rowspan="2">As from</td><td colspan="2">Years of accrued social contribution</td></tr><tr><td>Men</td><td>Women</td></tr><tr><td>1 January 2025</td><td>42 and ten months</td><td>41 and ten months</td></tr></table>For employees who have up to 4 missing years to benefice of the early retirement, the employer may execute an agreement with unions to (early) terminate them by paying:<ul style="list-style-type: none">them the amount necessary to voluntarily contribute/reach the minimum provided by law;INPS the social security contribution on the above amount granted to the employees.	As from	Years of accrued social contribution		Men	Women	1 January 2025	42 and ten months	41 and ten months
As from	Years of accrued social contribution									
	Men	Women								
1 January 2025	42 and ten months	41 and ten months								
Redundancy while retaining critical skills	Highly difficult to implement; high financial impact	<ul style="list-style-type: none">Redundancies can be implemented with individual or collective dismissal.Individual dismissals for business reason can be implemented with the delivery of a dismissal letter unless the dismissing employee has been hired March 2015 in companies with more than 15 employees – in that case a mandatory previous procedure in the labour office shall apply-.If an employer who has more than 15 employee dismisses five or more employees (executives included) within a period of 120 days, the provisions for collective dismissal provisions apply.Collective dismissals can be implemented only once a preliminary consultation procedure with Unions (lasting up to 80 calendar days) has been properly fulfilled								
Permanent working from home	Easy to implement; moderate financial impact	<ul style="list-style-type: none">Permanent home office work shall be implemented by way of an agreement between the employer and the employee.								

The Netherlands



Options	Ease of implementation/ financial impact	Legal considerations
Overtime reductions	Easy to implement, moderate financial impact	<ul style="list-style-type: none"> Under Dutch law, employers are not obligated to provide overtime (pay) unless it is expressly stipulated in the employment contract or a collective labor agreement. However, employers must adhere to the requirements of the Dutch Minimum Wage Act. Overtime work generally requires the employer's prior instruction/approval. In the absence of a contractual entitlement to overtime, or a fixed and sustainable pattern, employers may reduce or discontinue overtime arrangements with immediate effect. Cease of overtime may require works council consent.
Salary freezes	Relatively easy to implement, moderate financial impact	<ul style="list-style-type: none"> Truly discretionary salary increases may be discontinued. Salary increases based on individual agreements, company policies, or binding operational practices may be withheld if valid legal grounds exist, i.e. compelling interest justifying a salary freeze such as significant financial hardship faced by the company. However, collective labor agreements often govern salary increases, including adjustments for inflation. As a result, the ability to impose a salary freeze is generally restricted when a collective labor agreement is in effect.
Hiring freezes	Easy to implement, moderate financial impact	<ul style="list-style-type: none"> Employers are legally permitted to impose a hiring freeze at any time prior to the acceptance of a job offer, as applicants do not have a legal right to appointment. Such a measure is lawful, provided it is not implemented in a discriminatory or misleading manner. Hiring freezes may be subject to works council consent.
Terminating external personnel (agency workers or contractors)	Easy to implement, moderate financial impact. Difficult to implement in case of disguised employment.	<ul style="list-style-type: none"> The employer's notice obligations, including the required notice period and other termination arrangements, are governed by the terms of the contract with the temporary work agency or contractor. However, if the relationship with the contractor is determined to constitute disguised employment, the contractor may be entitled to employee-like protections, such as severance pay and dismissal protection.

Options	Ease of implementation/ financial impact	Legal considerations
Temporary salary reductions	Very difficult to implement, high financial impact	<ul style="list-style-type: none"> Employer may temporarily reduce an employee's salary only under exceptional circumstances as it concerns pay and hours (<i>primaire arbeidsvoorwaarde</i>). Temporary salary reductions require either the employee's consent or in case of unilateral amendment a legally valid justification, such as provisions in a collective labor agreement or compelling business interests such as a clear economic necessity. The threshold for the latter is high. Implementation of temporary salary reduction may require works council consent.
Short-time working/ reductions in working hours	Very difficult to implement, high financial impact	<ul style="list-style-type: none"> Idem as temporary salary reductions
Sabbaticals/ unpaid or part paid leave	Very difficult to implement, high financial impact	<ul style="list-style-type: none"> It is permitted under Dutch law to agree upon a sabbatical by allowing the employee to take unpaid leave. However, imposing a period of sabbatical or unpaid leave without employee consent is not possible. Collective labor agreements may include provisions for sabbaticals or unpaid leave, which employers need to adhere to.
Unpaid shutdowns	Extremely difficult to implement, high financial impact	<ul style="list-style-type: none"> A temporary closure will not take away the obligation of the employer to continue wages until the employment agreement has been validly terminated. An unpaid shutdown is not possible under Dutch law, unless the employee provides informed consent to unpaid leave in writing or relevant arrangements have been made with trade unions.
Withdrawing discretionary benefits	Very difficult to implement, high financial impact	<ul style="list-style-type: none"> Pure discretionary benefits (provided that their non-binding nature is clearly documented) can in principle be stopped easily, as they can be considered a favor from the employer which can be reversed at all times. Employers may withdraw discretionary benefits only if they're not contractually agreed, embedded in a collective labor agreement, or established through consistent practice into an acquired right. Withdrawal of benefits may require works council consent.

Options	Ease of implementation/ financial impact	Legal considerations
Permanent salary reductions	Extremely difficult to implement, high financial impact	<ul style="list-style-type: none"> Employers in the Netherlands may not permanently reduce salary without employee consent or a justifying compelling business interest (including compliance with proportionality and fairness standards). Works council consent rights may apply.
Permanent benefit reductions	Highly difficult to implement, high financial impact	<ul style="list-style-type: none"> Employers cannot permanently reduce contractual, collective labor agreement-based, or customary employee benefits without consent or a justifying compelling business interest. Whether or not the change to benefits will be allowed will depend on the nature and conditions of the benefit. Pure discretionary benefits may be reduced, provided their non-binding nature is clearly documented, and they do not qualify as acquired rights. Any envisaged changes affecting groups of employees or workplace policy typically require works council involvement.
Voluntary redundancy	Moderately difficult to implement, high financial impact	<ul style="list-style-type: none"> Employers cannot impose redundancy without either approval from the Dutch Labour Authorities (UWV) or employee consent. Voluntary redundancy is formalized through a written agreement that outlines termination terms, compensation and notice period. Employers must provide a valid compelling business rationale and typically offer at least statutory severance, with higher packages used to incentivize acceptance. If 20+ employees are dismissed within 3 months, notifications to the trade unions and UWV is mandatory in the context of the Collective Redundancy (Notification) Act. Moreover, works council consultation rights may apply.
Early retirement	Highly difficult to implement, high financial impact	<ul style="list-style-type: none"> Employers cannot unilaterally force early retirement, even with financial incentives, as it violates Dutch and EU anti-discrimination laws. Employers can offer retirement packages up to 3 years before retirement age, using the RVU exemption to avoid tax levy.
Redundancy while retaining critical skills	Moderately difficult to implement, high financial impact	<ul style="list-style-type: none"> Dutch law requires employers to apply the reflection principle, categorizing employees by age and tenure within job categories to determine order of dismissal. Employers may retain indispensable workers if they possess unique, business-critical skills, though this must be well-documented and justified to the UWV or court. If 20+ employees are dismissed within 3 months, notifications to the unions and UWV is mandatory in the context of the Collective Redundancy (Notification) Act.
Permanent working from home	Relatively easy to implement, moderate financial impact	<ul style="list-style-type: none"> Permanent working from home generally requires employee consent, unless the employer can demonstrate a compelling business interest. If permanent remote work results in increased costs (e.g. electricity) for the employee, the employer may be required to provide an additional allowance.

United Kingdom



Options	Ease of implementation/ financial impact	Legal considerations
Overtime reductions	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Whether employees have a right to work and be paid for overtime depends on their employment contract. If there is no contractual right to overtime, employers can withdraw overtime with immediate effect, although it would be sensible to discuss this with a recognised trade union if relevant. If policies allow employers to choose between paying overtime and offering time off in lieu (TOIL), it would be possible to require employees to take TOIL instead of pay for future overtime, or alternatively to agree this with employees.
Salary freezes	Easy to implement; moderate financial impact	<ul style="list-style-type: none"> Employees generally do not have a contractual right to an annual pay increase so employers can simply decide not to implement pay rises. Employees may be contractually entitled to length of service increments – this is much more common in the public sector than the private sector. Employers may need to discuss and possibly agree salary freezes with a recognised trade union or a works council (although works councils are still uncommon in the UK).
Hiring freezes	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Employers can implement a hiring freeze at any time and can stop recruitment exercises at any stage before a job offer is made and accepted. If an offer has been made and accepted, it may be possible to defer the employee's starting date by agreement (sometimes in return for a payment to encourage employees to accept a deferral). It is often possible to terminate a contract before an employee has commenced work on short notice, often one week, although the relevant notice period will depend on the terms of the contract.
Terminating external personnel (agency workers or contractors)	Relatively easy to implement; moderate to significant financial impact depending on numbers	<ul style="list-style-type: none"> The contract with the relevant temporary work agency or contractor will contain the termination provisions, including how much notice the employer is required to provide. Agency workers and those who are genuinely self-employed do not have unfair dismissal rights.

Options	Ease of implementation/ financial impact	Legal considerations
Temporary salary reductions	Very difficult to implement; high financial impact	<ul style="list-style-type: none"> It is very unlikely that an employer will have a contractual right to reduce pay unilaterally, so this will be possible only with the consent of employees or a recognised trade union.
Short-time working/ reductions in working hours	Relatively difficult to implement; high financial impact	<ul style="list-style-type: none"> Reducing working hours and in consequence pay unilaterally is likely to be a breach of contract, so this will be possible only with the consent of employees or a recognised trade union. Employees (or unions, especially in the manufacturing sector) are sometimes prepared to agree to short-time working on a temporary basis, often as an alternative to compulsory redundancies.
Sabbaticals/ unpaid or part paid leave	Relatively difficult to implement; high financial impact	<ul style="list-style-type: none"> Requiring employees to take a period of sabbatical/ unpaid leave unilaterally is likely to be a breach of contract, so this will be possible only with the consent of employees or a recognised trade union. Employers can offer sabbaticals and encourage employees to take them. Employers may decide to offer employees part-paid sabbaticals at a percentage of normal salary to incentivise them to take time off.
Unpaid shutdowns	Hard to implement; high financial impact	<ul style="list-style-type: none"> This is generally possible in the UK only where provided for in the contract or with employee consent (or union consent if there is a recognised union).
Withdrawing discretionary benefits	Moderately difficult to implement; moderate financial impact	<ul style="list-style-type: none"> It is possible to withdraw genuinely discretionary benefits unilaterally although the employer needs to act in accordance with the implied duty of mutual trust and confidence, which might affect the speed with which it can act. In practice employees are often contractually entitled to benefits, in which case withdrawing them unilaterally will be a breach of contract. It might be possible to agree a temporary suspension of benefits with employees, often as an alternative to compulsory redundancies.

Options	Ease of implementation/ financial impact	Legal considerations
Permanent salary reductions	Extremely difficult to implement; high financial impact	<ul style="list-style-type: none"> ▪ This would generally only be possible with employee consent/ agreement with a recognised trade union. It will soon become automatically unfair to dismiss employees and offer to re-engage them on new terms such as lower pay. ▪ Imposing a salary reduction unilaterally will be a repudiatory breach of contract.
Permanent benefit reductions	Very difficult to implement; high financial impact	<ul style="list-style-type: none"> ▪ Again, it will generally only be possible to reduce contractual benefits with employee consent/ agreement with a recognised trade union.
Voluntary redundancy	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ It is possible to offer staff the ability to take voluntary redundancy, often as part of a wider redundancy exercise. ▪ Care needs to be taken to ensure that the employer is free to accept or reject volunteers, to make sure it retains an appropriate balance of skills. ▪ Voluntary redundancies will trigger collective consultation obligations, depending on the numbers.
Early retirement	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ It is possible to offer employees early retirement subject to the rules of any pension scheme. ▪ Employers need to consider the risk of age discrimination claims if they are making offers only to employees at or above a certain age unless a relevant age discrimination exemption applies. ▪ Depending on the numbers involved, offering early retirement may trigger collective consultation obligations.
Redundancy while retaining critical skills	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> ▪ Employers can generally decide to use redundancy selection criteria that will allow them to retain employees with critical skills providing that the chosen criteria are sufficiently objective. ▪ It is becoming more difficult to dismiss employees who are on, or who have recently returned to work from, certain types of family-related leave. ▪ Individual redundancy consultation will be required in all redundancy dismissals. ▪ Collective redundancy consultation lasting 30 or 45 days will be required with trade unions or employee representatives if 20 or more employees will be dismissed within 90 days. Penalties for failing to comply are increasing to 180 days' pay.
Permanent working from home	Relatively easy to implement depending on contracts; moderately high financial impact	<ul style="list-style-type: none"> ▪ It is already very common for employees in the UK to work from home on a hybrid basis. ▪ Employers may have a contractual right to direct employees to work fully from home, which they would be able to implement provided they did so in accordance with the implied duty of mutual trust and confidence. It would also be sensible to discuss this with a recognised trade union and with employees in advance. ▪ In practice however, many employers are encouraging employees to return to the office on a more regular basis.

United States



Options	Ease of implementation/ financial impact	Legal considerations
Overtime reductions	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Employers can require all employees to get pre-approval before working overtime, or outright prohibit working overtime, and employers can discipline employees who break that rule. However, if an employee works overtime, he/she must be paid accordingly even if it was in violation of a company policy. All wages, regular and overtime, must be paid on time in accordance applicable federal, state and local law.
Salary freezes	Easy to implement; moderate financial impact	<ul style="list-style-type: none"> A salary freeze generally poses no legal risk unless it violates an employment agreement or a collective bargaining agreement. Employers should avoid implementing salary freezes in a way that could be perceived as discriminatory (e.g., freezing salaries for certain groups of employees based on age, gender, or other protected characteristics).
Hiring freezes	Relatively easy to implement; moderate financial impact	<ul style="list-style-type: none"> Hiring can be stopped readily without legal risk, provided there are no pending offer letters that are contractual and guarantee a certain term of employment or start date. Employers should ensure that hiring freezes are implemented in a non-discriminatory manner to avoid claims under Title VII of the Civil Rights Act, the Age Discrimination in Employment Act (ADEA), or other anti-discrimination laws. If the hiring freeze applies to unionized positions, employers should review any collective bargaining agreements to ensure compliance with notice or bargaining obligations.
Terminating external personnel (agency workers or contractors)	Relatively easy to implement; moderate to significant financial impact depending on numbers	<ul style="list-style-type: none"> Termination of contractors or temporary workers can be implemented by not renewing or extending existing contracts or in accordance with any applicable terms of the governing agreement. Employers should review applicable termination provisions in contracts, including notice periods, early termination penalties, and any obligations to pay for work already performed. Employers should also ensure that contractors are properly classified as independent contractors under federal and state laws (e.g., the ABC test in certain states like California). Misclassification could lead to liability for unpaid wages, overtime, and benefits.

Options	Ease of implementation/ financial impact	Legal considerations
Temporary salary reductions	Moderate to implement; high financial impact	<ul style="list-style-type: none"> In the U.S., most employees are considered at-will, meaning employers can modify terms of employment, including salary reductions, as long as the changes are not discriminatory or retaliatory. Employers must provide advance notice of salary reductions and ensure compliance with applicable state wage laws for non-exempt employees (e.g., minimum wage requirements, overtime). For exempt employees, salary reductions must not violate the Fair Labor Standards Act (FLSA) or applicable state or local law, which requires such employees to receive a fixed salary above a certain threshold to maintain their exempt status.
Short-time working/ reductions in working hours	Moderate to implement; high financial impact	<ul style="list-style-type: none"> Employers can generally reduce hours for at-will employees, but must comply with the Fair Labor Standards Act (FLSA). For non-exempt employees, employers should ensure minimum wage and overtime rules are followed. For exempt employees, salary reductions must not drop below the FLSA or applicable state or local exempt salary threshold to maintain exempt status. Employers should also review state-specific laws for notice requirements or restrictions on hour reductions and also ensure compliance with the Affordable Care Act (ACA), as reduced hours may affect health insurance eligibility or trigger COBRA requirements. For employees covered by collective bargaining agreements (CBAs), reductions of hours may require union negotiations.
Sabbaticals/ unpaid or part paid leave	Relatively difficult to implement; high financial impact	<ul style="list-style-type: none"> Employers can offer voluntary sabbaticals and incentivize employees to take them by providing partial pay or other benefits. Employers should ensure compliance with state and federal leave laws, such as the Family and Medical Leave Act (FMLA), if applicable.
Unpaid shutdowns	Hard to implement; high financial impact	<ul style="list-style-type: none"> Employers must comply with the federal WARN Act and applicable state WARN Acts, which require 60 days' notice for mass layoffs or plant closures affecting a certain number of employees. Employers should also consider the impact on employee benefits and ensure compliance with state wage laws. Employers must also ensure that employees perform no work at all during the unpaid period, and/or employers must compensate employees if they work during the unpaid period.
Withdrawing discretionary benefits	Moderate to implement; moderate financial impact	<ul style="list-style-type: none"> Employers can generally withdraw discretionary benefits (e.g., bonuses, perks) unilaterally. Certain benefits, such as business expense reimbursements or vacation policies, may be governed by state laws or company policies, which could limit the employer's ability to withdraw them entirely.

Options	Ease of implementation/ financial impact	Legal considerations
Permanent salary or benefit reductions	Moderate to implement; high financial impact	<ul style="list-style-type: none"> For Health and Welfare Plans, employers must ensure compliance with the Affordable Care Act (ACA). For Retirement 401(k) Plans, employers can consider implementing a Multiple Employer Plan (MEP) instead of sponsoring their own plan, subject to state requirements. For Short-Term Incentives, which are often discretionary, employers can remove, but should evaluate the impact on employee retention.
Voluntary redundancy	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> Employers should ensure the program is neutral and objective to avoid claims of disparate treatment or violations of discrimination laws, such as Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act (ADEA), the Americans with Disabilities Act (ADA), and applicable state and local anti-discrimination laws. Depending on the size of the workforce and impacted population, employers may have notice obligations under the federal WARN Act or state WARN Acts. Employers should plan for potential operational challenges if employees with critical skills accept the offer.
Early retirement	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> Similar to voluntary redundancy, employers must mitigate the risk of age discrimination claims, especially if offers are made only to employees above a certain age. Employers should also draft early retirement offers carefully to avoid claims of coercion or pressure. Employers should ensure compliance with applicable laws, including the ADEA, Older Workers Benefit Protection Act (OWBPA), Employee Retirement Income Security Act (ERISA), WARN Act, and state laws.
Redundancy while retaining critical skills	Moderately difficult to implement; moderately high financial impact	<ul style="list-style-type: none"> Layoffs may trigger obligations under the federal WARN Act or state WARN Acts. Employers conducting a Reduction-in-Force (RIF) should use objective and legally defensible criteria (e.g., performance, seniority, or business needs) to avoid claims of discrimination or unfair treatment. Employers should plan to retain employees with critical skills to maintain operational continuity.
Permanent working from home	Relatively easy to implement; moderately high financial impact	<ul style="list-style-type: none"> Employers should draft a clear and comprehensive remote work policy and distribute it to employees. Employers should also implement systems to track time for hourly employees and ensure confidential data protection. While drafting their policies, employers should also check applicable state laws for compliance, such as requirements for reimbursement of teleworking expenses in certain states (e.g., California).
Permanent salary or benefit reductions	Moderate to implement; high financial impact	<ul style="list-style-type: none"> For Health and Welfare Plans, employers must ensure compliance with the Affordable Care Act (ACA). For Retirement 401(k) Plans, employers can consider implementing a Multiple Employer Plan (MEP) instead of sponsoring their own plan, subject to state requirements. For Short-Term Incentives, which are often discretionary, employers can remove, but should evaluate the impact on employee retention.