

Staff Personnel Cost Reduction Hierarchy

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The following provides one framework for thinking about how and when personnel cost saving tools might be used rather than absolute distinctions. The hierarchy ranges from immediate, short term reductions to longer term reductions, to restructuring of operations. In addition, a unit may use a combination of tools, except that employees who accept reductions in their workweek or contract year as an alternative to layoff should not also be furloughed or laid off in the absence of extenuating circumstances.

| Objective & Related Tools: | Effective until: | Employee notice period | Considerations | Requirements | Effect on PERS service credit | Leave accrual and usage | Other |
|---|--|---|--|---|---|---|---|
| <i>Respond to Current Year Budget Shortfall:</i> | | | | | | | |
| • Hiring delays or freezes | | | May leave essential positions unfilled and impact transition. | | | | |
| • Terminate Student & Other Temporary | | None | May be least expensive employees. | Avoid illegal reason for selection. | | | |
| • Furlough | Effective until end of current furlough plan | 60 days after president's approval of plan | For budgetary shortfall | Comply with UA reg; negotiate with represented groups | PERS service is reduced for unpaid time > 10 days/year | Reduced leave accrual rate; no use of leave on furlough days | Prospective salary reduction preferable for exempt employees for FLSA reasons |
| <i>Respond to Longer-Term Budget Shortfall:</i> | | | | | | | |
| • Reduction in contract year (example: 12 mo to 9 mo) voluntary or as alternative to layoff | Effective until UA opts to increase | Same as for layoff (4 wks. to 3-6 mos.), except term employees at end of term); reasonable time to consider reduction | Time off contract can occur during unit's slower cycle and/or at employees' preference | Employees must be paid for any work performed while off contract (weekly salary for exempt) | PERS service is reduced for unpaid time > 10 days/year; ORP vesting reduced | No accrual of, or use of, annual or sick leave while off contract | No pay while off contract. Employee benefit deductions will be on 19-pay schedule |
| • Reduction in scheduled work-week (example: 40 hours/week to 32) voluntary or as alternative to layoff | Effective until UA opts to increase | Same as for layoff (4 wks. to 3-6 mos.), except term employees at end of term); reasonable time to consider reduction | Employees can be scheduled for Mondays or Fridays off, shorter workdays, etc. | Nonexempt employees must be paid for all hours worked (with OT for hours > 40/week) | PERS service credit reduced if scheduled work week is less than 30 hours/week | Reduced leave accrual rate | Consistent pay throughout year. <i>Preferable reduction option for exempt employees (FLSA)</i> |
| • Nonrenewal of term employees | Effective until UA opts to refill | None required | | Avoid illegal reason for selection | | | |
| • Voluntary separation incentives | | 45 days with formal VSP | Cost of incentive; Cost of replacement | Avoid discrimination and obtain effective release | | | PERS retirees can be rehired if <15 hrs/ week or bona fide temporary |
| <i>Respond to Longer Term with Restructuring</i> | | | | | | | |
| • Layoffs to downsize, eliminate or restructure operations | Remains in effect unless UA opts to recall w/in 1 year | 4 weeks for non-exempt staff; 3-6 months for exempt | Less impact on unit if non-essential functions/ positions are eliminated | Comply with UA reg for reorganization and selection for layoff | | | Employees in layoff status with layoff benefits for 1 year |