



Managing the adverse effects of an economic downturn on employee remuneration

By Geoffrey E. Odongo



The economic downturn expected in the wake of the corona virus pandemic has forced businesses to employ a number of cost cutting measures in order to maintain operations. One of the measures that has been effected by many companies is reduction in employee remuneration. Such a measure, although considered necessary to manage the cash flow of businesses, may have the unfortunate consequence of decreasing employee morale and lowering work-place productivity.

Fortunately, many of businesses, although facing a present cash flow challenge continue to have a viable underlying business. The major constraint for such businesses mainly arises from the slow-down directly linked to the measures put in place by the government to curb the spread of the pandemic. In order to manage the negative impact on employees arising from cost cutting at this difficult time companies that do not have in place employee share plans could consider putting them to use.

It is noteworthy that employee share ownership plans have been associated with improved business

outcomes and greater employee engagement. Traditionally the plans were designed to help small companies attract and retain the employees they need by rewarding these employees for taking a risk and investing their energy and skills in helping the company achieve its potential. However, the plans could also be used during the post pandemic period so as to align employee interests with those of management and shareholders so as to harness positive attitudes and motivate employees to support the business in tackling the challenges facing the business. In addition, the employee share ownership plans have the advantage of creating greater employee engagement and a better understanding of the challenges facing the business hence increasing productivity and results.

Moreover, employee share ownership schemes involve relatively simple administrative arrangements in comparison to other arrangements. This means that time and costs spent by employers can be kept to a minimum, leaving them free to focus on running their businesses.