When it comes to working in sales, a pay cut is something that no employee wants to experience. Salespeople as well as other employees, are valuable assets of an organization and should be treated accordingly. However, with an ailing economy, employees have no other choice but to tolerate a pay cut. This leads to a workplace filled with negativity, decreased productivity, and lower morale. Many employees bite their tongues and sacrifice their salary in order to keep their job. Even though it might be better to cut wages rather than downsize, salespeople should be given incentivized pay plans because it will motivate them to work even harder and improve workplace morale.

Many businesses are cutting costs due to the sluggish economy. An employee’s salary is usually first on the chopping block. Many people would rather see a trimmed salary rather than lose their jobs. According to McGregor (2009), “In a time of rising unemployment and battered business models, some praise pay cuts as a welcome alternative to layoffs.” However, human resource experts argue that pay cuts are a result of corporate cowardice, and that managers are paying little attention to the dangers of pay cuts. Across-the-board pay cuts have an impact on morale, and it’s very difficult to rebuild motivation. Telling a stellar employee that he/she will be taking home less money this year seems like a sure recipe for undermining enthusiasm. “What used to feel like a good place of employment could suddenly feel like a trap,” as stated by McGregor (2009). There are other alternatives to cutting an employee’s pay. It is important for a business to weigh their options before heading straight for the paychecks of their employees. If businesses don’t make cautious decisions, they will watch some of their best employees walk out the door.

It has been proven through research that salespeople work more efficiently with an incentivized pay plan. According to Hopkins, Lopez, and Raymond (2006), “Compensation plans, including salary, commissions, incentives, promotion, recognition, and rewards are critical in motivating salespeople. The compensation plan helps influence salespeople to achieve both individual and organizational goals.” Salespeople are more focused on the task at hand when there is a reward involved. They feel like their hard work is gaining recognition, and they also feel more appreciated. This will motivate them to work hard in order to achieve target goals. If you take that away from them, there will be a significant decrease in enthusiasm. In order for a business to remain profitable, sales employees need to be enthusiastic and engaged. This is why incentivized pay plans are so important for a salesperson. Hopkins, Lopez, and Raymond (2006) go onto say, “Sales effort is often multidimensional and may involve aspects such as after-sale support and building customer relationships, effective compensation plans must also take into account the different dimensions or tasks that comprise a salesperson’s effort.” Successful salespeople should be rewarded, because the job is difficult, and often conducted in some isolation which requires a lot of self-discipline. With research and initiative, sales managers can explore various compensation plans for their employees that benefit both the employee and the business.

There comes a time where a business has no other option but to cut an employees pay. Pay cuts can have a very negative effect on employees and businesses alike. According to Frost (n.d.), “While pay cuts provide short-term benefits to your company’s finances, you could pay for them down the road due to morale problem.” The issue is that workplaces can become filled with decreased productivity, lower morale, and reduced loyalty resulting from a pay cut. In today’s day and age, it seems as if people are working more for less pay. Businesses across the country are cutting back, and many employees can relate to the detrimental effects that are caused by a pay cut. As Korbe (2009) stated, “Neither a pay cut nor furlough has to ruin you financially.” There are resources available that will help increase awareness and promote financial literacy for those in need. Every employee should be able to obtain advice on how to overcome the financial strain resulting from a pay cut.

It is clear that pay cuts are better than layoffs, but morale and efficiency in the workplace is of the utmost importance. Offering an incentive or higher pay plan will keep an employee engaged and motivated. It is important for businesses to strike a healthy balance between remaining profitable and treating their employees well. The mantra for success is for a business to take care of their employees, who will in turn, take care of the business.