



sorbet

RECESSION PROOF
**YOUR BUSINESS ONE DAY
(OFF) AT A TIME**





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In this guide, we explore the importance of people & cash flow during a recession, and look at how CFOs can respond to current challenges by leveraging unused paid time off to deliver cost savings.

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With inflation rocketing, interest rates increasing, and consumer confidence dropping, the US economy appears to be on the **brink of recession**. In fact, the likelihood of it happening in the next 12 months is at an eye-watering 44%, according to a recent Wall Street Journal survey¹.

So, what can CFOs do to navigate the worrying economic reality? Build resilience to prepare for the unknown. In this guide, we show you how.

We'll start with a focus on the Great Resignation, stagnation, and current challenges for CFOs. We'll look at the need to think about people as well as cash flow management during a recession. And then we'll consider the way forward, exploring how a focus on unused paid time off (PTO) can deliver cost savings and help recession-proof your business.

From the Great Resignation to greater stagnation?

The Great Resignation continues to hurt businesses big and small. According to the US Labor Department, approximately **4.5 million** people quit their jobs in March 2022, leaving **11.5 million** unfilled posts – the highest level in over 20 years². This is contributing to a booming post-pandemic job market, with workers now enjoying greater bargaining power.

In a recent Society for Human Resource Management study, **53%** of respondents said “better compensation” had prompted their job search³. And with job switchers getting paid approximately **7%** higher than

job stayers, the switchers’ strategy appears to be working⁴. In this market, candidates have leverage.

It’s not just about pay though. To attract and retain talent, companies are having to invest more in their people, and spread their investment across a wider range of benefits – from financial incentives and wellbeing perks to flexible hours and hybrid work enabled devices.

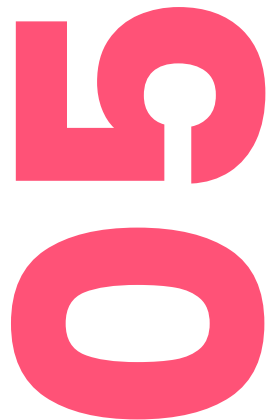
But what happens if the economy continues to stagnate and we head into a recession? The traditional approach is to reduce

employee benefits, pause bonuses, and in some scenarios, make redundancies. Yet this conflicts with the current job market, creating complex challenges for CFOs to overcome.





From the Great Resignation to greater stagnation?



The changing challenges for CFOs today



High recruitment/ turnover costs

As the cliché goes, it's a lot more expensive to hire employees than retain them. With the current job market resulting in more resignations, the recruitment/termination costs are snowballing.



Limited ability to predict cash flow:

Effective cash flow management is key to survival during economic downturns. But a recession may also exacerbate some financial blind spots, preventing CFOs from accurately predicting their cash flow. Without the right forecast, some companies may not be able to meet their obligations.



The inflation effect:

Wages are up, and they're expected to keep rising as companies compete to attract the best talent. This increases operating expenses and eats away at the bottom line.

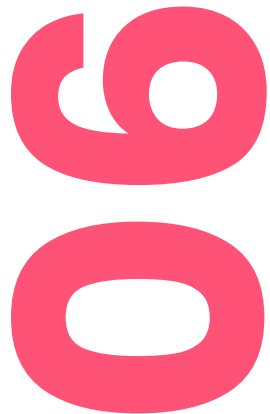
\$3,000. That's the average annual PTO accrued liability per employee. In some cases, an employee's annual PTO accrued liability can be as much as **\$10,000**

What role does PTO play in all this?

With the average annual PTO accrued liability per employee at \$3,000, unused PTO is an issue that you're probably already aware of. However, it's one that many CFOs simply absorb at year-end as they don't know how else to deal with it. Is this really a viable financial strategy with a recession looming?



The people-first approach to riding the recession



When a recession hits, cost-cutting is the go-to strategy for many CFOs. It's a tried-and-tested methodology that works effectively, especially if you're looking to reduce costs fast. However, it's not a strategy that should apply to your people. Taking benefits away demotivates your employees, damages company culture, and kills productivity.

It's important to remember that employee issues are money issues. For this reason, there needs to be greater collaboration between Finance and HR to find answers that are good for business and good for

people. And that's why a cost-saving strategy may be more suitable.

Let's look at this using PTO as an example.

Unused PTO: bad for your balance sheet, worse for your people

When it comes to PTO, Finance thinks it's an HR issue, and HR thinks it's a Finance issue. That's because you're coming at it from different angles.



Finance sees dollars



HR sees time

In reality, it's both: time is money. But while both departments want employees to take vacation, the reality's that there will always be time that just can't be taken. And when that unusable time only comes out at year-end or the termination of a contract, it's a huge drain on your employees' wellness, and your company's bottom line.

Therefore, HR and Finance need to figure out how to empower employees with a choice about PTO. How can they make use of the unusable time? How can you make it a source of competitive advantage?



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The people-first approach to riding the recession

How unused PTO can keep your employees happy during a recession?

During this period when gas prices, mortgages, and cost of living are sky-high, giving employees the choice to use their PTO in a way that works for them provides real added value, financially and emotionally.

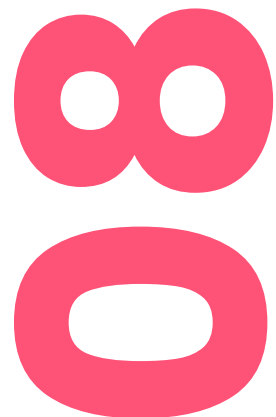
But how? By providing them with the freedom to cash out the unusable portion of their PTO, easing pressure and stress.

This option helps to attract and retain talent, plus it increases employee satisfaction and wellbeing, creating a happier and more

productive workforce. And while maintaining workforce morale and culture is key to success at any time, it's especially important to have a motivated workforce to help get you through the difficult period of a recession.

What happens if your employees have an emergency?

Life isn't always fair, and emergencies can happen at any time without a moment's notice. How are your employees supposed to afford these unexpected costs during a recession?



The people-first approach to riding the recession

Emergency:
Car breaks down
\$2,000 bill

Traditional cash flow options

Credit card: You pay the bill through a high-interest line of credit which must be paid back within a certain time frame. A short-term fix but expensive in the long run.

Advance payday scheme: You pay the bill through an advance on your paycheck. But it's for work you haven't even done yet, giving you less money in the future.

Strapped for cash? Learn how Sorbet can give your employees additional compensation early with a pre-paid card that can be used anywhere or anytime.

Innovative cash flow solutions

PTO solutions: You pay the bill by exchanging the unusable portion of your PTO for cash, which means **you don't need to worry about paying it back**. You've already earned the cash; you just get to access it at a time that's convenient for you.

How a people-first approach can help you outlast a recession

Great people make great companies so whatever the economic climate, it's important to keep their interests as a high priority. If you continue investing in your people, you're likely to emerge from the recession in a stronger position, better placed to take advantage of a healthier market. But what about before the recession?



Leveraging unused PTO to save costs and build a recession-proof business

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So, your employees can help your company triumph during recession, but what mechanisms can CFOs put in place to ensure the victory?

One solution is to build financial resilience into your operating model before recession hits, leveraging cost-saving strategies that help you come out on top of the difficult economic period. This is where PTO solutions like Sorbet can help, providing novel ways to recession-proof your business.

Reduce PTO liabilities, make cash flow more predictable

Recessions impact businesses in myriad ways but are typically characterized by tighter credit conditions, slower demand, and general fear and uncertainty. So, how can focusing on PTO ease these?

First, it's important to remember that unused PTO balloons with pay increases. Take an employee earning **\$65,000** per year as an example. While the cash value of an accrued vacation day may have been **\$250** at the start of the year, this figure increases to **\$265** once wage inflation – averaging **6%** in the US – is added. Then factor in annual increases and the value of the accrued

vacation day rises further to **\$281**.

This means that when an employee leaves a company, employers face expensive payouts – and they have to pay out unused PTO according to current wage inflation rates. Consider today's market where employees are leaving more often, whether through choice or redundancy, and you'll quickly realize how PTO payouts can become a huge problem.





Leveraging unused PTO to save costs and build a recession-proof business

How Sorbet can increase your tax deductions fourfold

When employees cash out unused PTO with Sorbet, they're protected from tax risks like the constructive receipt. But it's not just employees that experience tax benefits with Sorbet; companies can increase their tax deductions by up to four times more.

While accrued PTO isn't tax deductible, US tax law allows companies to estimate how many vacation days employees would take in the first **2.5 months** of the year. The value (dollar amount) of those estimated vacation days alone can be tax deductible

but the remaining PTO isn't.

By refinancing accrued PTO liabilities with Sorbet, companies can transform an accrued expense into a tax-deductible expense.

Therefore, it's never be ensuring greater control and predictability of cash flow en more important for CFOs to proactively look for ways to mitigate this unpredictable expense in advance. This can be achieved if unused PTO can be turned into a regular payable expense, ensuring greater control and predictability of cash flow, and enabling

CFOs to forecast finances more accurately during potential economic uncertainty. In essence, reducing PTO liabilities helps to ease financial pressure and free up alternative revenue streams to be invested back into the company.

It's a smarter way of saving costs to keep the wheels turning. And, unlike a short-term cost-cutting strategy, it sets you up for long-term success.

See how much you can save with Sorbet
Try our free calculator to find out how much money Sorbet can save your company.

PTO





Make people and finance work together



Whether the economy is booming or stagnating, a focus on people is good for finance and good for business. In uncertain times, effective cash flow management keeps your business running, but it's your people that can make your business run stronger.

As a result, a smart approach to recession is to invest in your people through a creative, cost-saving strategy. From a people perspective,

giving your employees additional compensation early can help reduce financial stress and make them feel valued, thereby incentivizing them to invest more time, energy, and loyalty into the company. And from a financial perspective, it can help you turn unpredictable liabilities into predictable expenses, meaning you can forecast more effectively and navigate your business through uncertain times.



Set up Sorbet in three quick steps:

01

Have an initial discovery meeting with us.

02

Determine which employees are eligible.

03

Roll out Sorbet to eligible employees and enjoy better financial wellness for all.



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Unlock your cash flow freedom with Sorbet

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Sorbet buys **unusable™** PTO from employees and refinances liabilities for companies. Our unique solution gives employees the choice to cash out the days they haven't used rather than letting the 'loan' accumulate, turning an unpredictable, ballooning liability into a controllable, cost-saving expense. To find out how Sorbet provides a win-win, recession-proof solution for both employer and employee, schedule a free consultation using the button below.

[Schedule a consultation](#)

Or

Talk to us at:
info@getsorbet.com



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