

CLIENTS COULD INCUR UNEXPECTED EXPENSES WHEN CUTTING STAFF - CUATRECASAS, GONÇALVES PEREIRA

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Companies making staff cuts could end up incurring substantial unforeseen expenses, rather than cutting costs, warns Maria da Glória Leitão, partner at Cuatrecasas, Gonçalves Pereira in Lisbon.

While traditionally perceived to be an area that is easy to reduce on a short-term basis, the current trend of trying to cut back on the payroll regardless of whether the demand is still there means that some companies are actually creating more long-term expense, argues Da Glória Leitão. "When an employee leaves, some companies just can't hire another one to directly replace them, so they automatically revert to hiring through an outsourcing company or a temping agency," she says. "However, if the need is still a permanent one, hiring an employee on a contract that's normally used on a temporary or exceptional need basis, means assuming the obligations of the payroll and the extra contingencies that come with this – it also creates potential legal issues, for which these companies will need expert advice." Da Glória Leitão adds: "Companies should also be aware of the contingencies of outsourcing areas of activities because it may happen that eventually they are not

hiring services but 'employees outside the legal regimen applicable thereto."

Furthermore, with many companies now reducing or cancelling retainers with law firms, such expert advice is increasingly being sought on an ad hoc basis, which can also end up being more expensive. "Sometimes companies will try and limit legal fees and only talk to us when the problem is already there – a problem that could be avoided or minimised but that soon escalates into a large one," says Da Glória Leitão. "That's why it's more cost-effective for clients to have a retainer."