

The Pros and Cons of a “Furlough vs Layoff”

While no one wants to consider reducing their work force, it is important to know some basic definitions to help you decide the best avenue to take for you, your company and your employees.

Furlough or Leave of Absence allows an employer to keep their employees “tethered” to their company. When implementing a furlough, employers need to provide their employees an expected return date. Employers will also need to continue paying any medical benefits during this time. If you choose to take this route employees can still apply for unemployment, and if jobs arise, as long as they work less than 20 hours unemployment will supplement the remaining amount. (Note: Unemployment benefits usually cover 40%-60% of their normal pay).

What to do if this is the route you decide to take:

Provide a separation letter that states an estimated return date, the continuation of benefits, and a message encouraging employees to stay in contact.

A repayment plan for the employees’ portion of benefits.

Provide unemployment benefit information.

There is no need to provide a “final paycheck or payout of PTO/Vacation (depending on state laws) because the employee is still technically an employee.

The pros of this scenario are that your workforce will, hopefully, be available to you if jobs do arise and when business start picking back up. Which will decrease your costs of needing to rehire and train a whole new crew when that time comes. The cons would be the financial burden it may put on your business if you need to continue to pay benefits and if your employees do not pay their portions.

Layoffs will sever the employee/employer relationship.

What to do if this is the route you decide to take:

Have a separation letter available that states the date of separation and when their current benefits will end.

Provide unemployment benefit information.

Have a final check (paper) available at the time of termination including all PTO/vacation (depending on your state laws).

The pros of this scenario are savings on overhead for your company. The cons are that you don’t have a work force if for some reason jobs do come in. You will need to rehire a staff and retrain if new employees are hired. Which we all know takes time and money.

Here are some clarifications to the information above which are definitions of furloughs and layoffs and how they impact you and an employee if you reached a decision to reduce your company’s staff. To that end, the next step would need to be individually addressed - how your company is structured, where you are located and the culture of your company today and going forward. That takes a discussion for you to come up with a compliant and comprehensive plan. Finally, there are pitfalls if you are letting someone go for cause, in the middle of reducing your staff in general.

As always – we hope this helps!



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