



## Differences Between a Furlough, Layoff and Reduction-in-Force

There are differences between a furlough, a layoff and a reduction-in-force and as a business owner or manager, you should know the differences and how they impact both you and your employees.

All three of these terms describe actions that are intended to achieve cost savings by reducing a company's payroll costs. Even though the words have been used interchangeably, their true meanings are quite different.

A furlough is considered to be an alternative to a layoff. When an employer furloughs its employees, it requires them to work fewer hours or to take a certain amount of unpaid time off. An employer may require all employees to go on furlough, or it may exclude some employees who provide essential services. Employers must be careful when furloughing exempt employees, so that they continue to pay them on a salaried basis and do not jeopardize their exempt status under the Fair Labor Standards Act (FLSA). A furlough that encompasses a full workweek is one way to accomplish this, since the FLSA states that exempt employees do not have to be paid for any week in which they perform no work.

A layoff is a temporary separation from payroll. An employee is laid off because there is not enough work for him or her to perform. The employer believes that the condition will change and intends to call them back to work when the need arises. Employees are generally able to collect unemployment benefits while laid off without pay, and frequently an employer will allow them to maintain benefits coverage as an incentive to have them remain available for recall.

Once management has determined that an employee will not be recalled to work, the layoff becomes permanent and is more accurately called a reduction-in-force or a termination. If this is the case, don't imply to the employee that recall is a possibility, as they need to devote their full energies toward locating a new position.

Remember that employees are assets, rather than costs. During these difficult economic times when cutbacks may be unavoidable, companies can demonstrate their compassion to their employees. If you believe that you might have to choose between a furlough, a layoff or a reduction-in-force, you need to continually demonstrate your commitment to them by:

- **Communicating.** Secrecy adds to your employees' sense of powerlessness. Don't delay confirming news of job cuts; tell employees why they are necessary. Start a furlough, layoff or reduction-in-force on any day other than Friday. A Friday gives the employees two days to brood, during which time some may not

do anything constructive, such as evaluating their options or beginning a job search. Severing the relationship earlier in the week will allow for a visit to the unemployment office, time for answering job ads or communicating any issues or concerns with company management.

- **Allowing employees to demonstrate their natural emotional reactions.** Employees otherwise may release their feelings in nonproductive ways.
- **Involving remaining employees** in rethinking how tasks will be done with fewer individuals.
- **Looking for ways to assist your employees during this time of transition.** I recently assisted a client by setting up computer banks internally and helping the laid-off employees fill out unemployment claims right in the office. This eliminated the need to have the employees drive 60 miles roundtrip to the unemployment office. Have payroll records printed off and ready to give to the employees if they need to seek public assistance. Don't make them wait for these important and necessary items to continue to function.

Employees are feeling more insecure and stressed, are experiencing less teamwork and heavier workloads and feeling less valued in general. By being proactive and willing to assist in any transition, you may become the employer of choice once this economy turns around. And remember – it will!