

Furloughs or layoffs?

As we near what we hope is the beginning of the reduction in the number of COVID 19 cases we are seeing in Wisconsin, most companies hope to reopen soon. They need experienced employees to get business back up and running and reconnect with customers. Trying to train new employees in such uncertain times could slow those efforts and prove even more costly at a time when companies can't afford any missteps.

The decision employers make about how they classify or describe the status of their employees may impact the ability of that employee to access and leverage dollars coming from the federal government as part of the stimulus package.

By increasing unemployment benefits during the coronavirus crisis and letting the government bear most of the cost of their unemployment, the federal government has actually created incentives for companies to furlough employees.

As Jeffrey Bartash, a reporter for MarketWatch.com pointed out in a [recent article](#) - Congress made the payout so generous in part to give businesses an incentive not to cut payrolls permanently. The idea is that businesses would have more room to continue paying health and retirement benefits if they weren't still covering payroll costs.

Employers are making very difficult decisions during this time of crisis and uncertainty. Clearly communicating the actions an organization will take to address labor concerns is extremely important as it promotes clarity and provides reassurance to employees as they also deal with this difficult time.

In general, no matter how an employer labels their adjustments in labor, the workforce will find comfort in a well-thought out communication that fully explains when an event will begin, expected return to work dates and any impact on employee benefits.

Let's start with some definitions –

The SHRM, the Society for Human Resource Management, does a great job ([on their website](#)) of explaining the difference between a layoff, a furlough and a reduction in force

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, however, believes that this condition will change and intends to recall the person when work again becomes available. Employees are typically able to collect unemployment benefits while on an unpaid layoff, and frequently an employer will allow employees to maintain benefit coverage for a defined period of time as an incentive to remain available for recall.

A furlough is considered to be an alternative to layoff. When an employer furloughs its employees, it requires them to work fewer hours or to take a certain amount of unpaid time off. Employers must be careful when furloughing exempt employees so that they continue to pay them on a salary basis and do not jeopardize their exempt status under the Fair Labor Standards Act (FLSA). The theory is to have the majority of employees share some hardship as opposed to a few employees losing their jobs completely.

As the Marketwatch article point out, furloughed workers can access jobless benefits. Any full-time or part-time worker who is furloughed, laid off or had their hours reduced due to the coronavirus is eligible for expanded unemployment benefits.

It doesn't matter if the furlough is for an entire month or just one week in a month. USA Today publisher Gannett which owns a number of the daily newspapers in Wisconsin for example, has required employees to take one unpaid week of furlough in each of the next three months.

The federal government will add \$600 a week for four months to the regular benefits provided by the state – **which in the case of Wisconsin is 28 weeks of unemployment compensation.**

Maximum benefits among the 50 states and Washington, D.C., range from a low of \$235 in Louisiana to a high of \$713 in New Jersey, but most are in the \$400-to-\$500 range.

Millions of furloughed or laid-off employees could earn up to \$1,100 a week, in some cases exceeding what they would have earned otherwise.

Not only do employees who've been furloughed stand a good chance of returning to their old jobs; they might also be able to keep their health benefits and even receive 401(k) contributions until they are recalled.

If you still have questions or would like additional information feel free to contact us by email here at the WWDA (wwda@wwda.org) and we'll set up a call.