

LEARNING TO LET GO

WHEN IT COMES TO CORPORATE LAYOFFS, BREAKING UP IS HARD TO DO

We're letting you go." As the Dow drops, these words are being uttered to employees across the country with increasing frequency.

The ongoing financial crash and dried-up credit markets are wearing the collective fabric of the international economy threadbare. Future trading in the "fear index" has reached a state of irrational exuberance. More and more employers now need to proactively respond to the unfolding economic crisis with appropriate cost-saving measures. And, yes, for many companies, reductions in force, or RIFs, may end up being a part of that response.

When an RIF is inevitable, it's important to remember that the manner in which a company lets an employee go can do incalculable economic and psychological damage. It also exposes the company to wrongful-discharge litigation and its inevitable impact on employee morale and the bottom line. The upshot? Poorly handled layoffs or terminations can present a substantial economic risk to your business.

Nobody — not even the toughest manager — enjoys firing someone. Whether we're driven by an innate sense of empathy or the Golden Rule, we all procrastinate in the face of falling numbers or clear performance problems, hoping things will improve. When they don't, many of us tend to overreact, striking out emotionally and undermanaging the termination process. And it doesn't help that very few managers are formally trained in the art of terminating employees.

When it comes to the firing process, it's critical that we get it right, achieving the company's objective while allowing the employee's dignity to remain intact. With that goal in mind, here are some best-practice tips for smoothing this bumpy, uncomfort-



EMPLOYMENT LAW

John T. Palter

able road as much as possible.

■ *Start strong.* Lay out the rules of employment from day one. Adopt and enforce consistent policies, including a clearly defined probationary period, disciplinary process and grounds for immediate termination. Make sure all employees read and acknowledge receipt of the employee handbook, and require them to read it again annually. Enforce an annual performance review process.

■ *Make sure the "last straw" is a big one.* Before terminating for cause, consider the intermediate step of suspending the employee with pay and conducting an independent review of the decision.

■ *Pay attention to details.* When it's time for an RIF, make sure your list of targeted employees is fair, balanced and does not impact protected class members such as minority or older workers disproportionately. Failing to consider unintended consequences can lead to unanticipated litigation costs over the long haul.

■ *Be mindful of documentation.* Make sure employee files are complete, with full names, Social Security numbers, birth dates, hire dates, disciplinary histories and supporting documents; keep a supported summary of the events or circumstances leading to the termination decision and a copy of pertinent company policies.

■ *Double-check administrative matters.* Verify that the details of payroll, benefits, COBRA and health insurance are accurate-

ly calculated and promptly paid. In Texas, discharged employees must be paid in full not later than the sixth day after the date of discharge — and employees that resign must be paid in full no later than the next regularly scheduled payday. Verify that all expense reimbursements have been submitted and paid, and send COBRA and 401(k) rollover information, in writing and on a timely basis.

■ *Set the stage.* Time the layoff event carefully. Studies suggest 5 p.m. on Friday is not the best time to issue pink slips. Why? Because terminated employees are hurt, they're angry and they're helpless to do anything about the situation over the weekend. Along the same lines, select a neutral, private location to deliver the news — and have the department manager, not HR, speak with the employees. In fact, HR's role in the process should be to provide support and serve as the impartial witness.

■ *Practice, practice, practice.* Rehearse the layoff announcement or firing conversation — and, then, stick to your script as much as possible. Don't begin with empty greetings — and never, ever lose emotional control. If you become hostile, the employee involved could become violent or, worse, file a lawsuit or formal grievance. Give employees a chance to vent, and show them respect all the way to the door.

The last word of advice: Never forget that the No. 1 reason terminated employees turn to lawyers is the treatment they receive on the way out. Making a decision to terminate an employment relationship is never easy — but if you handle it professionally, you should be able to avoid litigation and maintain the dignity of all concerned.

PALTER is a trial lawyer and managing member of Riney Palter PLLC. He can be reached at jtpalter@rineypalter.com.