Handling an Employee Departure

By Alan Ludmer

Small business owners need to know how to properly handle an employee departure. Whether they leave voluntarily, through a termination or lay off, there are a number of loose ends you must tie-up before an employee walks out the door.

Severance Pay

Most States have no law requiring an employer to provide severance pay to departing employees. Nevertheless, many employers may offer one or two months of salary to employees who are forced to involuntarily leave their jobs. Some employers may be more generous to long-term employees, giving perhaps one month of salary for every year an employee worked for the company.

However, an employer may be legally obligated to grant severance pay if it promised to do so – for example, through…

- A written contract stating that the employer will pay severance of a certain amount.
- A promise of severance pay in an employee handbook or manual.
- A long history of the company paying severance to other employees in a similar position.
- An oral promise to pay severance – although this may be difficult to prove.

A severance package can include more than just money. If you are in a position which necessitates negotiating a package (perhaps the termination is questionable and you want to avoid going to court), consider including other benefits…

- **Insurance benefits.** Health insurance continuation laws allow former employees to keep the same health care they had with you, but require them to pay the full cost of the premiums for continued coverage. There is, however, nothing in these laws that prevents you from picking up the tab (or some percentage) as part of a severance package.
- **Uncontested unemployment compensation.** Sometimes, employers will try to contest the unemployment claim of a terminated worker. You can agree not to do so. It will make getting unemployment benefits much easier.
- **Outplacement services.** Outplacement firms help employees find new jobs. They may offer counseling, job skills training, tips on resume and cover letter writing, and leads on potential jobs. In addition, they may give a former employee a place where they can use a computer, receive faxes, and have a receptionist answer the phone. Many employers are now paying for these types of services as part of a severance plan.
- **References.** If an employee is leaving you under less-than-pleasant circumstances, you might work with them to come up with a mutually agreeable letter of reference.

Final Paycheck

Many States have laws that specify when departing employees must be given their final paycheck. Often, the outcome depends on whether the employee is quitting, or because of termination/lay-off.

For example, in some States, employees must be given their final paycheck immediately, or within a certain number of hours, if they are terminated or laid off – but not until the next scheduled payday if they quit. Some of these state laws also specify whether accrued, but unused, vacation pay must be included in the final paycheck. For more information, contact your State Department of Labor.

<u>About the author</u>

Alan Ludmer is the president of Voyager Career Solutions Offices. Voyager Career Solutions Associates is a nationally recognized regional firm specializing in individual career transition, corporate outplacement, and executive coaching. Voyager is a proud member of the International Association of Career Consulting Firms. For more information, call 314 991-5444 or visit the Voyager Career Solutions web site at VOYAGERCAREERS.COM.