

# Furloughs, Layoffs, and Terminations: What to Know and How to Handle Them

**PAYCHEX**  
Business  
Series

Coronavirus



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## Full transcript

### **Gene Marks:**

Hey everybody, I'm your host Gene Marks and this is season two with the Paychex Business Series Podcast. I am a certified public accountant, regular business columnist for a bunch of publications you may know, like *Forbes* and *Entrepreneur*, *The Hill*, *The Philly Inquirer*, *Washington Times*, *The Guardian*. I write here every week, all these different places, on small businesses. But most importantly I'm a small business owner of a financial and technology management services company outside of Philadelphia. I teamed up with Paychex, the leading provider of human resources, payroll, benefits, and insurance services to bring you real-life stories and advice from real-life business owners and experts.

Last season we talked about the challenges associated with COVID-19 of course, but this season we're focusing on moving forward, and innovating, and navigating the road to recovery. Today my guest, a very special guest, Talia Edmundson. Talia is also a Philly person so I like that. She runs a company called HRnB, it's an HR consulting firm and it focuses mainly on startups, and small- to medium-sized companies that offers executive HR support, project-based consultation, functional consulting, and HR team installation. Talia welcome and thank you for joining.

### **Talia Edmundson:**

Thanks for having me, Gene.

### **Gene Marks:**

Glad that you're here. And listen, let's cut to the chase if it's all right. I mean you and I, we emailed before this, I've done all my sort of background, looking at what you do. You are an HR consultant. I have a lot of clients, I know a lot of people that could really use an HR consultant. One of the biggest issues facing small business owners today as it's been over the past few years is what to do with employees in an unprecedented economic downturn. Some employers, some companies, are choosing to furlough their employees rather than terminate them or lay them off. So when they choose furlough Talia, what exactly does that mean?

**Talia Edmundson:**

Sure. So furlough is with the goal of bringing someone back. So, furlough is designed to be temporary in nature, albeit sometimes that temporary does feel very long-term to the person and also to the company. But the idea is that it is not permanent in nature, so it has somewhat of an end date to it.

**Gene Marks:**

So if somebody gets furloughed, I'm assuming they cannot collect unemployment or can they?

**Talia Edmundson:**

That's actually not true, they can collect unemployment. And being furloughed versus being terminated or laid off also means that you are benefits eligible with your employer. So some of what we're going to talk about, excuse me, is evergreen, but I do want to mention COVID just for a moment because while folks are losing their jobs permanently, people who are furloughed do not have to worry about going out to the marketplace or trying to figure out where to get other insurance, which being uninsured during a health crisis is not something you want to worry about in addition to having been temporarily laid off. So being furloughed means you are eligible to collect unemployment, but you do have the opportunity to remain on your company's healthcare plan if you were enrolled prior to furlough.

**Gene Marks:**

So can the employer decide on that? Let's say I want to furlough my employees and I want to offer healthcare but I'm not going to offer any retirement plan benefits during that period of time, can I pick and choose the benefits to offer my employees, or is it all or nothing?

**Talia Edmundson:**

So you can pick and choose, though I will say that if you want to use something like retirement plan for an example, the employee's not earning any money through payroll during the time they're furloughed, so there's really no financial investment component to the business. Traditionally though it is only the medical, the dental, the vision, or what the employee was covered by their choice prior to furlough.

**Gene Marks:**

Why would an employer decide to terminate employees instead of furloughing them? It seems sort of a last gasp thing to do.

**Talia Edmundson:**

That's a great question. So typically when you have someone you want to terminate it's for a pretty egregious reason. So think of termination as being fired, right? The person that's being let go will very likely be replaced by someone else, either internally or externally. And termination is permanent. A lot of times when companies decide they want to terminate there is not a severance component associated with that, there's no real benefit to the person that's being separated from the company. So you choose to do that because it is a permanent separation from company and employee, the person is no longer benefits eligible outside of whatever their companies plan guidelines are. Typically, it's midnight the day of the last day, or it could be the last day of the month, it's either one of those two. And then the person can file for unemployment, however, in a termination situation it is entirely up to the state that they work in to determine whether or not someone is truly eligible for unemployment based on the reason of the termination.

**Gene Marks:**

Yeah, I got that. It's funny because these conversations, you have them a lot at the beginning of the pandemic, but even as we're talking now and right now it's late in August, the economy is still not recovering very quickly and a lot of employers are kind of reaching that stage where they have to consider doing more of this, furloughing and terminating their employees. So what do you advise your clients, Talia? When would you tell your employee? How to communicate, for example, that you're going to be doing this? What do you tell your clients?

**Talia Edmundson:**

So we start with trying to develop the why. Context goes a very long way and every time I work with someone who was going through this decision, and it is a very difficult decision, I think what we try to focus on or what I try to focus on with the person that's making this decision is acknowledging the human element at every turn, because obviously this decision is difficult. No one's going to execute it perfectly. There were some horror stories in the beginning of all of this where people were being notified via text message that they suddenly didn't have a job. That could have been done a whole lot better obviously. But we try to first develop the why, really try to fine tune that communication as much as possible, and sometimes it's just not realistic that the CEO is personally calling people, right?

Look at your leadership team. Who's a great leader? Not necessarily someone that's managing other people, but who can help you communicate this message? Employees are going to have questions like how long is this going to take? Can I collect unemployment? So, we think ahead trying to anticipate every question that someone could possibly ask during that conversation and prepare an answer in advance. Some of this, for legal reasons, the answers are exactly the same, but I find that helping people when they develop the why also developing answers to the most commonly asked questions in the situation help also put that leader who's delivering the message at ease. They're kind of armed with "I know what to say if someone asks me this question and my HR person isn't in the room, or the CEO isn't available for conversation".

So coming up with a plan, what you're going to say in that plan, and also not making any promises. But what you can do is offer up here is when you're going to hear from me next, here's how I'm going to communicate with you while you're work email is likely going to be turned off, or while we're not going to be in the office together, and manage expectations around what someone can expect to hear because on the other end of this is an employee who will not be working and earning their full income for a potentially extended period of time. So communicating what the reach outs are going to be during this period of furlough is just as important as having that initial conversation to let someone know that they're going to be separated for a little while.

**Gene Marks:**

So the people listening to this, if you're listening to this you're probably running a small business and you might have five employees, you might have a hundred employees. Talia, are these communications best coming from the owner, from the boss, or from the HR person, or a combination of the two?

**Talia Edmundson:**

I think it's a combination of the two. I was listening to someone give a little talk the other day and they said, "If 2008 was the year of the accounting professional and the year 2000 or Y2K was the year of the IT professional, 2020 is the year of the HR professional," right? We've had these moments in time, very significant milestones in the economy, in the country, and a lot of things happening across the world and 2020 is really where the HR person has emerged as kind of the hero that was in the background a little bit, especially if you were handling the function from a very personal empathetic approach.

**Talia Edmundson:**

And the best communication is developed when HR and the leadership team are in lockstep. That is just kind of... CEOs or folks in some positions tend to be a little bit transactional, not that there's anything wrong with that, that's the space that they operate in every day. Well your HR folks, your people operations, practitioners, or people in culture or whatever fun spin we're putting on the name of the function right now, they're the boots on the ground, they're the people involved with everyone that's doing the day-to-day work. So we're able to help craft the messaging in a way that resonates with the employees, that the CEO may not really be able to put together on their own.

**Gene Marks:**

You mentioned earlier about if somebody is going to be furloughed you're going to disconnect their email and such, to me that sounds really drastic. And in fact, you know the clients that I have that have been furloughing their employees, they really kind of kept everybody, they sent them home and they kept communicating with them. I mean not asking them to do work but just kind of kept them in the loop. So what would you recommend to an employer who has furloughed employees that wants to keep in touch with those employees? What seems to be the best practice for doing that?

**Talia Edmundson:**

The only note of caution I would give about furloughed employees checking email is if you have someone who is hourly, you don't want to obligate them to interact in an extended period of time, that it would constitute compensating them for the time that they spent interacting with the company. So a lot of times when an employee is furloughed and they are a salaried employee there's not really that much of the implication to ensure that they get paid for the work, but it's not unreasonable to just shoot a text to someone and say hey a work email is going out, if you don't shut down their company account. If email accounts are shut down I'm suggesting to folks that they reach out to employees only in a manner that they've always interacted with them.

If a manager has a relationship with their employee where they are able to text about something that's work-related, then that is a manner of communication that the employee is used to. If phone calls are what you're used to, is the method communication that you're accustomed to, make that call. And if it is an email communication that's been established and there's some parameters and you're approaching it correctly where it doesn't feel like you're asking someone to work for free basically.

However you were communicating with your people before, that's how you need to communicate with your people now. Now is not a good time to introduce something new, now is not a time to introduce something like a Pulse Survey or this kind of how are you doing? Well how do you think someone's doing? They're temporarily unemployed, there's a virus that depending on where you live does feel a little bit out of control, we're approaching the beginning of the school year and that's hagel-nagel at best in some of these townships. But, so you don't want to keep putting another element of stress on top of that. So however you were communicating with people before is the way that you need to communicate with people now.

**Gene Marks:**

But definitely keep them in the loop so that they are still connected in some way to the company because the idea is that they're going to be coming back at some point?

**Talia Edmundson:**

Exactly. Yep, exactly.

**Gene Marks:**

We talked earlier about sort of costs and compensation. And I brought up retirement and some retirement plans, they continue to accrue based on your employment. If you have a defined benefit plan or if you have even some defined contribution plans might be based on that. There might be bonus plans that accrue, there might be vacation costs that continue to accrue. Do you advise your clients, if you're going to furlough employees, other than say health insurance, do you advise them to make a statement that saying all other compensation other than health insurance really, stops being calculated at this point until you're brought back to work?

**Talia Edmundson:**

You can make a statement like that, it would depend on what the plan actually advises the company to do. So oftentimes you have these summary plan documents that exist in the background and you really only have to reference them in case of an emergency or in a time where you're going to furlough someone. That is what I would define as a business emergency, especially at the volume that we're seeing. If we use PTO as an example, oftentimes that doesn't accrue based on how many hours you work, it accrues based on your tenure and your seniority. So if that is not going to be interrupted by the furlough, then yes, you can very specifically say you're accrual of paid time off will not be interrupted by this furlough.

In terms of a defined benefit, defined compensation plan, bonus structure, obviously first, like I said, refer to those summary plan documents and in cases where if it's a traditional 401(k) or a Roth 401(k), the employee themselves has to be contributing to that plan via paycheck for the company to make a match, and if they're not earning through payroll, there's no match that's available. However, the balance of their plan itself is subject to market volatility. So I would offer up that piece of guidance really, because the separation isn't permanent, the employee just can't kind of take all their money and run without significant penalty. But I would just say go back to the summary plan documents first, and it does go to managing expectations, right? So again I like to bring that up very often. What are those questions that you think an employee is going to ask while you're telling them that for a period of time they're not going to be employed.

**Gene Marks:**

Yeah. The decision to do this is not one to be taken lightly and obviously you don't decide it one day and then implement it the next, you have to think all these things out in advance. Talia, is there anything I'm missing when it comes to furloughing employees? And two part question, is there anything that we hadn't talked about, and the second part of the question actually has to do with what happens if, I hate to end this on a bad note, but if an employer decides some of these employees have to be terminated, and about your thoughts on how an employer should handle that?

**Talia Edmundson:**

I think the one piece that you touched on in the very beginning was the difference between a furlough, terminating, and laying someone off. So, a layoff is typically when a position itself is being eliminated versus someone being terminated with the intention to backfill and furlough, like we said, that's temporary.

**Gene Marks:**

So wait. So a termination has more of a sort of a negative connection to it, right? I mean, there was an incident, you're being terminated, you might even be replaced by somebody, but basically you're being fired. Whereas laying off sounds like your job is being eliminated, not through any fault of your own, but through other factors. Does that sound right?

**Talia Edmundson:**

That's correct. And what we might start seeing is these groups of people who were furloughed and the company cannot afford to bring them back ever, they would switch from a furlough to more of a layoff situation. And in that instance I encourage companies to take a look around, look at where this person can be repurposed. Is the position really going to be eliminated? Look at how much talent this person has. There's a lot of institutional knowledge that's there, is there another opportunity within the organization that through a decent amount of training they could be a great performer in another role? I mean, people who were being furloughed were not necessarily targeted because they were underperforming. So what you've got is groups of people who are very talented, who can potentially be retrained and moved into another role.

And just from a morale standpoint, to be able to basically shift that head count and then also they're having the employees who are at work look around and realize they're not losing co-workers because of this, the company is doing everything they can to actually keep people, goes a long way. So if you're shifting from furlough to layoff, that typically means that job has gone away. Companies right now are pivoting to survive which does mean that a lot of positions are being eliminated. So what you can do is... A lot of our friends that might have brick and mortar businesses that have now had to shift to an online component. Did your merchandiser that was at one point in time have a say in what a store design looked like, how can they somehow be part of the web team that's now building your online shopping experience? What knowledge did they have at the brick-and-mortar side that can be repurposed into e-commerce to survive in this environment where people are now doing more online shopping than ever is the best example that I can give.

**Gene Marks:**

Talia Edmundson is the founder and owner of HRnB, an HR consulting firm that focuses mainly on startups and small- to medium-sized companies offering executive HR support, project-based consultation, functional coaching, and HR team installation. Her website is [hrnbconsulting.com](http://hrnbconsulting.com). Talia, I know you're based in Philly but I'm assuming you would work with clients anywhere in the U.S.?

**Talia Edmundson:**

That's right.

**Gene Marks:**

Great. Well thank you so much for joining us, thank you everyone for listening. For more great podcast episodes from the Paychex Business Series Podcast and other information to help you run your business, please visit us at [paychex.com/worx](http://paychex.com/worx). Thanks again for listening. Thank you Talia for joining us, and we will all see you next time.