

UPDATE

Controlling Payroll Costs with Employee Furloughs

In this uncertain business environment caused by Covid-19, employers are looking for ways to save money and possibly lower payroll costs. Employee furloughs may be an option. Considered to be a positive alternative to layoffs, they should be managed carefully so as not to run afoul of employment laws.

Furloughs are when an employer requires their employees to work fewer hours or to take a certain amount of time off unpaid. They are still considered an active employee and generally have either scheduled time off or an expectation of returning to their job. In a layoff, employees are considered terminated and likely have no expectation if or when they may be returning to their job.

During furloughs, benefits usually continue, although you should check with your carrier to be certain. Since an employer maintains their employee's eligibility with the carriers, it may be up to them to decide if their employee is active or needs to be moved to COBRA status. In a layoff situation, benefits generally end either on the last day of work or at the end of the month.

In a furlough situation, for exempt employees, it's important to make sure your employees understand they should not be working. An employer must pay an exempt employee their full salary if the employee performs any work in a week, without regard to the number of days or hours worked. A nonexempt employee who performs any work during the furlough must also be paid, but only for time actually worked.

If you are looking for a way to cut expenses, but not lose your top employees permanently, a furlough versus a lay off may be an answer.

Article written by



*Sandra Teague
SPHR, SHRM-SCP
VP of HR Consulting at
Connor & Gallagher
OneSource (CGO)*

steague@GoCGO.com
630.599.8761



*Pam Dettman
SPHR, SHRM-SCP
HR Director at
Connor & Gallagher
OneSource (CGO)*

pdettman@GoCGO.com
630.599.8759



Insurance | Benefits | HR & Payroll | Retirement

750 Warrenville Rd. Suite 400
Lisle, IL 60532

Provided to you by **Connor & Gallagher OneSource (CGO)**

This document has been carefully developed by the experienced HR professionals at CGO. However, it is not a legal document and should not be construed as legal opinion. CGO will accept no liability for the use of these opinions in the workplace. In the rapidly changing environment of the COVID-19 outbreak many of the opinions expressed are being impacted by continuously released guidance and therefore may be out of date. This document was published on March 20, 2020.