RISK STRATEGIES

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Furlough v. Layoff Considerations

Furlough is a type of leave from work, usually mandatory, with no pay. It may be due to the economic conditions or special needs of a company, or in some states and the federal government, a furlough is used to cut costs in certain government offices. With a furlough, employees are allowed to come back to work once regular business resumes.

Some companies implement a cyclical furlough schedule, such as mandating a one-day furlough for the first Monday of every month. Other companies may offer optional furlough which can be negotiated in an employee's employment contract.

Generally, with a furlough, health & welfare benefits are kept in place since the employment relationship is still intact with employees continuing to pay their portion of the premium, in some cases, through the use of Paid Time Off benefits.   Furloughed employees will generally be eligible for unemployment benefits based on the reduction of wages.

On the other hand, 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, however, in some instances, employees are not recalled and therefore the layoff is permanent.

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 limited period of time as an incentive to remain available for recall. In most cases though, an offer of COBRA will be more appropriate.