

Employment Termination Considerations

Employees leave your organization for good reasons and bad reasons. On the positive side, they find new opportunities, go back to school, retire or land their dream job. Less positively, they are fired for poor performance or poor attendance or experience a layoff because of a business downturn. In each instance, an employment termination checklist will help the employee exit process go smoothly. Remember, termination is private, company business. Few people should know all the details.

Notify Human Resources

- Notify HR as soon as you are aware of and/or receive a letter from an employee that describes their intention to terminate employment. Companies may request a minimum of two weeks notice, when possible and desirable

Implementation

The termination meeting should be brief. It is recommended that the affected employee, the employee's supervisor, and a third party, such as HR, be in attendance.

On the morning of the termination, confirm:

- The individual is at work and available.
- The meeting time and location has been communicated to those conducting the termination. It is recommended that the employee's supervisor deliver the termination message.
- How benefit continuation will work. Be prepared to answer questions the individual may have about their benefits.
- The severance paperwork, letters, and documents are prepared (if applicable). Any severance paperwork that requires the employee to waive their rights should be reviewed by legal counsel prior to giving to the individual.
- Provisions for employee removal of personal belongings are made. Initiate the exit from the facility and encourage the return after hours to retrieve personal items. Be prepared—some individuals may want to take personal belongings home immediately. Have boxes or carts available. A representative of the organization should stay with the terminated employee until the individual has left the premises. This is for the individual's protection, as well as for the organization's security
- Plans are in place to notify staff/customers/business associates. Keep it simple and do not describe why the individual has been terminated. State the facts, such as "XXX is no longer with the company, effective today. XXX is your contact going forward."
- Outplacement assistance has been arranged (if applicable). If outplacement will be utilized, introduce the individual to the on-site counselor. The employee's level of outplacement service can be described at that time.

Company Property Considerations

Notify your network administrator

- As soon as you know that an employee is leaving, notify your network administrator or other appropriate staff person of the date and time on which to terminate the employee's access to computer and telephone systems. Make arrangements for how these accounts will be routed so that your organization will not lose contact with clients and customers. Additionally, disable the employee's building entry alarm code, if applicable.

Return of company property

- Exiting employees should be required to turn in all company materials, keys, ID badges, laptops, cell phones/mobile device and any other company-owned items. Employees should provide their supervisors with passwords and other information pertaining to accessing computer files and telephone messages. (You may want to keep email and phone accounts active for awhile to field customer contacts.)

Status of Benefits

Vacation pay and unused sick time

- Follow your company policy (and applicable state law) related to unused, accrued time and also used, but not accrued time, and pay out accordingly.

Benefits status letter

- Following termination, former employees should receive a letter from the Human Resources office that outlines the status of their benefits upon termination. This can include life insurance, health coverage, retirement plan and expense account plans.

Repayment of advances

- Any unpaid payroll advances, if applicable, should be addressed as stipulated in the original agreement.

Payment of money owed the employee

- Determine how unpaid expenses for company business purposes, unpaid commission and bonuses will be paid per company policy or applicable state law.

Confidentiality and non-compete agreements

- Review any confidentiality agreement or non-compete agreement that the exiting employee signed when commencing employment to make certain the employee understands what is expected.
- Even if the employee never signed such a document, many employee handbooks have a clause or code of conduct paragraph about not sharing company confidential information or trade secrets. Review this and remind the employee that any breach of this confidentiality will be addressed.

Exit Interview

Confidential exit interview

- Exiting employees are encouraged to participate in a confidential exit interview with the Human Resources department. Exit interviews are an important process you can use to gather information regarding the working environment in your organization. When notified that an employee is terminating employment, an exit interview should be scheduled with HR. All information gathered is confidential and can be reported periodically in summary form.

Written permission for reference checking

- Exiting employees, who plan to seek employment, can sign a form giving the company permission to provide reference information when potential employers call.

Give the employee an address update form to fill out if they move

- Especially for large companies, or those with high turnover, W-2s will come back as non-deliverable if the address has changed. Without new contact information, it is difficult to provide needed information to the former employee. As a backup, verify that the employee's emergency contact information is up-to-date and that you can contact that person to locate them if you have trouble getting their W-2s to them.

Outplacement Assistance

The reasons for providing outplacement assistance to a terminated employee vary, but include both practical and personal considerations:

- Reduced risk of litigation.
- Pre-termination and on-site assistance for the employer.
- Individuals receiving outplacement assistance tend to return to work faster, reducing the organization's unemployment compensation expense.
- Focused, practical job search assistance lessens the stress for the individual.
- Sends a positive message to the survivors; while the business decision had to be made, the organization is providing job search assistance to affected employees.

Executive Supplemental Information

Severance pay

- Is there a contract indicating amount, company policy or practice? If not, companies could consider 1-2 weeks/year of service with a 3 month minimum. How will it be paid—lump sum or payroll schedule? What about benefit continuation during severance—full, contribution?

Outplacement

- Contract, policy or practice? Recommended is 6 months, minimum of 3 months. Involve prior to termination.

Bonus payout considerations

- Contract, policy or practice? Achieve any objectives? Ongoing relationship concerns.

Stock options

- How will stock option or other deferred compensation be handled?

Perks

- What will happen with car, memberships, laptop, mobile device, others?

Other unique arrangements

- Loans? Relocation payback?