



EMPLOYEE HANDBOOKS: AN EFFECTIVE MANAGEMENT TOOL FOR LARGE AND SMALL BUSINESSES

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Employee handbooks are an essential part of any business. When properly crafted, they clearly identify the policies and procedures that govern an employment relationship, help employers and employees minimize misunderstandings, set clear boundaries in the workplace, and prevent potential lawsuits. Most large companies distribute employee handbooks to all employees upon hire and routinely update the handbooks as necessary. Unfortunately, a number of small businesses do not follow this prudent business practice.

Perhaps small businesses see employee handbooks as an unnecessary luxury or expense. Experience tells us just the opposite. With the proliferation of wage and hour and wrongful termination lawsuits, an employee handbook is a workplace management tool a small business should not be without. If your company does not have an employee handbook, here are a few reasons you should consider creating one without delay.

Identify Company Goals and Employee Expectations. Employee handbooks can set the tone for the workplace. Employers often use a simple introductory or “mission” statement in the handbook to clarify and identify company goals. This is a useful tool for keeping your company on track toward completion of performance objectives. It also ensures that employees understand that the company needs and expects help to reach those goals. In addition, employee handbooks are a great place for an employer to identify its expectations for employees. Putting employee expectations in writing tends to motivate employees and give them a better chance to succeed. Well crafted statements about company goals and expectations also



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serve employers well when it is necessary to discipline employees. These written policies provide support for discipline and termination decisions.

Clarify the Nature of the Employment. Employers generally want to reserve their right to terminate non-performing employees. The employee handbook is the right place to communicate the fact that employment is “at will.” In other words, the employer reserves the right to terminate an employee for any reason or no reason. By including a definite statement regarding the at-will nature of employment with the company, the employer may discourage the employee from later claiming she was hired for a specified term, or that she could only be terminated for good cause.

Avoid and Defend Lawsuits. Some employees are better behaved than others. The conduct of one unruly employee may result in an employer being sued for discrimination, harassment, and a variety of other claims that arise in the workplace. Although employers cannot reasonably be expected to control every statement made or action taken by each employee, they are expected to set boundaries for employees regarding acceptable and unacceptable workplace behavior. The employee handbook is a great place for an employer to set those boundaries. By clearly defining sexual harassment and anti-discrimination policies in the employee handbook and by following those procedures, employers are

better able to control workplace conduct of their disruptive employees. This can help prevent harassment and discrimination lawsuits. Employers are also in a better position to defend such lawsuits should they arise. In sexual harassment lawsuits, employers may be able to avoid or limit liability if they had a sexual harassment prevention policy in their employee handbook during the relevant time period and certain other factors can be proven.

Ensure Proper Payroll Practices. Employers may not be aware of all the factors that bear on the decision to treat an employee as exempt or non-exempt, or the legal ramifications of paying an employee on an hourly or salaried basis. Employee handbooks generally have a discussion of the payroll practices particular to the employer. In this regard, the employee handbook can act as a guide to help employers ensure that overtime, meal and rest policies comply with state and federal law.

Employee handbooks are an effective management tool. If properly prepared with the advice of qualified legal counsel, they can also help a company avoid or limit liability. Generally, the cost for preparation of an employee handbook ranges from \$1,500 to \$3,000. The costs to defend just one wrongful termination lawsuit can easily exceed 100 times this sum. If you do not have an employee handbook for your business, you may want to consult with your attorney to discuss how to craft an employee handbook to meet your particular needs.

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