

STAFF REDUCTION GUIDELINES (COVID-19)

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Important: Determine with the physician(s) what staff they need to cover the expected workload.

Check with your broker regarding if insurance plans will continue to cover employees with temporary reduced work schedules.

Check with your local state unemployment office regarding partial/full unemployment due to temporary reduced work schedule. The practice may be able to file a “mass unemployment claim” on behalf of the employees.

Non-Exempt-Hourly Employee

You only pay these employees for hours actually worked.

Exempt-Salaried Employee

A. *Vacation-When an employee decides to take a day off, you may make deductions when an employee is absent for a full day for personal reasons. If vacation is exhausted the deduction can still be made (e.g., employee volunteers to take unpaid days for personal reasons).

B. *Sick-If you have a sick plan in place and an employee is out sick you may make deductions for a full day’s absence. If the sick time is exhausted the deduction can still be made.

C. *Partial Day Absences-Not recommended, full day absences best. FMLA allows the use of partial day pay for any hours taken as intermittent or reduced leave.

*The above information assumes that the employee’s absence from scheduled work is not in any way related to the coronavirus pandemic. Based on recent legislation signed into law on Wednesday, March 19, 2020, employees may be entitled to benefits under the Families First Coronavirus Response Act (FFCRA). See attached FFCRA summary.

D. Work not available-You must pay an employee full salary for any week in which any work is done. You do not need to pay an employee if the employee does no work for the entire week.

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E. Employee volunteers to take unpaid days off during a slowdown-this is permissible in full-day increments. If there is a written contract, it **LIKELY** states that any modification of the terms will be done in writing. Thus, a short memo (amendment) signed by both parties noting that “the compensation will be amended as follows:” is prudent.

F. Employer requires use of vacation/sick time (e.g., clinic closed or not needed)-You may require an employee to use vacation and/or sick time as part of the full weekly salary; full day increments best. If vacation/sick time is exhausted during a work week in which an employee performs any work, the full salary must be paid.

G. Employer needs to shorten the work week and/or reduce an employee’s pay - (Lower-risk) You may move the employee from exempt status to non-exempt status; and

- Track hours worked
- Best to pay an hourly rate based upon the salary amount (2080/salary)
- Pay overtime when hours worked exceed 40 in a week
- Determine how the exemption status change may affect benefits (if at all)
- Maintain the non-exempt status for a minimum of three (3) months recommended

H. Salary Reduction (Higher-risk) You may reduce an employee’s salary but to no less than \$684/week on a “permanent” basis (e.g., 3-month minimum). You can also reduce an employee’s pay even without shortening the workweek, providing there is no contractual obligation to pay a certain amount. If there is a contract, consider an amendment.

Important: Any pay reductions based on day-to-day or week- to-week determinations is NOT permissible. The reduction must reflect *the long-term business needs* (e.g., 3-month minimum), rather than a short-term, day-to-day or week-to-week reduction from the fixed salary for absences from scheduled work occasioned by the employer or its business operations.

If you are comfortable with losing the exemption and there is no employment contract, *you can consider paying the employee on an hourly basis.*

I. Any employee on contract: Employment contracts must be amended to show changes. As each contract is unique a “one size fits all” form amendment is risky. Employers need to evaluate the current compensation paragraph; grounds for terminating the contract; notice periods for termination; and any other provisions that may afford modification upon extreme circumstances. You are strongly encouraged to get your local attorney involved. DoctorsManagement’s can introduce you to or recommend Knoxville law firms if requested.

This information is for educational purposes only. Please contact your local attorney for advice as specific scenarios should be handled on a case-by-case basis; state guidelines might apply.