



# What is the difference between a furlough, a layoff and a reduction in force?

These are all types of cost-saving employment actions that are commonly misunderstood because the words are often used interchangeably when their meanings are actually different. Below are general descriptions of these terms; however, it is important to point out that not everyone will use these terms to mean the same thing. Understanding the context of the specific circumstances is more important than the term being used. This applies not only when communicating employment actions to employees but also when complying with legal requirements such as those under the WARN Act or state termination pay, or for purposes of responding to unemployment claims.

## Furloughs

A furlough is a mandatory temporary leave of absence from which the employee is expected to return to work or to be restored from a reduced work schedule. Furloughs are often used when the employer does not have enough cash for payroll (for example, government shutdowns due to lack of budget approval) or when there is not enough work for all employees during a slow period and, by reducing employee schedules, the employer can avoid terminating employees.

Furloughed employees may be required to take a certain number of unpaid hours off over a number of weeks, take a specified number of unpaid days or hours throughout the year, or take a single block of unpaid time off. For example, an employer may furlough its nonexempt employees one day a week for the remainder of the year and pay them for only 32 hours instead of their normal 40 hours each week. Another example of furlough is to require all employees to take several weeks of unpaid leave sometime during the year.

Employers must be careful when furloughing exempt employees (<https://www.dol.gov/agencies/whd/fact-sheets/70-flsa-furloughs>) so that they continue to pay them on a salary basis and do not jeopardize their exempt status under the Fair Labor Standards Act (FLSA). A furlough that encompasses a full workweek is one way to accomplish this, since the FLSA states that exempt employees do not have to be paid for any week in which they perform no work.

Depending on the specific circumstances, furloughed employees may be able to continue benefits coverage and also collect unemployment insurance for the reduction in the time worked.

## Layoffs

A layoff is generally considered a separation from employment due to a lack of work available. The term "layoff" is mostly a description of a type of termination in which the employee holds no blame. An employer may have reason to believe or hope it will be able to recall workers back to work from a layoff (such as a restaurant during the pandemic), and, for that reason, may call the layoff "temporary," although it may end up being a permanent situation.

To encourage laid-off employees to remain available for recall, some employers may offer continued benefits coverage for a specified period of time if the benefit plan allows. Most laid-off workers will typically be eligible to collect unemployment benefits.

The term layoff is often mistakenly used when an employer terminates employment with no intention of rehire, which is actually a reduction in force, as described below.

### **Reduction in Force**

A reduction in force (RIF) occurs when a position is eliminated with no intention of replacing it and results in a permanent cut in headcount. An employer may decide to reduce its workforce by terminating employees or by means of attrition. In some circumstances, a layoff may turn into a RIF when a permanent decision is made to not recall employees.

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