The Employer's Guide to Offboarding

Provided by SimcoHR

SimcoHR™

HR • Payroll • Benefits • Insurance

Contents

Introduction

At some point, an employee will eventually move on from an organization. When that time comes, a well-prepared offboarding process can significantly enhance the efficiency and success of the transition. Offboarding refers to how an organization handles a departing employee—with the ultimate goal of an amicable separation. It can encompass a number of steps to support a smooth employment separation, including finalizing payroll, completing tax paperwork, retrieving company property, terminating access to company systems and files, facilitating knowledge transfers and maintaining a respectable employer-employee relationship.
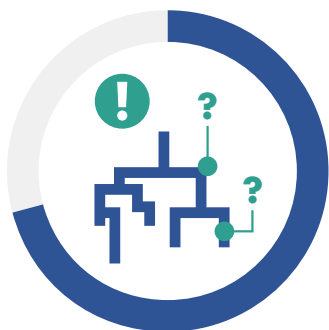
71% of organizations have no formal offboarding process.

Troubling data from market research company Aberdeen Strategy & Research revealed that **71%** of organizations have no formal offboarding process—and **70%** are only interested in dealing with resignations. While much attention is paid to employee onboarding, offboarding is just as important. In a tight labor market, employers should be making a concerted effort with employee relations and their brand as an employer. Word of mouth can help attract and retain employees. A clumsy or messy separation could have negative ramifications for employers, such as costly lawsuits.

When offboarding is done properly and gracefully, an organization may experience improved employee attraction and retention. Offboarding requires great planning, but it is well worth it in the long run. This process helps ensure employees leave on good terms, keeps the door open for employees to return in the future, increases employee referrals and, ultimately, protects the organization from legal risks.

This guide provides an overview of offboarding and offers best practices for employers to implement a formal process.

Offboarding Overview

Offboarding is the process of transitioning former employees out of the organization. It's triggered by an employee's voluntary or involuntary departure, and the steps may differ depending on the situation. The process begins immediately when the organization is aware of the pending separation, such as when an employee gives their notice or when an employer decides to move forward with termination. Similar to onboarding, there is no set timeline for an appropriate employee offboarding process. The circumstances surrounding an employee's departure often dictate how long the process takes.

An effective offboarding process can help an organization grow and improve, ease the transition from one employee to another, and offer insight into ideal workers or organizational structure. From a more costly perspective, an offboarding process can protect an organization from lawsuits, wrongful pay continuation or any other legal problems after an employee departs.

Voluntary vs. Involuntary Separation

An employee's departure can be either voluntary or involuntary. So, what's the difference, and why does it matter?

Voluntary separation is when an employee decides to leave the company on their own. The offboarding process generally begins when the employee provides verbal or written notice that they are ending their employment. It could also be initiated when an employee retires.

Involuntary separation is when an employer terminates the employment. The offboarding process generally begins when an organization decides to terminate an individual's employment. An employer may terminate an employee for many reasons, including misconduct, performance issues or layoffs.

The nature of the separation may impact the offboarding process and compliance with applicable laws. Either way, organizations must complete a great deal of work quickly to offboard an employee. For example, the organization needs to finish many administrative tasks before the employee's last day, such as finalizing payroll and tax paperwork, retrieving company property, and terminating access to systems and files. An efficient offboarding process can ensure a smooth transition for both the departing employee and the organization.

The Importance of Offboarding

Ultimately, offboarding supports a smooth and graceful separation between an employee and employer. Organizations should consider the following reasons for formalizing a well-structured offboarding process:

Prevent data and property insecurity. To safeguard the security of sensitive information and data, employers must ensure proper handoff and cancellation and revoke employee access. Careful planning can reduce the risk of departing employees leaving with trade secrets. Furthermore, the proper collection of company-owned equipment, including laptops, cellphones, badges and access cards, can help ensure data is not wrongly or accidentally shared or distributed.

Get ahead of legal and financial concerns. An offboarding process can help protect organizations against any legal action or retaliation from disgruntled former employees. Retaliation often happens when an employee feels blindsided. As a result, they may pursue a contract dispute, wrongful termination lawsuit or compensation for lost wages, benefits and other damages.

Support the company's reputation. An important aspect of an organization's internal and external reputation is its employer brand, which refers to how the employment market views an organization and the efforts used by an employer to adapt or shift this perception. Employees, including both current and former, can be some of the best brand ambassadors. Depending on the business, former employees could also turn into clients or customers in the future.

Retain knowledge. It can be frustrating to lose team members. Still, an offboarding process can help ensure a smooth transition and knowledge transfer to help the team feel confident about their workload and other responsibilities. When a key employee leaves, the organization also loses all the knowledge and company intellectual property they've accumulated during their employment. The transfer of institutional knowledge is critical for smooth business operations, and it can be so much more difficult to rebuild, especially in today's remote arrangements.

Encourage "boomerang" employees. These workers used to work at an organization, left voluntarily and now wish to return. If the employee left on good terms and had a positive offboarding experience, they may be more willing to return to the organization, as their loyalty remains. Boomerang employees are generally easier to vet, which cuts down on recruiting costs, and are quicker to onboard. Boomerang employees can help reduce recruiting and onboarding time and resources.

When offboarding is done well, former employees feel heard and valued, which helps to end the working relationship on a positive note. That's a big win for employers as they compete for top talent in a tight labor market.

Offboarding Best Practices

A key part of a successful offboarding experience is creating an offboarding checklist to detail each step of the process so leadership, HR professionals and team managers know what needs to be accomplished. This section outlines general best practices for the offboarding process, from planning to the separation and beyond. It's important to keep in mind that these steps should be adjusted based on the organization and the type of separation.

Planning

Planning is arguably the most critical part of the offboarding process. Employers should have a clear and consistent game plan when addressing voluntary and involuntary separations. To help create a plan, employers can consider the following steps:

- Discuss the organization's decision to terminate the departing employee with relevant individuals—such as the leadership team and HR—and potentially with legal counsel to ensure the termination is warranted and complies with federal and state laws and consistent company policies and past practices. This step applies to involuntary separation.

  ◊ Document any performance issues, warnings, policy violations and disciplinary actions pertaining to the departing employee.

  ◊ Decide whether to provide the departing employee with severance.

  ◊ Prepare for possible security concerns related to involuntary terminations.

- Notify all relevant individuals—such as the leadership team, HR and IT—that the offboarding process is starting for the departing employee.

- Ask HR to prepare the departing employee's final paycheck and all necessary paperwork, including:

  ◊ Resignation or retirement letter

  ◊ Nondisclosure and noncompete agreements

  ◊ Explanation of benefits

  ◊ Consolidated Omnibus Budget Reconciliation Act (COBRA) notice

  ◊ Retirement plan transfer

  ◊ Unemployment insurance, if applicable

- Create and document a transition plan for the departing employee.

- Schedule a separation meeting with the departing employee, for an involuntary separation.

    ◊ Ask HR or another qualified individual to conduct a separation meeting with the departing employee and to document what is discussed during the meeting.

    ◊ Decide which employees will assume the departing employee's responsibilities, if necessary.

    ◊ Record all devices and equipment—including keys, badges, access cards, credit cards and uniforms—to collect from the departing employee.

    ◊ Create a list of all systems, software, apps and files the departing employee can access.

- Review the offboarding process with the departing employee, for a voluntary separation, including the timeline and expectations, and provide them with a copy of an offboarding checklist or communications detailing expectations.

    ◊ Create and document a transition plan with the departing employee to ensure the knowledge transfer is completed before the departing employee's last day.

- Schedule an exit interview with the departing employee, for a voluntary separation.

    ◊ Ask HR or another neutral individual to conduct an exit interview with the departing employee and document all feedback.

- Notify the departing employee's team, wider organization and clients, if applicable, of the employee's departure and last day.

    ◊ Begin recruiting to fill the departing employee's position, if necessary.

Procedures

The type of separation dictates the procedures that are taken during offboarding. With an involuntary separation, a separation meeting takes place, whereas a voluntary separation is handled with a knowledge transfer and exit interview.

Separation Meeting

The purpose of a separation meeting is to communicate to the employee the message that the employment relationship is ending. Employers should be prepared to answer questions but not engage in a debate about the separation decision. The following steps may help lead to a successful meeting:

- Notify the departing employee of the organization's decision to end their employment and consider explaining the reasons for the termination, if appropriate.

- Provide the departing employee with information regarding any final payments, including paychecks, bonuses or severance payments, and any other exit documentation, if applicable.

- Review when and how the departing employee's group health benefits will end, if applicable, and inform the departing employee that COBRA election paperwork has been or will be mailed to them.

- Provide the departing employee with information about state unemployment benefits.

- Notify the departing employee of any post-employment legal obligations—such as noncompetition and confidentiality agreements—if applicable.

- Provide the departing employee with separation, severance, nondisclosure and noncompete agreements, if applicable.

- Notify the departing employee that their access to the organization's systems, software, apps and files will be revoked.

- Ask the departing employee to return all work-related documents and other information.

- Collect all company devices, equipment and passwords from the departing employee.

- If the departing employee uses their personal devices for work, remove all files and access from their devices.

- Ensure the departing employee provides their current contact information.

- Have the individual conducting the separation meeting walk the departing employee from the organization's premises. If necessary, escort the employee from the organization's premises with security in alignment with the organization's policies.

Knowledge Transfer

Savvy organizations encourage knowledge transfer techniques long before an employee even considers leaving. If the time for voluntary separation comes and there's no plan in place yet, employers can consider these steps:

- Identify all knowledge, information and skills that need to be preserved from the departing employee by reviewing the employee's job description, duties, responsibilities, assignments and work product.

- Create learning logs or a knowledge database to retain employee knowledge and share it with others.

- Ask the departing employee to document all necessary information to facilitate a knowledge transfer to other employees, including their roles and responsibilities, projects, deliverables, client or vendor contacts, and access to documents.

- Request that the departing employee create a comprehensive contact list, including key individuals and external contacts they interact with to fulfill their responsibilities.

- Ask the departing employee to return all work-related documents and other information.

- Decide which employees will assume the departing employee's responsibilities, if necessary.

- Communicate to other employees any temporary reassigning of the departing employee's responsibilities.

- Schedule a meeting with the departing employee and any employees assuming the departing employee's responsibilities to transfer all necessary information and duties.

- Provide vendors, clients and other employees with an updated point of contact for the departing employee's responsibilities, if applicable.

- Schedule meetings with the departing employee's vendors, clients and others to transition to the organization's new point of contact, if necessary.

Exit Interview

The exit interview allows employers to gain valuable insight into why an employee is leaving and what the company could be doing better—either to boost employee retention or to improve company culture, productivity and other aspects.

- Conduct an exit interview with the departing employee and document all feedback.

- Provide the departing employee with information regarding any final payments, including paychecks, bonuses or severance payments, and any reference letter and other exit documentation, if applicable.

- Thank the departing employee for their contributions to the organization. If the departing employee leaves on good terms, consider discussing options for rehire.

- Have the individual conducting the exit interview walk the departing employee from the organization's premises. If necessary, escort the employee from the organization's premises with security in alignment with the organization's policies.

Final Steps

Once employment has ended, there are some closing actions for employers to consider:

- Update the departing employee's contact information.

- Amend all organizational charts.

- Update the organization's insurance provider of the employee's departure, if applicable.

- Process the departing employee's final payments in a timely manner.

- Discuss the information gathered from the departing employee's exit interview or separation meeting with relevant individuals—such as the leadership team, HR, managers and supervisors—and determine any action items.

- Clean the departing employee's office or desk area and ready it for another employee.

Legal Considerations

The process of offboarding employees, whether due to resignation or termination, can be legally complex. Employers should carefully consider the potential consequences when offboarding any employee. While the at-will employment doctrine permits employers to end an employment relationship at any time and for any reasons not prohibited by law without notice, offboarding mishaps can expose employers to legal claims based on federal, state, local and common law. Throughout the United States, there are numerous laws prohibiting employers from terminating an employee based on protected characteristics or in retaliation for exercising certain protect rights. In some instances, these laws can limit an employer's ability to terminate an employee at will. Examples of federal laws employers should consider when offboarding employees include the following:

- Title VII of the Civil Rights Act

- Age Discrimination in Employment Act

- Americans with Disabilities Act

- Family and Medical Leave Act

- Fair Labor Standards Act (FLSA)

- Occupational Safety and Health Act

- Uniformed Services Employment and Reemployment Rights Act

Legal requirements for employee separations vary by state, so it's important for organizations to be familiar with state and local laws. Handling paperwork is a tedious—but necessary and critical—part of the offboarding process; it ensures any legal requirements are adhered to. Separation paperwork may include the following:

- Resignation or retirement letter

- Explanation of benefits, including 401(k) options

- Unemployment benefits (and whether the organization will challenge an application for benefits)

- Nondisclosure and noncompete agreements

- Eligibility for rehire

- Release form for severance

- Instructions for the return of company equipment

Employers must keep in mind that COBRA requires group health plans maintained by private sector employers with 20 or more employees to provide continued health insurance benefits, up to 36 months for medical coverage.

Also, in compliance with the FLSA, an employee must still be paid all wages and, in some cases, unused vacation time earned through their last day of employment. There are different guidelines for when the final paycheck should be provided, which vary by the type of separation (voluntary or involuntary) and location.

Summary
Formal offboarding practices are necessary to help ensure an organization does not miss key steps during an employment separation. A successful offboarding process can create a well-ordered exit and transform a departing employee into a strong advocate for the organization. Missteps can have costly and brand-damaging consequences, so it's critical to seek legal counsel before making any employment decisions.

Employer Takeaway

Although it's often overlooked or undervalued in HR processes, offboarding is equally significant as onboarding. A well-planned offboarding process can ensure a seamless transition of responsibilities from one employee to the next and maintain the smooth operation of an organization. It can also safeguard a company against productivity loss, legal issues and retaliation while providing valuable feedback for potential organizational and employment improvements.

If an organization doesn't have a formal offboarding process yet or the current process is not robust enough, it can start developing or improving it today. Then, the next time an employer needs to address an employment separation, they'll have a game plan and can ensure they won't make any critical or costly missteps.

Contact SimcoHR today for more workplace resources including help with developing an offboarding process.