

# Why Employee Handbooks Work

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**T** rue story: Two-and-a-half years after the manager of “XYZ Company” resigns, she brings a sex discrimination lawsuit, claiming the company took sides with a male employee who created a hostile work environment. All of her claims are dismissed by the court as baseless, but not before a protracted legal battle that costs the company over \$100,000 to defend.

Why? The company lacked an official grievance policy and procedure for handling these kinds of matters. As a result, the courts gave the former manager the benefit of the doubt during most of the case proceedings, which allowed the litigation to drag on.

Just like the rhyme “for the want of a nail...the kingdom was lost,” so too, “for the want of an employee handbook,” a company can be “lost.” You safeguard your business assets by forming a corporation (or LLC). You do the same by having the right liability insurance in place. And for any business that has employees, an employee handbook is an effective—and essential—step for protecting your company.

Employee handbooks (also called “employee manuals” and “employee policies and procedures”) provide a number of useful functions. They help set employee expectations on a wide range of employment matters from vacation time to dress code to severance pay. They also help set a tone for your corporate culture—when handled properly, they create an environment of fairness and consistency. They also help business owners (or supervising employees) save time by serving as a reference guide to decision-making and following procedures.

## A SOLID HANDBOOK FOUNDATION

Complaints about employee handbooks

abound. “They are too expensive.” “They are too cumbersome.” “I don’t know what I would want to put in one.” “Why do I have to be so formal with my employees? I want to set a friendly tone.” Each one of those complaints can be addressed.

Concerned about the cost? Consider the costs of not having one. There are many free or inexpensive resources that can be tapped (Internet, local library) to help you create your own that an attorney can later review.

Concerned about the length? Just give some thought to the provisions you really need (entrepreneurs have been known to copy another company’s handbook without considering whether the provisions really apply to them).

Don’t know what to include? You probably already do. Most companies already have systems and policies in place, if they really thought about it. It’s just that they haven’t codified them.

Finally, as to formalities, it all depends on how you handle it. Present your employees with a user-friendly, plain-English manual (don’t show up on a random Tuesday and say, “Surprise!”—let them know it’s coming), and chances are they will be grateful. Many employees appreciate the structure and guidance that an employee handbook offers. It helps them identify the boundaries of what is acceptable and what’s not, without knowingly

running afoul of a rule.

Handbooks come in all sizes and shapes; there is no set format you need to follow. But a good handbook will have all the elements of style, substance, and standardization.

- **Style.** What’s the point of a document if it’s unintelligible to the audience that needs it most? None. It’s useless. Remember that it will be read by people, most (if not all) of whom have had no legal training, or who may come from diverse cultural backgrounds. Also, bigger is not necessarily better. Copying the detailed and persnickety employee handbook from a *Fortune 500* aerospace company will not likely serve the interests of your 30-person construction company. And while it’s hard to get away from *all* legalese, your employees and managers (perhaps that’s you) *do* need to understand how to act without hiring a translator. Here’s a good test: do the managers who need to implement your policies *really* comprehend what they say? Do they have a clear understanding of what needs to be enforced and how? If not, work on the language so that all interpretations are clear and consistent. Adding something as basic as a table of contents can help people find the right provisions quickly.

- **Substance.** How much should you include? How much is too much? How much is too little? Again, a “kitchen sink” approach to content may not serve you well. But erring on the side of brevity can leave your company exposed (sort of like the perennial debates about women’s dress hemlines). Find a balance that makes you comfortable. There are certain basics that you will want to include: work hours, compensation and benefits (like health care, paid time off, etc.) smoking and substance abuse policies, use and misuse of company equipment (telephones, computer, email, Internet), handling company and client



