



## A Better Way to Manage Employee Transitions



When a company considers layoffs, the leadership and HR teams have a lot to think about. Who will be impacted? What benefits will they receive and for how long? How will the reduction-in-force impact the health of the business? For many companies, one of the last considerations is one of the most important — what's the best way to help their former employees transition to new employment quickly and with the best support services? An Employment Transition Benefit ("ETB") Plan may be the answer.

A ETB Plan is an "alternative severance plan" designed to assist a former employee's transition to new employment due to an involuntary reduction in force, job elimination, reorganization, or similar circumstance. A custom designed and administrated ETB Plan can be turnkey for nearly any company looking to improve employee benefits and save money at the same time.

## Severance Pay as a Transitional Benefit

Oftentimes, traditional severance plans can act as a disincentive to finding new employment. These "entitlement" type plans can delay the job search until most of a former employee's severance and state unemployment insurance ("UI") benefits have been exhausted.

Today, many companies are taking a step back and looking beyond the status quo of entitled lump-sum severance benefits. Some companies are taking the approach that separation benefits should be a payment that truly "transitions" a former employee to new employment. Not only would this approach help a former employee possibly find new employment faster, but it could save both the company and former employee money along the way. The key to getting former employees back to work sooner may be to view severance pay not as an entitlement, but as a transitional benefit. ETB plans provide a built-in incentive that immediately engages former employees to start their transition to new employment as soon as they're laid off.

## More Money in Your Former Employee's Pocket

In addition to effectively helping former employees transition to new employment, ETB payments are designed to supplement a former employee's receipt of state UI benefits. And since ETB payments are taxed the same way as state UI benefits, they're exempt from FICA taxes. This means more money in the pocket of the former employees – an extra \$76.50 gained for every \$1,000 of benefit they receive at a time when they need it most -- while they're transitioning to new employment.

If state UI benefits run out before the former employee's ETB benefits end, the company can still pay 100% of the remaining balance as ETB, and the former employee and employer still achieve a tax savings. The significant company savings generated by ETB Plan can also be reinvested to possibly offer additional weeks of separation benefits or additional services to the former employee. Plus, while some employers believe that ETB benefits must be terminated upon a former employee's transition to new employment, an employer may choose to pay the former employer their entire remaining benefit balance as an incentive bonus outside of the ETB Plan.

## Company Saves Money

In addition to improving employee benefits, ETB Plans generate significant savings for the company as well. Since ETB payments are taxed the same as state UI benefits, the company is also exempt from FICA taxes. The company is also exempt from FUTA and SUTA taxes as well. When ETB payments are coordinated with state UI benefits, the amount of benefit the company pays the former employee is supplemented by the amount of state UI benefits they receive. Companies may be able to reduce their overall severance costs by as much as 45% while the former employees receive 100% of their pre-layoff wage through the combination of ETB payments, state UI benefits, and a FICA tax savings.

## Everyone Wins

ETB Plans are a win-win severance strategy for both employer and employee. They can help a company manage its severance costs while providing key benefits to their former employees as they transition to new employment.

**To learn how an ETB Plan can help you, contact us at (617) 600-3240 or [info@subpay.com](mailto:info@subpay.com).**



## Helping Companies and Their Former Employees Manage Transitions

For 30 years, TMS has been a trusted advisor and partner to Fortune 1000 companies during challenging times by providing ETB plan design, implementation and administration services. In addition, TMS has helped its clients change the way they manage severance, reduce the workload and stress on corporate Human Resources and Payroll departments, help former employees transition to new employment with full support services, and help companies save millions of dollars in reduced severance cost.

We're proud of our proven track record, providing more of what companies want for their former employees transitioning to new employment – effectiveness, efficiency, and empathy – and less of what they don't – hassles, costs, and risks.

Visit [www.subpay.com](http://www.subpay.com) to learn more.

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