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Employment Law Insider Alert

New Jersey Now Requires Employers to Pay Severance for Mass Layoffs; First State in the Nation To Do So



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Key points:

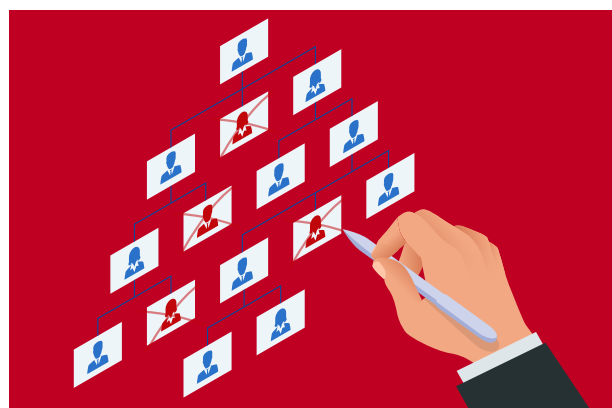
New Jersey's 2020 law requiring employers to pay severance to workers in mass layoffs, postponed during the pandemic, took effect on April 10, 2023.

Businesses with more than 100 employees that lay off more than 50 must pay severance.

Affected employers must provide 90 days' enhanced notice to employees affected by a mass layoff, up from 60 days.

In a move aimed at providing greater protection and support to workers facing job loss, on April 10, 2023, New Jersey became the first state in the nation requiring employers to pay severance pay to workers terminated in mass layoffs. The New Jersey law appears motivated, at least in part, by the fact that Toys "R" Us closed its doors, causing more than 30,000 workers to lose their jobs—including roughly 2,000 in New Jersey—with little or no severance pay or employee benefits initially. This new "severance pay law" ([Senate Bill 3170](#)) was signed by Governor Phil Murphy in January 2020 and slated to take effect in July 2020, but was put on hold for three years due to the economic difficulties caused by the COVID-19 pandemic.

The severance pay law has significant implications for employers in the state. While the law aims to enhance the protection and financial security of workers facing job loss, it also imposes additional responsibilities and considerations for businesses. Understanding and complying with this legislation is crucial to maintain legal compliance and uphold a positive employer-employee relationship.



Covered Businesses and Severance Pay Requirements

The severance pay law covers New Jersey employers who have been in business for at least three years and have at least 100 full-time employees when a layoff puts at least 50 people out of a job. Covered employers must offer severance pay to workers affected by a mass layoff or plant closure. The severance pay must equal one week's pay for each year of service. It is essential for business to accurately calculate the severance pay for each eligible employee to avoid any legal disputes or grievances.

Notification Requirements

The severance pay law also introduces a notice requirement for employers.

Companies subject to the law must provide at least 90 days' enhanced notice to affected employees prior to a mass layoff or plant closure, up from 60 days. If an employer provides any employee with less than 90 days of notice, employers will be obligated to provide that employee with an additional four weeks of pay. These notice requirements are intended to allow workers to better prepare for job loss, seek alternative employment opportunities, and make necessary arrangements to support themselves and their families.

Effective Date: April 10, 2023

Conclusion

To help navigate the layoff severance pay law effectively, it is essential for employers to review and update their policies and procedures. Covered businesses should consider consulting legal counsel to ensure a thorough understanding of the law and its implications for the business. Companies should

evaluate their financial capabilities to determine the feasibility of providing advance notice and severance pay as mandated by the law and plan accordingly to avoid financial strain. ▲

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