



Members of SECAF,

As we approach the end of September and the beginning of a new government fiscal year, the threat of the first federal government shutdown in 18 years moves closer to reality. The recent approval of a plan in the House to fund the government to December 15, 2013 under the conditions that the implementation of the Affordable Care Act is delayed for one year and the tax on medical device manufacturers is repealed sets the stage for a standoff between the House and the Senate along with the Executive Office that could result in a government shutdown.

If history is an indication of what will occur in the near term then it behooves all SECAF members to prepare for a government shutdown. The shutdown of 1995 and 1996 was the direct result of a disagreement between then President Bill Clinton and Congress to reach a mutually acceptable solution over funding for Medicare, public health, education and the environment.

While we are all hopeful that the House, Senate and the Executive Office can find common ground and avoid a shutdown there is no denying the threat is very real. As such, Kathy Albarado, SECAF Board Member and CEO of Helios HR, has shared a few action items you may consider implementing as you plan for the possibility of a government shutdown.

HR Considerations in the Event of a Shutdown

Strategic Planning:

- Identify key personnel and execute a retention plan (have you considered subbing out employees to colleagues to get you through a period of uncertainty or contingent retention bonuses?).

- Communicate your bench strategy:
 - How will employees be compensated?
 - Can they leverage their PTO?
 - Will you issue partial or full furloughs- if so, which employees will be impacted?
- Map out the impact on employee benefits that a reduction in work schedule may trigger.
- Consider enforcement of non-competes and policy reviews of those whose hours will be reduced or eliminated.
- Review employment offers, employment contracts, commission plans for potential conflicts.
- Communicate what you DO know.
- If a layoff cannot be avoided, consider using **Rapid Response** (available through the Department of Labor at no additional cost) as a resource.
- Follow published guidelines for compliance with the **WARN ACT** (Worker Adjustment Retraining Notification).

Operational Planning:

- Stay in contact with the contracting officer to make sure you are kept abreast of what a government shut-down may mean for your employees.
 - Will you need to institute furloughs?
 - Will there need to be essential personnel left on site to keep the business operating or does it mean a complete shutdown of the operation?
 - If you have to institute furloughs, ensure you are not required to pay out accrued leave based on any individual state mandates in place for the states in which the company operates.
 - Since the Fair Labor Standards Act (FLSA) only deals with "protected leave" such as FMLA for example, there is no federal government mandate regarding the payment of leave in the event of a shutdown, but there may be state mandates in place.
 - If furloughs are instituted make sure you follow the published guidelines for exempt employees and consider the partial workweek exemptions in place for exempt employees.

For contracts awaiting award notice:

- If the government shuts down, this will more than likely result in additional delays in contract awards.
- If you have begun to staff new contracts in anticipation of the contract award, ensure any offer letters that are extended include language stipulating employment is "contingent" upon the contract award.

Communication is exceptionally critical during this time of uncertainty.

As additional insight for SECAF members, we asked Shiv Krishnan, CEO of INDUS Corporation and SECAF founding Board member, to share the significant actions that he took in the government shutdown of 1995 that helped minimize the negative impacts.

Shiv: The Federal Government put non-essential Government workers on furlough and suspended non-essential services from November 14 through November 19, 1995 and from December 16, 1995 to January 6, 1996, for a total of 28 days. INDUS had been in business less than three years and we had 15 employees. About 20 percent of our work was unaffected because it was commercial. The other 80 percent or 12 employees were impacted in different ways. Three specific actions that we implemented helped in minimizing the negative impacts:

1. Honest and straight communication with our employees. I told them everything I knew and asked for their commitment to stick it out. Fortunately for me and INDUS, every one of our employees was supportive and understood that it was not something that INDUS could control.
2. I reached out to every one of our customers to find out the impact on each of our contracts. Whatever I learned, I immediately communicated to our employees. I learned:
 - a. Some contracts can and will deem employees as "essential". If your employees are deemed "essential" that part of your workforce will not be impacted and those "essential" employees have to report to work even during a shut down.
 - b. Funding on contracts can be 1-year (ending at the end

of September 30), so you are affected; funding can be 2-year, which means you can continue work if the Federal Government facility was open and your employees are allowed in; and funding can be "no-year" which means contracts are not impacted as long as your employees are allowed into the Federal facility (which will be rare).

c. If contracts are funded through a source other than annual Federal budgets, you will not be impacted, and again in this situation, employees can work only if they are allowed into a Federal facility.

d. If contracts are not funded through the Federal fiscal year cycle (October to September) and the work is being done at your company's facility, you are in luck and your employees can continue working as long as funds are available on your contracts.

3. I allowed the impacted employees to use their accumulated personal leave. If the shut-down extends their leave balance, this becomes a greater challenge. We became intentional about moving employees into other project areas where possible. Our impact was minimal, as 7 of our 12 employees were deemed "essential" by our customers, and we had a fully funded small project with 4 employees which was being worked at our own INDUS offices.

The advice I would like to offer our SECAF member company executives is to "communicate, communicate, and communicate" everything you know to your employees. Unfortunately, in the situation we are in right now there may not be too much information forthcoming, because our customers are also in the dark and are dealing with tremendous uncertainty. Do your best!

As we share the above as a best practice and as Shiv has exemplified, full disclosure to your employees, even if the company is uncertain of the future, is much easier for the employees to embrace early on in the process.

Additional OMB guidance to agencies regarding the shutdown and FAQs can be found by following the instructions below:

- **Click here** to log in
- Click on Member Resources tab at the left
- Click on Advocacy
- Click on "Planning for Agency Operations During a Potential Lapse in Operations"

If you need assistance logging in, please contact **info@secaf.org**.