

ARBITRATION AGREEMENTS ARE NOT FOR EVERYONE

You may have heard about the recent U.S. Supreme Court decision allowing employers to enforce Arbitration Agreements in employee contracts. When this first came out, we received a number to client emails asking for this to be added immediately.

For some large clients, this may, in fact, be a welcome addition to their policies and procedures. After all, arbitration is viewed as more factual and takes the case out of the hands of juries that may look upon the big, bad employer as the root of all evil. It also may be less expensive as punitive damages may be more in line with actual losses.

However, it is not for everyone. For smaller businesses, this can be a huge expense. The employer foots the bill for the Arbitrator. Further, it does not protect you from bad labor practices. You are still responsible for following all Federal and State mandates regarding employment law.

Most significantly, the employer is confined by the same Arbitration agreement. For instance, if you catch an employee stealing and you want to prosecute, you may not be able to use the court system and may be bound to use the Arbitration system to resolve the labor issue. There may also be costly side arguments on the severability of actions covered by Arbitration as opposed to those that can be brought to civil court.

The bottom line is that before you jump into an Arbitration Agreement in your employee package, we suggest you speak with your attorney and understand the positive and negative consequences.