

FACT SHEET #129 SEPTEMBER 2017

## Unemployment Benefits When a Worker Accepts a Buyout

### What is a buyout?

In its simplest terms, a buy-out is an agreement between an employer and employee where the employer provides an employee an incentive (usually in the form of money) to permanently end the employer and employee relationship.

The incentive offered in the buyout may involve the payment of the worker's accrued sick pay, accrued vacation pay, and accrued company retirement benefits or the worker's company-sponsored 401(k) plan account. The buyout may also include the payment of several weeks or months of **severance pay** (see Fact Sheet No. 125), based on a contract that provides for such a payment. In return for these payments, the worker agrees to give up any right they might otherwise have to re-employment with that employer, and to sever their employment relationship.

### What are some reasons a worker might accept a buyout?

A worker who accepts a buyout might do so for several reasons. They might consider that the buyout provides them the opportunity to retire earlier than they anticipated and with a better retirement package than if they were to wait until their normal retirement age and years of service.

Still another reason a worker might accept a buyout is that they believed, or were actually told by the employer that, based on their seniority, it is unlikely that they would be able to continue working after the buyout period, or that it is certain they would not have the seniority to continue working, and would have none of the benefits the buyout would have provided them.

### Can a worker who accepts a buyout potentially receive unemployment benefits?

Under Michigan law, a worker who leaves work voluntarily and without good cause attributable to the employer must be disqualified from receiving unemployment benefits.

If the worker could have continued to work for the employer at a suitable job, but instead chose to accept unemployment, then the worker would likely be disqualified from receiving unemployment benefits.

On the other hand, a worker who desired to continue working, but who chose to leave work based on information from the employer that there were no clear options for continued suitable employment, would likely not be disqualified from receiving unemployment benefits after accepting a buyout.