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Employee-driven lawsuits on the rise



More than ever, businesses are being sued by their employees for a variety of perceived wrongs. How can you protect yourself?

While courtrooms are rarely short on case volume, an increasing number of legal matters in recent years have involved employees suing their employers based on allegations that they were wronged. Though many of these issues have been dismissed for lack of evidence, they routinely come at a significant cost to businesses accused of mistreatment.

According to the U.S. Department of Labor, since 2009, lawsuits filed that pertain to the Fair Labor Standards Act alone have risen 35 percent. In 2011, more than 100,000 charges alleging discrimination were brought against employers, according to the U.S. Equal Employment Opportunity Commission. This has cost companies hundreds of millions of dollars in defense costs and award settlements.

There are many theories that may explain why there has been such a dramatic rise in employer lawsuits. One of them is the struggling economy, which has left many Americans either struggling to find work or taking a significant cut in pay. What if this happens to your company? Even baseless charges need to be defended, resulting in costly legal fees and possible damage to your reputation.

Despite the odds favoring employees who sue companies, there are a variety of ways you can decrease the probability of being sued.

1. Establish a set of standards. One step is to draw up an employment policy manual. Having a set of written policies in place helps establish procedures that are to be followed, so that your employees know what is to be expected of them, as well as what responsibilities your company has. This handbook should also contain steps workers can follow to file a complaint if they believe they have been mistreated in some way.

2. Train employees. It's not enough to just have these procedures in place. Once they've been established, strive to train employees about how to handle issues that they may have so that they can be addressed as efficiently and effectively as possible, thereby preventing legal recourse.

3. Obtain insurance. An Employment Practices Liability insurance (EPLI) policy provides coverage in the event you are sued by an employee for a wrongful act. Some of the wrongful acts covered under an EPLI policy include allegations of discrimination, sexual or workplace harassment, violations of civil rights, wrongful termination, breach of contract, or negligent hiring, promoting, and evaluation.

4. Address the situation as soon as possible. Finally, should an employee complain about an issue, take action promptly. Employees who recognize that the matter is being handled may be less likely to seek remedial action through the court system. However, when these matters arise, always seek legal advice as a precaution.

