

Farm Employee Management: *Ag Decision Maker* Terminating Employees in Iowa – Considerations and Guidelines

File CI-81

Iowa is an Employment-at-Will State. With few exceptions, this means that the employment relationship can be terminated by either party – employer or employee – for any lawful reason or no reason at all. “Absent a valid contract of employment, an employment relationship is generally considered to be inherently indefinite and presumed to be at will... Employment at will means that the employment relationship is terminable by either party, at any time for any lawful reason or no reason at all.” *Fitzgerald v. Salsbury Chem., Inc.*, 613 N.W.2d 275, 280 (Iowa 2000) (citing *Phipps v. IASD Health Servs. Corp.*, 558 NW 2d 198, 202 (Iowa 1997)).

Exceptions Under Iowa Law

There are several exceptions to the employment-at-will doctrine in Iowa, based on some sections of the Iowa Code. The Iowa Civil Rights Act, which prohibits discrimination based on protected classes such as age, race, creed, color, sex, sexual orientation, gender identity, national origin, religion or disability, as well as some protections regarding pregnancy and childbirth. Employers may not terminate employees for serving on a jury, or for making a complaint under the Iowa Smokefree Air Act. Employers may also not terminate employees under the Iowa OSHA Anti-retaliation Provision or the Iowa Wage Payment Collection Law Anti-retaliation Provision.

Common Law Exceptions

The Iowa Supreme Court has also adopted common law exceptions. The most litigated exception is a “discharge in violation of public policy”. In order to prove that a discharge has been in violation of public policy the employee needs to prove the following four points: (1) There is a clearly-defined public policy that protects employee activity; (2) the public policy would be jeopardized by the discharge from

employment; (3) the employee engaged in the protected activity, and this conduct was the reason for the employee’s discharge; and (4) there was no overriding business justification for the termination. The four general categories which would indicate a firing has violated a public policy include: exercising a statutory right or privilege such as filing a worker’s compensation claim; refusing to commit an unlawful act (perjury, for example); performing a statutory obligation; or reporting a statutory violation such as reporting child abuse. Here are some examples of cases that Iowa courts have found to be protected public policy: pursuing or threatening to pursue worker’s compensation benefits; pursuing unemployment benefits; asserting a right to reimbursement for sums wrongfully withheld from employee’s paycheck; refusing to participate in non-reporting of sales tax; and refusing to staff a day-care facility below the minimum requirements establish by Iowa Administrative rule. Some cases where Iowa courts have held the employee’s conduct was *not* protected by an Iowa public policy include the following: missing work due to work-related injury; opposing wrongful termination of a co-employee; conversing with co-workers about co-worker salaries; violating a private employer’s dating policy that prohibited dating between supervisors/managers and their employers; and being charged with (but not convicted of) a crime.

Another common law exception recognized in Iowa is a “discharge in violation of an employee handbook that constitutes a unilateral contract”. For the employee to be successful the employee must prove the following: the employee and employer intended the policies in the manual to be a part of the contract of employment OR the manual was communicated to the employee; the employee believed the policies in the manual to be part of the contract of employment, the employee’s

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belief was reasonable: and the employer knew or reasonably should have known the employee believed the employer.

Employer Handbooks

Employer handbooks can create duties on the part of the employer that must be followed before a termination can take place. For example, the employer can be subject to scrutiny when the handbook outlines certain disciplinary procedures that must be followed by the company, (a certain number of warnings, performance reviews, etc.) and then in the firing of a certain individual those policies are not followed. However, the courts have held that a disclaimer in a handbook can prevent the formation of a contract. An example of a disclaimer held sufficient would be: “This Employee Handbook is not intended to create any contractual rights in favor of you or the Company. The Company reserves the right to change the terms of this handbook at any time.”

In Summary

Just because there are exceptions to the rule that does not mean that employers are not permitted to terminate employees at will. Before terminating an employee an employer should review the company handbook and confirm its procedures were followed and determine if there could be any potential claims of discrimination or public policy violations as a result of the termination. As always, any employer should contact their own attorney to discuss the facts and circumstances and confirm that they are following the correct procedure to terminate an employee.

. . . and justice for all

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