

MANAGING THE MANAGER

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In spite of adopting all the appropriate policies for legal compliance, employers still wind up getting sued in employment lawsuits based upon the acts and omissions of their managers/supervisors. By better managing its management, an employer can better manage its risk. This article provides suggestions on how such a goal might be accomplished in three steps: I) Capture their attention; II) Train them; and III) Hold them accountable.

I. CAPTURE THEIR ATTENTION.

While most managers are aware that the company may be sued by a disgruntled employee or former employee, few recognize the significant risk that they too will be named a defendant in the suit. Recognition of this possibility tends to heighten consciousness. It also raises a number of awkward questions. “Won’t the company’s attorney represent me too?” “If there ends up being a judgment against me, the company pays it, right?” Unfortunately, there is no easy answer to these questions and typically not ones that can be given in advance of the specific circumstances arising. Outside the protection afforded by the Worker’s Compensation Act, there is little comfort.

Most of the employment law statutes giving rise to a private cause of action by employees narrowly define the “employer” to include the employing entity and not the individual director, manager or supervisor. However, there are a few statutes that have broader definitions pursuant to which a responsible individual may be held personally liable.

Outside the statutory scheme, however, there are a number of tort theories that may be brought against an individual actor, and then the employer entity is added to the claim under a vicarious liability theory. It is within this context that tension may develop between the entity and the individual over factual issues such as whether the alleged misconduct was within the course and scope of employment. This triggers an ultimate need for separate legal counsel and varying degrees of cooperation in the defense of the underlying claims.

Once an individual manager or supervisor becomes better educated as to the risk of having to secure and pay for separate legal counsel, as well as the risk of individual liability, there is a realization that the employer entity and the individuals in management are closely aligned in their interest in preventing employment litigation.

A. Statutes

The traditional federal and Texas anti-discrimination statutes do not provide for individual manager liability including the Texas Commission on Human Rights Act,¹ Title IV,² the Americans with Disabilities Act,³ and the Age Discrimination in Employment Act.⁴ This is not true for anti-discrimination statutes in some of the other states.

The Fair Labor Standards Act (“FLSA”) expressly allows for personal liability to be imposed upon an individual meeting the definition of an employer: “any person acting directly or indirectly in the interest of an employer in relation to the employee.”⁵ Employers are liable for amounts found due as underpayment, an equal amount in liquidated damages and for attorneys’

¹ *Alfaro v. St. Mary’s University*, 2005 U.S. Dist. Lexis 32192.

² *Id.*; *Medina v. Ramsey Steel Co., Inc.*, 238 F.2d 674, 686 (5th Cir. 2001).

³ *Id.*; *Smith v. Amedisys, Inc.*, 298 F.3d 434, 448 (5th Cir. 2002).

⁴ *Id.*

⁵ 29 U.S.C. § 203(d); this same language applies to the Equal Pay Act.

fees and costs. Willful violations are punishable by a fine of up to \$10,000, imprisonment up to six months or both. Additionally, the 1989 Amendments provide for a fine of up to \$1,000 per violation for employers who willfully or repeatedly violate the minimum wage, overtime requirements or child labor laws.

The definition of employer in the FMLA and FLSA are nearly identical. The FMLA defines an employer to include "any person who acts, directly or indirectly, in the interest of an employer."⁶ Further, the regulations promulgated under the FMLA evidence a very clear intent that the definition of the word "employer" be treated the same under the two statutes and that individuals be included.⁷

The Immigration Reform and Control Act prohibits any "person or other entity" from knowingly hiring an unauthorized alien.⁸

B. Torts

Unlike the rather limited risk of individual liability pursuant to statutory claims, managers and supervisors can be individually sued under any applicable tort claim. Then the question flips to whether the employer entity is also liable. Generally, the employer is vicariously liable for the torts of its employees committed in the scope of their employment under a limited number of legal doctrines, *respondeat superior* being the most common.⁹ This is true even when the employee's tort was intentional and not specifically authorized by the employer if it was closely connected with the employee's authorized duties.¹⁰ When the individual's acts are not in the furtherance of the employer's business, but are motivated by personal gratification, turning aside from employment duties to pursue purely personal interests, the acts cease to be within the course and scope of employment.¹¹

1. Defamation. A statement is defamatory if it tends to (1) harm the reputation of another so as to lower him in the estimation of the community; (2) deter third persons from associating or dealing with him; or (3) expose him to public hatred, contempt, or ridicule.¹² A statement may be false, abusive, unpleasant and objectionable to the plaintiff without being defamatory.¹³ Expressions of opinion are protected by the federal and Texas Constitutions.¹⁴ Defamation arises most often in the employment context when the employer accused a current or former employee of inappropriate conduct such as theft,¹⁵ illegal drug use,¹⁶ unfair competition,¹⁷ incompetence or negligence.¹⁸

⁶ 29 U.S.C. § 2611(4)(A)(ii)(I).

⁷ 29 C.F.R. § 825.104(d).

⁸ 8 U.S.C. 1324a(1).

⁹ *Minyard Food Stores, Inc. v. Goodman*, 80 S.W.3d 573, 577 (Tex. 2002); *GTE Southwest, Inc. v. Bruce*, 998 S.W.2d 605, 617 (Tex. 1999).

¹⁰ *Id.*

¹¹ *Goodyear Tire & Rubber Co. v. Mayes*, 236 S.W.3d 754 (Tex. 2007); *Lyon v. Allsup's Convenience Stores, Inc.*, 997 S.W.2d 345 (Tex. App. – Fort Worth 1999, no pet.); *Kelly v. Stone*, 898 S.W.2d 924 (Tex. App. – Eastland 1995, n.w.h.).

¹² *Colson v. Grohman*, 24 S.W.3d 414 (Tex. App. – Houston [1st Dist.] 2000, no pet.).

¹³ *Schauer v. Mem'l Care Sys.*, 856 S.W.2d 437, 446 (Tex. App. – Houston [1st Dist.] 1993, no writ).

¹⁴ *Falk & Mayfield L.L.P. v. Molzan*, 974 S.W.2d 821 (Tex. App. – Houston [14th Dist.] 1998, no writ); *El Paso Times, Inc. v. Kerr*, 706 S.W.2d 797, 798-800 (Tex. App. – El Paso 1986, writ ref'd n.r.e.), cert. denied, 480 U.S. 932 (1987).

¹⁵ *Randall's Food Markets, Inc. v. Johnson*, 891 S.W.2d 640 (Tex. 1995) (employer accused employee of stealing a Christmas wreath); *Rodriguez v. Printone Color Corp.*, 982 S.W.2d 69 (Tex. App. – Houston 1998, no writ); *Borden, Inc. v. Rios*, 850 S.W.2d 821 (Tex. App. – Corpus Christi 1993, writ dismissed by agr.), 859 S.W.2d 70 (Tex. 1993) (employer accused employee of

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