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DO YOU NEED A REASON TO TERMINATE YOUR EMPLOYEE?

Texas is an at-will employment state. This means that an employer can terminate their employee for any reason, or for no reason at all. Recently, the Texas Supreme Court, in *Matagorda County Hosp. Dist. v. Burwell*, 49 Tex. Sup. J. 370 (Tex. 2006), decided whether the phrase “employees may be dismissed for cause” in a personnel policy manual meant that the employer had to have a reason for terminating their employee. If this were the case, then the at-will employment relationship would be changed. The Texas Supreme Court held that this phrase does not mean that the employer had to have cause for termination and the at-will relationship remained intact.

In *Matagorda County Hosp. Dist. v. Burwell*, Ms. Burwell sued the hospital after she was fired because of her poor attitude, breaches of patient confidentiality, and unprofessional conduct. In her lawsuit against the hospital, she plead breach of contract, arguing that the hospital failed to state a specific cause, which would support her termination. Essentially, her argument was that the personnel policy manual made it clear that the hospital needed to have a specific reason to fire her and that the reason stated had to relate to her ability to do her job. In her opinion, this portion of the policy negated the at-will employment rule.

The Texas Supreme Court disagreed with Ms. Burwell and held that the hospital could terminate her employment for whatever reason, as long as there was not a specific agreement to the contrary. Here, the Court did not consider the personnel policy “a specific agreement entered into by the parties that made it clear that the Hospital had to have cause for her dismissal.” In fact, the Court held that just because an employer has a policy that reads that an employee may be dismissed for cause, it does not create a requirement that there must be cause in order to terminate someone. Limitations or requirements such as this cannot be inferred.

If an employer wants to protect the at-will employment relationship with their employees, employment contracts and manuals for employees need to be carefully worded. However, according to recent case law, employers have a lot of latitude in these documents. Here are some important things the courts have stated:

1. A statement that an employee may be dismissed for cause is not a specific agreement that an employee may be dismissed *only* for cause. The Texas Supreme Court does not support these assumed or subjective limitations.
2. An employer can require that the employee’s records state one of several reasons for termination without creating a specific agreement between the parties to alter an employee’s at-will employment.

3. An employer must unequivocally indicate a definite intent to be bound not to terminate an employee except under clearly specified circumstances for the at-will relationship to be altered.

All in all, the Texas Supreme Court's recent opinion is pro-employer. This case supports the position that the at-will employment relationship will be the general rule in Texas and that ANY variation of this rule must be supported by the employer's unequivocal acknowledgment to such a change.

The Bassett Firm

*Two Turtle Creek Village
3838 Oak Lawn Avenue
Suite 1600
Dallas, Texas 75219*
**(214) 219-9900 Telephone
(214) 219-9456 Facsimile
Toll Free: 1-800-310-9769**

www.thebassettfirm.com

ATTORNEYS

- **MIKE H. BASSETT**
- **STACI Q. CASSIDY**
- **JENNIFER R. ELDRIDGE**
- **MICHAEL J. NOORDSY**
- **MATHEW SAMUEL**



Information regarding *The Bassett Bulletin*TM is available from **Diane Dalling** (ddalling@thebassettfirm.com) at (214) 219-9900. ©2004 The Bassett Firm. All rights reserved.

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