

Company Sponsored Social Events – Risky or Rewarding?



A great way to thank employees is to hold a company-sponsored social event or party involving food and drinks. If the drinks include alcohol, however, there could be unfortunate consequences.

Serving Alcohol at the Event

Improper alcohol use can expose businesses to legal liability. For example, one of your employees has a few drinks at the event, runs a red light on the drive home, and hits and seriously injures the occupants of another car. Is your company responsible? Some businesses have been held liable because negligent acts by employees under the influence of alcohol consumed at company-sponsored events were found to be within the scope of their employment.

The only way for businesses to avoid potential liability for alcohol-related incidents following company-sponsored events is to not make alcohol available. In addition, businesses should also let employees know they are not to bring any alcohol to the event.

However, if the company decides to provide or allow alcohol at an event, consider the following tips to minimize liability:

- Hold the event during the day.
- Do not require employee attendance.
- Limit the number of free drink tickets. Once drink tickets are used, cash bar only or close the bar.
- Make sure plenty of non-alcoholic drinks are available.
- Let all employees know that they are welcome to attend and have fun, but that they are expected to act responsibly.
- Work with bartender to cut off those who have had too much.

Proactive planning
can reduce the
liability risk of
company-sponsored
social events.

Workers' Compensation Liability

What if your employee is injured during a work-related social event, such as a holiday party or a volleyball game at the company picnic—will workers' compensation coverage go into effect?

Workers' compensation covers injuries sustained in the "course of employment." In deciding whether a company-sponsored event falls under this definition, all the facts are considered and determinations are made on a case-by-case basis.

Some of the factors considered are:

- Whether the injury occurred on the company's premises during a lunch or recreational period as a regular incident of employment.
- Whether the company expressly or implicitly required participation or made the activity part of the employee's regular duties.
- Whether the company derived substantial direct benefit from the activity beyond the intangible value of improvement in employee health or morale.

- Keep focus away from alcohol by providing entertainment or planned activities.
- Serve foods rich in starch and protein, which stay in the stomach longer and slow the body's absorption of alcohol.
- Remind employees about company policies on substance abuse and sexual harassment through email communications or event invitations.
- Establish a plan with managers and supervisors on handling employees who act inappropriately or become intoxicated.
- Anticipate the need for alternative transportation for all event-goers and make special arrangements in advance for designated drivers, cab fare or Uber/Lyft services.
- Serve none for the road—stop serving alcohol before the party officially ends.

Company-sponsored events are a time to relax and enjoy the fruits of your labors. Proper planning and risk management can ensure that these well-intended events don't result in legal "hot water" for your company.

Make arrangements for alternative transportation.

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Think about the following questions when analyzing whether there is a sufficient connection between your company-sponsored event and the employee's work:

- *Did the company sponsor or finance the event to a substantial extent?*
- *Was there a requirement or some degree of encouragement to attend, such as taking attendance, paying for time spent, requiring the employee to work if he or she did not attend, or maintaining a known custom of attending?*
- *Do employees consider the event a benefit related to their employment?*
- *Did the company benefit from the event, not merely in a vague way through better morale and goodwill, but through such tangible advantage as having an opportunity to make speeches and present awards?*

If you answered "yes" to any of these questions, there is a potential for liability if an injury occurs.

Have questions about the best way to manage company-sponsored social events?

MRA's HR Hotline can help you!

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