

## Tough times lead to more worker furloughs - just ask Chicago

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For millions of Americans, this might be the year of the furlough. Over the course of a month or so, workers - both white-collar and blue - may have to take several days off whether they want to or not. Call it a temporary pay cut - an action that is sold by management as a way to help save some jobs. It is a phenomenon that is coursing through the workplace, especially in state and local governments.

Although companies tend to do mass layoffs, there is a growing trend to impose private-sector furloughs, especially for the white-collar workforce.

On Monday, the doors to City Hall, libraries, and health clinics across Chicago remained locked for the first of three furlough days the city has scheduled for 2009. Officials estimate the restricted-service days will save the city \$8.3 million. For some people who get furloughed, it can be a major financial penalty. But for others, it beats the alternative: getting laid off.

"It's a financial burden none of us would want even in rich, fat times," says Bill Kahnweiler, an associate professor of human resources at Georgia State University in Atlanta. "But relative to getting laid off and losing the job, I'd rather get furloughed, knowing I could come back."

Although the Bureau of Labor Statistics (BLS) doesn't keep track of furloughs as a separate category, it says there has been a sharp increase in the number of workers who are working part time or have involuntarily reduced hours. In June, some 6,783,000 workers reported they were working part time because of business conditions, compared with 3,905,000 last year. "This is very close to the all-time high reached in March," says Steve Hipple, an economist at the BLS. "It really took off last fall."

According to a June survey by Towers Perrin, a consulting firm in Stamford, Conn., 17 percent of nearly 700 human resources professionals said their companies either had acted or planned to furlough workers in the next 12 to 18 months. Another 23 percent were considering it. "This is a significant uptick," says Ravin Jesuthasan, Chicago-based managing principal at Towers. "Until this recession, we never saw furloughs for white-collar workers. Instead, companies used the nuclear option of a reduction in force."

Although furloughs may avoid layoffs, they also have their downside, says Mr. Kahnweiler, pointing to the possibility that some employees can become unmotivated and may feel betrayed. "It can be a good way to fuel distrust with management." Kahnweiler is facing a furlough as a state employee.

On the positive side, he says, the fact all the employees are suffering together may be a unifying factor. "If we're all in tough times, we put petty differences aside," he says.

For companies, furloughs are appealing, says Mr. Jesuthasan, because no cost is associated with a furlough compared with a layoff, and they result in less workforce disruption. "Companies recognize [that] if they can preserve the flexibility and hang on to the talent, they are better off when the economy recovers," he says.

Unions have a mixed view of furloughs, which they generally view as a last resort. "In some ways it has turned into a necessary evil," says Steve Kreisberg, director of collective bargaining for the American Federation of State, County and Municipal Employees (AFSCME). "Within a limit it is tolerable."

In the case of the states, some furloughs may be counterproductive, argues Jim Zamora, a spokesman for Service Employees International Union (SEIU) Local 1000 in California. For example, he says, furloughing the people who collect and audit state taxes will cost the state \$550 million.

Unions in both Hawaii and California have filed legal challenges to the furloughs. In the case of Hawaii, the four public workers' unions argued that the state constitution requires bargaining over anything related to pay and wages. The governor, Linda Lingle (R), had imposed furloughs for three days a month on all but "essential workers" to try to help reduce a massive budget deficit.

So far, the unions have won the battle in court but offered to take a 5 percent temporary salary reduction. At least one of the unions, the AFSCME local, says it could live with a negotiated temporary furlough compared with an across-the-board pay cut. The negotiations are ongoing, but the governor has announced the layoff of 1,100 unionized workers.

Governor Lingle herself and her cabinet are taking a two-day-a-month furlough, and 900 nonunion state workers will begin three-days-a-month furloughs starting Sept. 1. "My cabinet, the lieutenant governor, and I firmly believe closing the state's unprecedented budget shortfall requires a shared sacrifice," she said in a statement.

But the unions want the public to know there will be ramifications for the furloughs. For example, in California, where most state workers are furloughed three days a month, the Department of Motor Vehicles (DMV) closes its doors three Fridays a month. Wait times at the DMV have ballooned from 30 minutes to as long as two hours, says one employee. "This is not like a business where you have fewer customers," says SEIU's Mr. Zamora.

Furloughs are also causing suffering for state workers on tight budgets. That would be the case for Ed Wellington, a Napa Valley computer technician and

disabled vet who works at a state veterans' facility. Mr. Wellington and his wife, who also works for the state, have each lost 14 percent of their pay. With three children, including a daughter in college, it is a pay cut he didn't need. "Right now our family is losing our home, which has been foreclosed," says Wellington, who has also received notice his job is being eliminated.

Another state employee, John Krumm, who works at the DMV, used to volunteer at a food bank. Now, once a week, he collects food there himself. "It helps to make ends meet," he says. Mr. Krumm, estimates he will lose close to \$450 a month in pay. "It used to be money to go to a movie and a night out, but that won't happen now," he says.

Even relatively well-paid workers who have been furloughed say it affects them. In January, the state of Arizona, facing declining revenues, sliced the money it gave to Arizona State University. To save \$24 million, for the first six months of this year all 12,000 employees were furloughed anywhere from 10 to 15 days, depending on their status. One was Dennis Hoffman, an economics professor, who saw a 10 percent reduction in his paycheck every two weeks. "It was painful," says Dr. Hoffman, noting that the belt-tightening meant he did not renovate his weekend home as planned. "We were watching our pennies every little bit."

Sometimes, reducing an employee's hours is still not enough to help the organization. This past January, Katie Corrigan, an executive recruiter in Boston, saw her hours reduced by 50 percent. She was optimistic she would get back to full-time work once the economy improved. But in February, she was permanently laid off. "They keep in touch and still hope to hire me back," she says. In the meantime, she's trying to make ends meet as an interior decorator.