

Employee Perceptions of Furlough Fairness: The UNC-Chapel Hill Case

By

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Executive Summary

During difficult economic times, employers may institute furloughs as a cost savings technique. Furloughs can affect workers in different ways, so policy makers need to know how employees perceive their furloughs. A sample of UNC-Chapel Hill employees were surveyed about their reactions to a May 2009 ten hour furlough. Analysis of their responses showed that 56% of those surveyed thought the furlough was fair. If furloughs were used again, employees suggested pro-rated furloughs for those with lower income and more communication from the university to increase the perception of furlough fairness.

Introduction

Furloughs are defined as mandatory unpaid time off from employment. Recently, many state governments enacted mandatory furloughs for all state employees. North Carolina state employees were furloughed in May of 2009 for ten hours. There has been much debate concerning the equity of furloughs, specifically whether or not they are fair to all employees. The two questions this paper seeks to answer are: how did UNC-Chapel Hill employees perceive their ten-hour furlough in terms of fairness, and what can be done to improve furloughs if they were to occur again?

There are multiple factors that can determine whether or not employees will perceive their furlough as fair. This paper presents exploration of six hypotheses about those factors, based on a literature review and the current economic climate.

- **Hypothesis 1: Employees are likely to say the furlough was unfair if it did not affect their coworkers.** Karen Cook gives some insight as to how employees perceive equity in the workplace. Her ultimate conclusion is that “whether or not a situation is defined as inequitable depends on the amount of knowledge an individual has concerning the positions or ranks of persons in the same situations on the social dimensions which serve as basis for the distribution of valued outcomes, goods, or services” (Cook 1975). If Cook is correct, then all employees will feel the same about furlough fairness since all state employees received a furlough.
- **Hypothesis 2: Employees with lower salaries will be more likely to say the furlough was unfair.** Because the economic impact of a furlough is likely to be greater on lower income workers, they may be more likely to think it is an unfair practice.
- **Hypothesis 3: Employees who were affected by the furlough financially will be more likely to say the furlough was unfair.** Employees who experienced financial hardship due to the furlough (i.e., unable to pay bills or incur personal expenses) may not be as likely to believe the furlough is fair.
- **Hypothesis 4: Generation X and Millennial employees will be more likely to say the furlough was unfair.** Research shows that there are significant differences in how three generations (Baby Boomers, Generation X, and Millennials) react to their workplace. There is some debate to the exact start and end dates of these generations, but for the purpose of this study, Baby Boomers are between 50 and 69 years old, Generation X are between 30 and 49, and the Millennials are 18-29. Karen Smola argues that there are significant differences in how three generations react to their employment. (Smola, 2002) According to her study, Generation X and the Millennials, or the “newer employees were generally found to be less loyal to the company and more ‘me’ oriented” (Smola 2002). Betty Kupperschmidt agrees, stating that Generation X are known to be “cynical and untrusting” (Kupperschmidt 2000) after seeing many layoffs occur in their parents’ time. Conversely, Baby Boomers demonstrate a “loyalty to authority and social institutions” (Kupperschmidt 2000), meaning that they are more likely to be supportive of their employment. Based on this research, employees who fall into the Baby Boomer generation should be more likely to perceive the furlough as fair, while Generation X and the Millennials will believe the contrary.
- **Hypothesis 5: Men are more likely to say the furlough was unfair.** Gender can also impact employees’ reaction to furlough fairness. Dahlia Moore claims that men are more likely to accept unfair workplace situations than men, since they regard lower pay as the norm, and are less likely to complain when there is a pay cut (Moore 1991). Given this research, women could be more likely to perceive the furlough as fair.
- **Hypothesis 6: Employees are likely to say the furlough was unfair if they did not receive information about it in advance.** For employees to respond more positively to the furlough, Adrienne Fox suggests from her studies that employers “[c]ommunicate early and often. As soon as HR executives decide to implement a furlough, they should meet with employees face to face and follow up with online messages” (Fox 2009). Fox found a relationship between the amount of

information an employee receives on the furlough and their resulting perception of fairness. Therefore, an employee can be more likely to perceive the furlough as fair if s/he is given a detailed explanation on what the furlough is and why it is necessary.

During difficult economic times where state governments need additional funding, it is possible that furloughs will be used in the future in order to reduce costs. Since state employees will bear this burden, it is important to make sure that they consider this cost-saving technique fair and equitable. Therefore, state and university administrators might find it useful to know how employees responded to the 2009 ten-hour furlough.

Methodology

In order to discover how UNC Chapel Hill employees perceived their ten hour furlough, an Internet survey was administered through Qualtrics, an online survey distribution web service. It included 27 quantitative and qualitative questions about the May 2009 furlough of state employees. See Appendix A for a complete list of survey questions.

On November 16, 2009, a total of 7,370 full-time UNC-Chapel Hill employees received this survey via the UNC Mass Mail system.ⁱ As of this date, there were a total of 11,512 full-time employees at the university (including those on leave). Therefore, the survey reached approximately 64% of UNC-Chapel Hill full-time employees.

Of the full-time employees that received the survey, 830 began filling it out, and 792 completed it. Using the number of completed surveys, the response rate is 10.7% of those who received the survey and 6.9% of all full-time UNC-CH employees.

Limitations

The survey respondents are not a random sample of all UNC-Chapel Hill employees. If those who took the survey had strong opinions on the furlough, there may be a problem of selection bias. In this case, respondents' opinions may not proportionately reflect those of all full-time university employees. Additionally, the survey was administered online via UNC-Chapel Hill email addresses, so those employees that have access to their email accounts on a regular basis were more likely to respond to the furlough survey. In other words, this survey may be biased against employees with limited access to their email accounts, especially those who work outside the traditional office setting (e.g., institutional services or field research). There is also no way of knowing how demographically representative the Mass Mail community is of the employee population, since the Mass Mail system does not gather this information.

Comparing the respondent pool with the university's full-time employee population, the furlough survey shows distinct biases in terms of employment category, gender, and race. When comparing the survey sample with the data from UNC's Office of Institutional Research and Assessment, SPA respondents are approximately proportionate to their share in the university, with some slightly over or underrepresented. EPA (Exempt from State Personnel Act) Non-Faculty employees are overrepresented in the sample, while EPA Faculty are underrepresentedⁱⁱ. UNC Chapel Hill employees are almost evenly divided by gender, but the respondents of the furlough survey were 28% male and 72% female. Additionally, more Caucasians responded to the survey than their proportion among the employees of UNC Chapel Hill. The African American respondents are underrepresented by half, and the Asian employees are even less well represented. While the figures for Native Americans, Hispanics, and Other are low, they are considered to be in line with the university statistics. Table 1 below shows how the percentages of respondents in various demographic categories compare to the percentages of full-time UNC Chapel Hill employees in those same categories.

Table 1.

Category	Survey Respondents	Full-Time UNC-Chapel Hill Employees ⁱⁱⁱ
SPA Employees	58%	56.5%
EPA Faculty	20%	28%
EPA Non Faculty	22%	15.5%
Male	28%	45.8%
Female	72%	54.2%
Caucasian	87.7%	75.6%
African American	7.3%	13.5%
Asian	1.6%	7.8%
Native American	0.5%	0.4%
Hispanic	1.2%	1%
Other	1.6%	1.7%

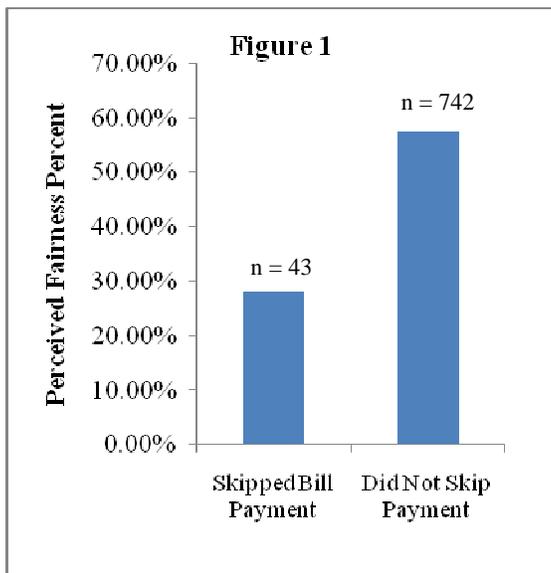
Findings

When employees were asked if they thought the furlough was fair, 56% responded yes. This percentage implies that respondents were roughly evenly divided as to their perception of furlough fairness. Because respondents were divided on their perception of furlough fairness, the hypothesis based on Cook’s notion that employees base their idea of fairness solely on comparison to coworkers is not supported in this case.

Another way to analyze this hypothesis is by looking at one of the open-ended questions. Employees were asked what other factors they believe affect their perception of the furlough. Out of all the written responses, 15.6% of answers mentioned that employee opinions on the furlough are based on the fact that it was only imposed on state employees (see Appendix C for a complete list of all factors affecting employee perceptions). These respondents thought the furlough was unfair, since the state’s burden was placed only on state employees, not the entire working population. When comparing themselves to non-state workers, a significant number of employee responses indicated unhappiness with the furlough. Looked at in this way Cook’s hypothesis is supported.

Salaries and Perceived Furlough Fairness

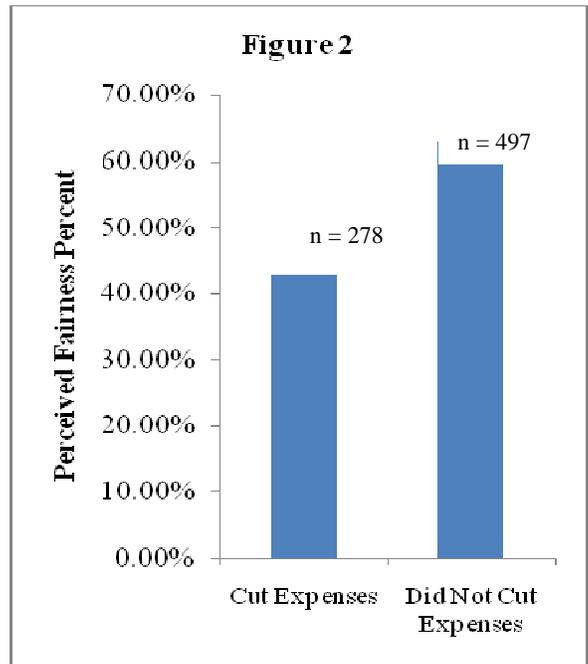
Another hypothesis was that employees with lower salaries would be more financially affected by the furlough, and less likely to believe the furlough to be fair. The hypothesis on salary level and fairness perception was not supported in this study. The survey showed that 57% of employees making under \$35,000 thought the furlough was fair. The other salary ranges depicted similar figures, ranging from 50-60% of employees believing the furlough to be fair. See Appendix B for a graph of these percentages. Based on these findings, this study does not support the second hypothesis that salary affects employee perception of furloughs.



Financial Setbacks and Perceived Furlough Fairness
 Employees’ perception of furlough fairness may depend on how they were financially affected by the furlough. The survey asked whether or not the furlough caused the respondent to skip payment on a bill, or cut personal expenses to see if the second hypothesis could be proven. Of the 43 survey participants who said the furlough caused them to skip

payment on a bill, only 29% thought the furlough was fair. The majority of the remaining employees (those who did not skip bill payments) thought the furlough was fair. Given this information, it appears that personal financial impact plays a role in an employee's perception of the furlough. Figure 1 illustrates the influence that skipping payment on a bill has on perceived furlough fairness.

Not all employees financially affected by the furlough had to skip payment on a bill. In fact, over one third of survey participants stated that the furlough forced them to also cut some of their personal expenses. This number is more than six times higher than the number of employees who said they had to skip a bill payment. Only 42% of these employees thought the furlough was fair, as is illustrated in Figure 2. In contrast, 62% of those who did not have to cut any personal expenses thought the furlough was fair. Based on these statistics, financial impact on an employee affects the employee's perception of the furlough.

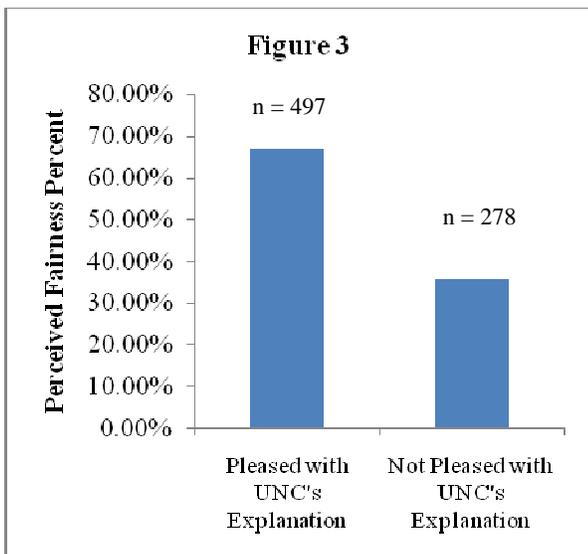


Generational Differences and Perceived Furlough Fairness

According to the hypothesis, UNC employees' opinions on furlough fairness should differ depending on their generational cohort. However, age did not seem to affect whether or not an employee thought the furlough was fair. When asked their opinions on fairness, 56% of Baby Boomers, 53% of Generation X, and 62% of Millennials thought the furlough was fair. These percentages are almost evenly divided, so there appears to be no correlation between generational groups and employee perception of fairness. Although it appears that Millennials are more likely to think the furlough was fair, only 69 Millennials participated in the study, making it difficult to draw a concrete conclusion.

Gender and Perceived Furlough Fairness

In the survey, 54.7% of women and 58.2% of men thought the furlough was fair. Gender did not make a difference in the perception of furlough fairness. It appears that both women and men were about evenly divided on whether or not they believe the furlough to be fair. However, there is no way of knowing if the 54.7% of women who perceived the furlough as fair did so because of their ability to overlook unfair conditions, as illustrated by Moore. Perhaps Moore's research is somewhat outdated, since there does not seem to be a significant relationship between gender and fairness of the furlough for UNC Chapel Hill employees.



Furlough Information and Perceived Furlough Fairness

Based on the research by Fox (2009), employees are more likely to think the furlough is fair if they received enough information about it ahead of time. This furlough survey supported Fox's hypothesis. Whether or not UNC-Chapel Hill employees were happy with the way the university described the furlough to them affected their perception of fairness. Of those employees who were pleased with how the university explained the furlough to them, 67% also thought the furlough was fair. Out of those who were not pleased with the university's explanation, only 36% thought the furlough

was fair. There is definitely a relationship between employees' satisfaction with university communication and furlough fairness, as can be seen in Figure 3.

Recommendations and Implications for Policy Makers

The findings from this furlough survey suggest that respondents' perception of furlough fairness depends on their financial situations and how pleased they were with the university's explanation of the furlough. If policy makers wanted to increase employees' perception of furlough fairness, they should lessen the financial burden for those who are most affected, and provide accurate information about the furlough well in advance of its occurrence.

Respondents' most frequent suggestion also requested more information and communication about the furlough, preferably from the university. One employee said he would like "to be informed about the purpose and the implications," while another wanted the university "to explain how it works, to avoid confusion." Providing employees with accurate information on the furlough will help employees understand what the furlough is and how it will affect them.

Two other suggestions concerned lessening the financial impact of the furlough. The second most common suggestion amongst respondents was the notion of "progressive" or sliding scale furloughs in order to help ease the burden for lower paid workers^{iv}. High salaried employees agreed with this idea too, even if it meant bearing a larger furlough burden. Some employees even suggested exempting the lowest paid employees entirely, since this population is most affected monetarily by the furlough. Employee respondents noted that equal treatment for all employees does not signify that this furlough is equitable. To make it more financially equitable, policy makers could have a smaller furlough for lower income employees.

Other major suggestions from respondents included exemptions for those on non-state funding, and lessening the furlough burden by spreading out the pay reduction and furlough hours over a longer period of time. Some survey participants were funded by grants, and did not understand how their furlough hours were saving money. Others would have liked to see the monetary effects of the furlough over several paychecks, or have more freedom over when they could take their ten furlough hours. See Appendix C for all major categories of employee suggestions.

Although most employees do not want to be furloughed, they understand that in difficult economic times, furloughs can be necessary. However, the way in which the furloughs are administered can have an effect on employees, so it is important to ensure that employee perceptions are being taken into consideration in the future. Having policy makers and university administrators introduce some of these aforementioned changes will alter employees' perception on furlough fairness, and make them more likely to accept this cost-saving technique in the future.

ⁱ Mass Mail is a way for students, faculty members, and employees to send out informational emails to everyone in the community. However, anyone can choose to opt out of receiving these emails.

ⁱⁱ SPA positions are staff positions at the University. These positions are guided by the State Personnel Act and its associated policies. The Universities have two separate types of EPA positions: EPA Faculty and EPA Non-Faculty. EPA positions are exempt from the State Personnel Act. EPA Faculty positions are research and/or teaching occupations that are governed by Academic Personnel policies. EPA Non-Faculty positions have characteristics of both SPA and EPA Faculty positions. They are typically high level administrative or research positions that are exempt from the State Personnel Act. These positions must be exempt from the Fair Labor Standards Act and often require an advanced degree.

ⁱⁱⁱ Source: <http://oira.unc.edu/facts-and-figures/faculty-and-staff-data/faculty-and-staff-data.html>

^{iv} For example, employees making less than \$50,000 per year would only be furloughed five hours, while anyone making more than that amount would be furloughed ten hours.

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Appendix A: Complete List of Survey Questions

1. Are you considered a...
 - Full-Time Employee
 - Part-Time Employee
 - Temporary Employee

(Participants selecting “Temporary Employee” or “Part-Time Employee” will be terminated from the survey with this statement:

Thank you for participating. The rest of the survey concerns only full-time UNC-CH employees.)

2. What year did you begin your employment at UNC-Chapel Hill?
 - 2009
 - 2a. If 2009, what month did you begin your employment?
 - Before or during May 2009
 - After May 2009

(Participants selecting “After May 2009” will be terminated from the survey with this statement:

Thank you for participating. The rest of the survey concerns only full-time UNC-CH employees who were employed in May 2009.)

- 2008
- 2007
- 2006
- 2005-2000
- 1999-1990
- 1989-1980
- 1979-1970
- 1969 or before

For the following questions, please read the statement and answer yes or no.

3. The furlough (required unpaid leave) caused me to skip payment on a bill.
 - Yes
 - No
4. The furlough made me cut out some of my personal expenses (i.e., shopping, seeing movies, etc.)
 - Yes
 - No
5. I was not affected by the furlough at all.
 - Yes
 - No

6. I am generally happy with my job.
 - Yes
 - No
7. The furlough was explained to me in detail before it occurred.
 - Yes
 - No
8. I was pleased with how the university explained the furlough to me.
 - Yes
 - No
9. I think having a mandatory furlough on all employees is better than having layoffs.
 - Yes
 - No
10. I think having a mandatory furlough on all employees is better than increasing taxes.
 - Yes
 - No
11. I think the furlough was fair.
 - Yes
 - No
12. Did your department supervisor discuss the furlough with you?
 - Yes
 - No

Answer the following questions true or false:

13. True or False? The university decided which employees to furlough.
 - True
 - False
14. True or False? The furlough made me dissatisfied with my job.
 - True
 - False
15. True or False? I have already taken my ten designated furlough hours.
 - True
 - False

Choose the appropriate response for the following questions:

16. When did you first learn about the furlough?
 - Before it happened
 - After it happened

17. How did you first learn about the furlough?

- Chancellor's Email
- Chancellor's Email and an email from my department
- Email or other forms of contact from my department
- Word of Mouth
- News media
- Don't remember
- Other (Please write in)

Please answer the following questions about you to help us see how the furlough affected people in different circumstances:

18. Are you the only wage earner in your household?

- Yes
- No

19. How many people in your household depend on you to support them?

- 1
- 2
- 3-4
- 5-6
- 6 or more

20. What is your occupation?

SPA (Staff Members)

- Administrative and Managerial (i.e. clerical, accounting, social/clinical research)
- Information Technology
- Information and Communication (i.e student services, public communication, library positions)
- Human Services
- Medical and Health
- Law Enforcement
- Institutional Services
- Operations and Skilled Trades (i.e. facilities, utilities, electronics positions)
- Engineering and Architectural
- Natural Resources and Scientific (i.e scientific research, EHS positions)

EPA Non-Faculty

- Instructional (advising, student services, coaches, counselors, librarians)
- Research
- Senior Academic and Administrative Officers (attorneys, development officers, communications directors, admissions/financial aid officers)

EPA Faculty

- Tenured Faculty
- Tenure Track Faculty

- Fixed Term Faculty

21. What is your age group?

- 18-29
- 30-39
- 40-49
- 50-59
- 60-69
- 70 and above
- Prefer not to respond

22. Gender?

- Male
- Female
- Prefer not to respond

23. Race?

- Caucasian
- African American
- American Indian
- Asian
- Hispanic
- Hawaiian/Pacific Islander
- Other
- Prefer not to respond

24. Approximate Salary range?

- Under \$25,000
- \$25,000-\$34,999
- \$35,000-\$44,999
- \$45,000-\$54,999
- \$55,000-\$74,999
- \$75,000-\$99,999
- \$100,000-\$199,999
- \$200,000+
- Prefer not to respond

Finally, here are a couple of questions asking for your suggestions:

25. If furloughs were to be used again, what would you like to see done differently?

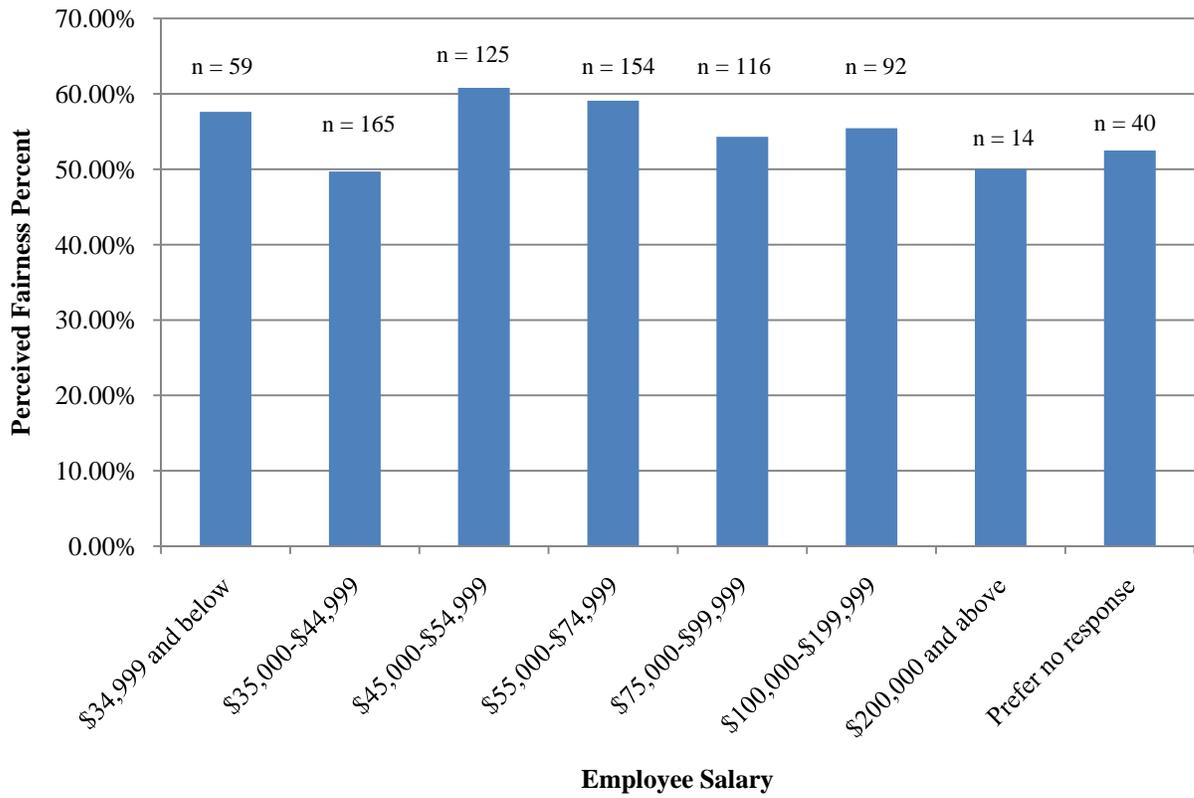
- Write in own answer

26. What other factors do you think affect employee perceptions of furloughs?

- Write in own answer

Thank you very much for taking the time to participate in this survey.

Appendix B: Salary Impacts on Perceived Furlough Fairness



Appendix C: Major Categories of Open-Ended Employee Responses

If furloughs were to be used again, what would you like to see done differently?

Suggestion	Number of Responses
More information about the furlough before its occurrence	89
Scaled or “progressive” furloughs for lower wage earners	86
Spread out the furlough burden over a longer period of time	74
Exemptions for lower income employees	70
No changes necessary	55
Exemptions for those on non-state funding	53
Other	34
Furlough should not be used again	26
Reduction in workload proportionate to furlough hours	22
Paycuts/tax increases/layoffs instead of furloughs	20
More honesty from the state/university	9
TOTAL RESPONSES	538

What other factors do you think affect employee perception of furloughs?

Suggestion	Number of Responses
Communication and information about the furlough	100
The furlough’s unfairness to state employees	67
The furlough’s unfairness to lower wage employees	65
The availability of alternatives to the furlough	40
Other	29
The university’s way of handling the furlough	27
The perception of fairness	23
Economic issues	24
The furlough’s unfairness to faculty and other employees that cannot take furlough hours	17
Not sure	17
The ability to spread out the furlough burden	12
The fact that layoffs still happen	8
TOTAL RESPONSES	429

Note: The number of responses is not equivalent to the total number of respondents. Some respondents gave multiple suggestions for each question.