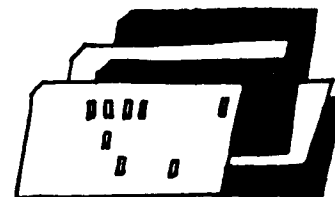


# Research Summaries



## BLS surveys mass layoffs and plant closings in 1986

LEWIS B. SIEGEL

The Department of Labor has transmitted to the Congress the first annual report on the Bureau of Labor Statistics permanent mass layoff and plant closing reporting system.<sup>1</sup> The report presents the results of the 1986 data collection and analysis as required by Section 462(e) of the Job Training Partnership Act.

Data collected during 1986 show that, for the 11 States that submitted data in the program for the full year, a total of 1,335 layoff events<sup>2</sup> occurred in 926 establishments. This resulted in the separation of 274,343 workers from their jobs; 85 percent (233,199) of these workers filed claims for unemployment insurance benefits. In about 10 percent of the layoffs, the plants closed. The 11 States were Alabama, Arizona, Arkansas, Louisiana, Massachusetts, Nevada, New Mexico, Oklahoma, Texas, Washington, and Wisconsin. The relationships depicted by the mass layoff data should not be considered to be necessarily representative of the Nation as a whole.

The incidence of mass layoffs in manufacturing industries far exceeded that in any other major industry grouping. (See table 1.) About 2 out of 3 manufacturing layoffs occurred in the durable goods sector, with the largest percentage taking place in the machinery industry (29 percent), followed by transportation equipment and electrical equipment (15 percent each). Among nondurable goods industries, 2 out of 3 layoffs were in the food and apparel industries. Among nonmanufacturing industries, establishments in the construction and mining industries were most likely to have layoffs, accounting for 5 out of 10 nonmanufacturing layoffs.

"Slack work" was cited most often (31 percent of the time) by employers as the reason for layoff events. "Seasonal work" accounted for an additional 20 percent of the layoff situations, followed by "contract completion" and "energy-related disruptions." It is interesting to note that

only about 2 percent of the layoffs were directly attributed to "import competition."

The data available from the mass layoff program not only provide information on the establishments having the layoff events, but also on the characteristics of two groups of workers directly affected by the layoffs—the initial claimants for unemployment insurance benefits and those who have exhausted their regular unemployment insurance benefits. Initial claimants are those who file for unemployment insurance benefits as the result of some employment termination. Benefit exhaustees are persons whose regular unemployment insurance benefits have expired.

Of the 233,199 initial claimants in the 11 States, about 1 of 7 were black, 1 of 10 were Hispanic, 1 of 4 were women, and 1 of 10 were over 55 years of age. A total of 49,968 persons exhausted their regular unemployment insurance benefits after being separated from a qualifying establishment. Greater proportions of the exhaustees were black (about 1 of 5) and Hispanic (1 of 8).

The permanent mass layoff and plant closing program is a Federal-State cooperative program that uses a standardized, automated approach to identifying, describing, and tracking the effect of major job cutbacks, using data from

**Table 1. Mass layoff events, separations, and initial claimants for unemployment insurance, by selected industries, January-December 1986**

Industry	Number of establishments	Layoff events	Separations	Initial claimants for unemployment insurance
Total, all industries <sup>1</sup> . . . . .	926	1,335	274,343	233,199
Agriculture . . . . .	20	32	4,560	2,292
Nonagriculture . . . . .	906	1,303	269,783	230,907
Manufacturing . . . . .	485	682	142,766	121,762
Durable goods . . . . .	305	425	94,903	86,269
Nondurable goods . . . . .	180	257	47,863	35,493
Nonmanufacturing . . . . .	421	621	127,017	109,145
Mining . . . . .	101	113	28,852	28,148
Construction . . . . .	96	184	42,417	41,813
Transportation and public utilities . . . . .	40	47	9,302	5,541
Wholesale and retail trade . . . . .	69	120	21,241	14,388
Wholesale trade . . . . .	17	21	2,550	2,198
Retail trade . . . . .	52	99	18,691	12,190
Finance and services . . . . .	90	126	17,970	13,766
Government . . . . .	25	31	7,235	5,489

<sup>1</sup> Data on layoffs were reported by employers in Alabama, Arizona, Arkansas, Louisiana, Massachusetts, Nevada, New Mexico, Oklahoma, Texas, Washington, and Wisconsin.

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each State's unemployment insurance database. Establishments that have at least 50 initial claims filed against them during a 3-week period are targeted for contact by the State agency to determine the permanency of these separations, the total number of persons separated, and the reasons for these separations. Establishments are identified by industry and location and detailed socioeconomic characteristics of unemployment insurance claimants, such as age, race, sex, ethnic group, and place of residence, are noted. The program yields information on the entire period of insured unemployment of individuals, to the point where their regular unemployment insurance benefits are exhausted.

As indicated previously, 11 States provided data in the program for all of 1986; by the second half of that year, 26 States were fully participating. (Data are also provided in the report for those 26 States, aggregated over the last half of 1986.) Currently, 47 States and the District of Columbia are participating in the program.

Copies of the report to the Congress are available from the Bureau of Labor Statistics, Division of Local Area Unemployment Statistics, 441 G Street, NW, Room 2083, Washington, DC 20212.

— FOOTNOTES —

<sup>1</sup> For related information, see Sharon P. Brown, "How often do workers receive advance notice of layoffs?" *Monthly Labor Review*, June 1987, pp. 13-17.

<sup>2</sup> The reporting system covers layoff events of 30 days or more in which at least 50 initial claims for unemployment compensation were filed in a 3-week period by separated workers against their former employer.

## Pay-for-knowledge compensation plans: hypotheses and survey results

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In recent years, the U.S. business environment has been characterized by fierce international competition and rapid technological change. This has been accompanied by a surge of workplace innovations such as quality-of-worklife programs, autonomous work groups, and employee stock ownership plans, to name a few. One particular innovation which has received national attention is "pay-for-knowledge" compensation plans, also referred to as skill-based pay or knowledge-based pay plans.<sup>1</sup> Unlike tradi-

tional compensation systems which base employees' wages on the specific jobs they actually do, pay-for-knowledge plans base wages on the repertoire of jobs that the employee is trained to do. Under such plans, a typical employee starts at a base rate, and as he or she learns different jobs in the organization, the pay rate increases simultaneously. One respondent provided a description of the pay-for-knowledge system in his organization that is fairly typical of the structure of these systems:

Our pay-for-knowledge system has seven levels of pay. LEVEL ONE is the level at which the employee is hired. LEVEL TWO is the next level that an employee progresses to once he or she has learned to complete one job in a work team in a satisfactory manner. The person progresses to LEVEL THREE when that person has learned to perform a sufficient number of jobs in that work team to be considered a flexible team member so that the person can move around and share work with other people, replace other people when they are absent, and so forth . . . . LEVEL FOUR is when the person has learned to perform all of the jobs in a team in a satisfactory manner. The person then reaches LEVEL FIVE by transferring to another team and achieving the requirements of level three on that new team . . . . The person then progresses to LEVEL SIX when they have learned all the jobs on the second team. The last level, which is LEVEL SEVEN, is a team coordinator or team leader type level. Typically, only one employee on the team can be designated as a team coordinator and the team is usually the one that designates which team member can function as a team leader.

Pay-for-knowledge plans have been hypothesized to offer many advantages to organizations and employees. For example, many analysts suggest that organizations experience greater work force flexibility, leaner staffing, greater work force stability, higher quality of output, lower absenteeism, less turnover, and higher productivity.<sup>2</sup> Likewise, analysts also say that employees in pay-for-knowledge systems may benefit from higher motivation, higher job satisfaction, higher pay satisfaction, increased feelings of self-worth, more opportunities for growth and development, increased job security, improvements in the quality of worklife, and higher organizational commitment.<sup>3</sup>

Unfortunately, to date, only limited information about pay-for-knowledge systems has been available to assess the validity of these claims. To be sure, much of the information known about these systems comes from case reports, anecdotes, and speculation. Systematic, empirical data on these compensation plans are rare. In an effort to begin remedying this deficiency, we studied pay-for-knowledge plans in 20 plants.<sup>4</sup> A detailed questionnaire on the workings of pay-for-knowledge systems was completed by the personnel directors of these plants.

Of the plants surveyed, 19 were manufacturing facilities and one was in a service industry. Only two plants were unionized.<sup>5</sup> The plants employed an average of 500 people, of whom about two-thirds were men. About 70 percent of all employees were covered by the pay-for-knowledge plan, and most had at least a high school education.

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