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The Role of Seniority at U.S. Work Places:

A Report on Some New Evidence

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National Bureau of Economic Research

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WP 1175-80

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We are most grateful to John Dunlop for his continuing interest and help. We are also appreciative of the invaluable assistance provided by D. Terry Jenkins, Nancy Earley, Susan Johnson, and Marc Raven.

Dewey



This study discusses newly collected data concerning the role played by seniority in U.S. firms' termination and promotion decisions. The new information sheds light on a number of questions: For what percentage of U.S. private sector employees (outside of agriculture and construction) is seniority per se (that is, seniority independent of current performance) rewarded in promotion decisions? For what percentage does protection against job loss grow with seniority even when current value to the firm does not? To what extent does seniority count more in personnel actions in union versus nonunion settings? In what ways does the importance of seniority vary when we compare: hourly versus salaried employees? large versus small firms? manufacturing versus nonmanufacturing establishments?

To collect information of relevance to answering these questions, we circulated the short survey given in Appendix A to a large sample of companies. The original sample of firms which were to be sent our survey consisted of 1,000 randomly selected companies from the 1979 edition of Standard and Poor's Register, 200 randomly selected companies from the 1977 News Front list of the 1,000 largest manufacturing firms and 50 randomly selected companies from the 1977 News Front list of the next 2,000 largest.¹ We chose to oversample manufacturing by adding companies from the News Front lists to our Standard and Poor's sample of firms because one of our specific interests was in how termination decisions are made and a very large fraction of the economy-wide variation in employment occurs in the manufacturing sector. After those firms from the 1979 Standard and Poor's Register which were foreign based, those to whom mail was not deliverable at the address given in the 1979 Register, those not included in the 1980 Register, and those in the News Front sample that were also in the Standard and Poor's sample were deleted, we were left with a mailing list of 884 Standard and Poor's firms plus 241 News Front firms (or 1,125 companies altogether).

Whenever possible, we mailed our survey to that individual at each firm who appeared to be in charge of personnel matters (e.g., the Executive Vice-President for Personnel, the Personnel Director or the Industrial Relations Vice-President). In cases where no such individual's name could be obtained, the letter was sent to the chief executive officer of the corporation. The recipient of the letter was told "Since your firm is part of a scientifically selected sample, it is crucial that we receive a response to this very short questionnaire from you or a colleague who makes decisions concerning the management of human resources." If no response was received from a firm by mid-April of 1980, a month after our first request was mailed, a second request was sent to the original contact.

Our response rate was quite high given the nature of our survey, and most of the questionnaires that were returned to us contained usable information. Our final tally showed the following outcome:

- 2 percent of our surveys not deliverable as addressed;
- 3 percent sent back to us by firms that did not satisfy the criteria specified for participation (as stated inside the box on the front of the survey form, we wanted only representatives of private-sector, for-profit firms outside of agriculture and construction to respond);
- 3 percent returned with a refusal;
- 6 percent unusable because of data problems (key questions skipped, inconsistent answers given, or other such problems);
- 50 percent completed adequately to be usable in at least some analyses; and
- 35 percent unaccounted for.

In 17 cases, we received two responses from the same firm; in these cases, we tabulated the survey form that reached us first.

The persons who actually replied to our survey tended to be high-level corporate executives. Of the 561 people who returned a usable survey form to us, 7 percent were Chairmen, 29 percent were Presidents, 27 percent were Vice Presidents, 14 percent were Directors, 11 percent were Managers, and 12 percent held other titles.

Based on what our respondents told us, we were able to code the following company characteristics: industry (coded in terms of the two-digit Standard Industrial Classification); total employment; and state where located (using respondents' addresses). From the answers to questions 3 and 4, we determined whether a particular respondent's answers covered unionized hourly workers, nonunion hourly workers, nonexempt salaried employees or exempt employees. (None of those who said they had responsibility for management of nonexempt salaried or exempt employees indicated that a majority of those in the affected group were covered by a collective bargaining agreement.) Questions 5 through 13 gave us information on policies and practices concerning the role of seniority in promotion and termination decisions for the relevant employee group.

After we stopped receiving completed surveys, we prepared a report to be sent back to those who had responded; a copy is reproduced in Appendix B. Since this report is fairly self-explanatory and highlights what seem to us to be the most important points, we will not provide a detailed summary of our survey results here. The tabulations which we present in the report reflect all of the usable replies for each individual question. We also prepared similar tabulations using only the replies from our Standard and Poor's sample, which one could argue better represents the

national economy; the results we obtained there were very similar to those we present in our report. Finally, as mentioned in the text of the report, we looked separately at the answers given by the subsample of managers who had witnessed permanent layoffs to the questions pertaining to such terminations; no systematic differences between their responses and other managers' responses to the questions concerning the role of seniority in termination decisions were in any way apparent in the data.

We have used our new survey data in two recent studies concerning the role of seniority independent of performance in termination and promotion decisions.² In an earlier series of related papers, first we, and then two of our students, examined the role of seniority per se in determining within-grade or within-job earnings differentials.³ All of these studies, when taken together, provide the seemingly coherent and interesting picture of the role of seniority at U.S. workplaces which is outlined below.

The responses to our survey question about the conditions under which a junior employee would be promoted ahead of a senior co-worker who was not as good a performer lead us to estimate that 62 percent of private sector nonagricultural nonconstruction unionized hourly employees work in settings where senior employees are favored substantially when promotion decisions are made; for non-union hourly employees, the comparable estimate is 56 percent; and for salaried employees, 40 percent. Overall, we estimate that approximately 50 percent of our country's private sector nonagricultural nonconstruction employees work in settings where senior employees are favored substantially when promotion decisions are made.⁴ Hence, for this half of the U.S. workforce, it appears that the piece of the total monetary return to seniority which can be linked to senior employees having been promoted to better-paying jobs than are held by otherwise comparable junior employees is to a significant extent a reward to seniority per se, rather than simply a reward for higher productivity. Moreover, it should be

noted that the 50 percent figure estimates the percentage of the workforce employed where senior employees seem to be favored substantially in promotion decisions; the percentage working where senior employees are favored at all is likely to be much greater. This is because in many settings senior employees can be expected to have a significantly higher probability of being promoted than their junior colleagues when the comparisons are limited to those with the same productivity.⁵

While a substantial fraction of the total monetary return to seniority reflects the fact that senior and junior employees are found in different grade levels or jobs, within a grade or job senior employees are typically paid considerably more than otherwise comparable junior employees. In the six econometric case studies done by us and our students, it was found that between 40 and 80 percent of the total monetary return to seniority reflected pay differentials among individuals in the same grades or jobs; while substantial in all cases, the percentage figures tended to be smallest for exempt employees and largest for those paid by the hour.⁶ The key finding of each of these six studies is that virtually none of the very large within-grade or within-job earnings advantage associated with company service could be explained in terms of productivity; once employees are assigned to grades or jobs, the salary advantage that accrues with company service appears to be automatic and, hence, independent of performance. As a result, even where seniority independent of productivity is not rewarded in promotion decisions, the evidence pertaining to within-grade or within-job earnings differentials (presented earlier by us and our students) strongly suggests that, overall, seniority per se is handsomely rewarded in most firms' compensation policies. For the 50 percent or more of the labor force for which seniority in and of itself seems to enhance promotion possibilities, this conclusion holds a fortiori.

It would make good sense that a compensation scheme which underpaid people in their early years with a firm and overpaid them later on would be accompanied by either implicit or explicit constraints on firms' ability to terminate senior workers. Based on the answers to our survey question pertaining to whether senior employees are involuntarily terminated before junior co-workers who are better performers, we estimate that approximately 73 percent of U.S. private sector nonagricultural, nonconstruction employees work in settings where senior employees do in fact enjoy substantially greater protection against job loss than junior employees doing similar work.⁷ Importantly, there appear to be substantial differences between union and nonunion settings in this regard. Rules protecting senior workers against being permanently laid off before their junior co-workers appear to be more prevalent and stronger (that is, "crisis-proof") under trade unions. For hourly employees, 95 percent of the responses pertaining to groups covered by collective bargaining implied that seniority in and of itself receives substantial weight in termination decisions, while only 70 percent of the responses pertaining to noncovered groups indicated that this is the case; this difference is statistically significant at the .01 level. As for "strength," while 68 percent of our survey responses which pertained to unionized hourly employees indicated that a senior worker would never be involuntarily terminated before a junior worker, the same was true for only 28 percent of the responses pertaining to nonunion hourly employees; again, the difference is statistically significant at the .01 level.⁸

In sum, while there appear to be important differences for hourly versus salaried employees and for those covered by collective bargaining versus those not so covered, the new evidence presented in this study strongly supports the claim that seniority independent of productivity plays a major role in the compensation and termination decisions affecting all employee groups at most U.S. workplaces.

FOOTNOTES

¹The 1979 Standard and Poor's Register lists companies which in 1978 had sales of at least \$1,000,000 and/or 50 employees and asked to be listed. The 1977 News Front listing of the largest 3,000 manufacturing companies was based on the companies' 1974 sales; this listing was the most recent one available at the time our sample was drawn.

²J.L. Medoff and K.G. Abraham, "Involuntary Terminations under Explicit and Implicit Employment Contracts," Mimeographed, November 1980, and J.L. Medoff and K.G. Abraham, "Years of Service and Probability of Promotion," Mimeographed, November 1980.

³J.L. Medoff, "The Earnings Function: A Glimpse Inside the Black Box," National Bureau of Economic Research Working Paper No. 224, December 1977; J.L. Medoff and K.G. Abraham, "Experience, Performance, and Earnings," Quarterly Journal of Economics, December 1980, pp. 703-736; J.L. Medoff and K.G. Abraham, "Are Those Paid More Really More Productive?: The Case of Experience," Journal of Human Resources, Forthcoming. Peter Halasz, "What Lies Behind the Slope of the Age-Earnings Profile?" Senior Honors Thesis, Department of Economics, Harvard University, Cambridge, Massachusetts: March 1980 and Robert H. Yanker, Jr., "Productivity versus Seniority: What is the Determining Factor in Regard to Wages and Promotion?" Senior Honors Thesis, Department of Economics, Harvard University, Cambridge, Massachusetts: March 1980.

⁴All the figures given are based on the responses from the more representative Standard and Poor's sample. The individual employee group estimates consist simply of the unweighted percentage of respondents with replies pertaining to the relevant employee group who gave an appropriate answer. We combined the responses for nonexempt salaried employees and exempt salaried employees to create the salaried employee group estimate. To derive rough employment weights for aggregating the individual group percentage figures, we used the May 1978 Current Population Survey, generating weighted counts of private sector nonagricultural, nonconstruction wage and salaried workers in three categories: union members paid by the hour (17 percent of the total weighted employment count); nonmembers paid by the hour (43 percent); and non-hourly employees (40 percent, of which 92 percent were non-hourly nonunion and 8 percent were non-hourly union). These weights were applied to our figures for unionized hourly employees, nonunion hourly employees and salaried employees.

⁵Evidence supporting this claim is presented in J.L. Medoff and K.G. Abraham, "Years of Service and Probability of Promotion," op. cit.

⁶These econometric case studies are discussed in the papers cited in footnote 3. Four dealt with exempt employees, one with nonunion production employees and one with unionized production employees.

⁷This percentage is based on those responses from the Standard and Poor's sample which were provided by individuals who had actually witnessed an involuntary termination. See footnote 4 for a description of the procedure used in deriving the estimate.

⁸All of the percentages just given are based on those responses from the Standard and Poor's sample which were provided by individuals who had actually witnessed an involuntary termination.

CONFIDENTIAL

No information you submit will be identified with you or your company without your written permission.

Please return to:

Professor James L. Medoff
 Department of Economics
 115 Littauer Center
 Harvard University
 Cambridge, MA 02138

HUMAN RESOURCES RESEARCH PROJECT
 EMPLOYEE SEPARATIONS SURVEY

You should answer this survey only if: (1) you are employed by a private-sector, for-profit firm whose principal activity is neither agriculture nor construction; (2) you make decisions concerning the management of human resources affecting employees other than those whom you supervise directly.

If you do not fit the above description, please just complete the mailing address below and return this form in the enclosed pre-addressed envelope.

Company name: _____

Your name and title: _____

Your address: _____

Your telephone number: _____

As part of our ongoing human resources research program, we are currently conducting a comprehensive study of involuntary separations at U.S. companies. Our goal is to generate a substantial amount of empirical evidence on companies' decisions regarding employment cutbacks. We believe such information should be of great value and interest to many managers.

This survey is primarily concerned with the factors that influence management decisions pertaining to employment cutbacks. Other components of our research effort include computer analysis of data from a number of major U.S. corporations and in-depth interviews with officials at those same firms.

Completing this questionnaire should take no more than five minutes of your time. Your cooperation will be invaluable to our research effort!

If you would like us to send you a personal copy of our summary report, please be sure you have given us your mailing address above and check the appropriate box.

I would like a personal copy of the summary report. Yes. No.

1. Approximately how many people are employed by your company? _____

2. What is the principal product or service supplied by your company?

3. How would you classify the largest group of employees who are affected by your decisions concerning the management of human resources?

Hourly. Non-exempt salary. Exempt.

4. Are the majority of the members of the group you checked in question 3 covered by either a written company policy pertaining to conditions of employment or by a collective bargaining agreement?

Yes, by a written company policy.
 Yes, by a collective bargaining agreement.
 No (PLEASE SKIP TO QUESTION 9).

5. Does this written policy or collective bargaining agreement deal with promotions?
 Yes. No (PLEASE SKIP TO QUESTION 7).
6. Under the terms of the policy or agreement, is seniority the most important factor in awarding promotions?
 Yes. No.
7. Does this written policy or collective bargaining agreement deal with permanent layoffs?
 Yes. No (PLEASE SKIP TO QUESTION 9).
8. Under the terms of the policy or agreement, is seniority the most important factor in determining who is permanently laid off during any reduction in the workforce?
 Yes. No.
9. In actual practice, would one of the junior employees in the group you checked in question 3 ever be promoted instead of a more senior employee who wanted the job?
 Yes, if the junior employee was considered a better performer than the senior employee.
 Yes, if the junior employee was considered a significantly better performer than the senior employee.
 No, never.
10. In the event of a reduction in the workforce, would one of the senior employees in the group you checked in question 3 ever be involuntarily terminated, that is, laid off permanently against his or her will, in place of a junior employee?
 Yes, if the junior employee was considered a better performer than the senior employee.
 Yes, if the junior employee was considered a significantly better performer than the senior employee.
 No, never.
11. During the years in which you have been involved in decision making in the human resources area, have permanent layoffs ever been used to reduce the size of the group you checked in question 3?
 No, never (PLEASE STOP HERE).
 Yes, permanent layoffs have been used once or twice.
 Yes, permanent layoffs have been used more than twice.
12. What percent of the group you checked in question 3 was permanently laid off in your most recent reduction of the workforce?
____ percent.
13. What percent of the group you checked in question 3 was permanently laid off in the next most recent reduction of your workforce?
____ percent.
 Does not apply. We have used permanent layoffs only once.

Thank you for your help. Please return this questionnaire in the enclosed envelope.

 DOES SENIORITY STILL COUNT?

 Results of the Human Resources Research Project
 Employee Separations Survey

 Professor James L. Medoff
 Department of Economics, Harvard University

 Professor Katharine G. Abraham¹
 Sloan School of Management, Massachusetts Institute of Technology

...FOR TERMINATIONS, IN MOST CASES "YES"

- Of those managing hourly union employees, 68% would never terminate a senior employee ahead of a junior one.
 - For managers of nonunion hourly employees, the comparable figure is 29%.
 - For managers of nonexempt salaried employees it is 13%.
 - For managers of exempt employees, 8%.
- Another 28% of those managing hourly union employees state that the senior employee would be terminated only if the junior individual were a "significantly" better performer (not just a somewhat better performer).
 - For managers of nonunion hourly employees, the comparable statistic is 50%.
 - For managers of nonexempt salaried employees it is 56%.
 - For managers of exempt employees, 63%.

...FOR PROMOTIONS, IMPORTANT BUT LESS SO THAN FOR TERMINATIONS

- Of those managing hourly union employees, only 17% would never promote a junior employee ahead of a senior one.
 - For managers of nonunion hourly employees, the comparable figure is 4%.
 - For managers of nonexempt salaried employees it is 3%.
 - For managers of exempt employees, 2%.
- However, 54% of those managing hourly union employees do state that the junior employee must be a "significantly" better performer to be promoted ahead of the senior one.
 - For managers of nonunion hourly employees, the comparable figure is 52%.
 - For managers of nonexempt salaried employees it is 35%.
 - For managers of exempt employees, 42%.

¹We are grateful to Professor John T. Dunlop, Harvard University, for continuing support.

THE SURVEY GROUP

- 561 respondents in all.²
- Manufacturing 73%; nonmanufacturing 27%.
- 5566 employees on average. Small firms (fewer than 500 employees) 54%; large firms (500 or more employees) 46%.
- Composition by type of employee group managed and existence of collective bargaining agreement or written company policy covering relevant employees:

	<u>Total</u>	<u>Collective Bargaining Agreement</u>	<u>Written Company Policy</u>	<u>Neither</u>
<u>Hourly</u>				
Union	226	226	0	0
Nonunion	185	0	96	89
<u>Salaried</u>				
Nonexempt	81	0	47	34
Exempt	69	0	37	32
<u>Total</u>	561	226	180	155

²Note: that some of the responses to our questionnaire were incomplete and thus could not be used in particular calculations.

QUESTIONS AND ANSWERS

1. Q: IF A COLLECTIVE BARGAINING AGREEMENT OR WRITTEN POLICY DEALING WITH PERMANENT LAYOFFS COVERS A MAJORITY OF THE EMPLOYEES IN THE GROUP YOU MANAGE, DOES IT MAKE SENIORITY THE MOST IMPORTANT FACTOR?

YES NO

A: As would be expected, unionized hourly employees are much more likely to be subject to written provisions governing permanent reductions in the workforce than are nonunion hourly, nonexempt salaried, or exempt employees. Overall, 88% of the managers of hourly workers covered by collective bargaining agreements said that those agreements dealt with permanent layoffs. Fewer than 60% of the written employment policies for employees in each of the three nonunion categories were said to contain such clauses. Unionized hourly workers are also the most likely to work under seniority-based layoff provisions. Seniority was the primary consideration in 90% of the layoff provisions for the unionized hourly workers. Seniority was also the key factor in 60% of the layoff provisions included in written company policies for nonunion hourly workers. However, only one-third of the layoff clauses affecting nonexempt salaried employees and fewer than one-fourth of those affecting exempt employees stipulated seniority to be the key factor.

Very similar patterns appeared when we looked separately at the responses from the subsample of managers who said they actually had witnessed permanent layoffs from among their employee group.

QUESTION 1: SURVEY RESULTS

<u>Employee Type</u>	<u>Have written policy or collective bargaining agreement that deals with permanent layoffs^a</u>		<u>Seniority stipulated to be most important factor in permanent layoffs^b</u>	
ALL FIRMS				
<u>Hourly</u>				
Union	88.4%	(199/225)	89.8%	(176/196)
Nonunion	51.1%	(48/94)	60.4%	(29/48)
<u>Salaried</u>				
Nonexempt	31.9%	(15/47)	33.3%	(5/15)
Exempt	56.8%	(21/37)	23.8%	(5/21)
LARGE FIRMS				
<u>Hourly</u>				
Union	96.3%	(105/109)	89.5%	(94/105)
Nonunion	69.2%	(27/39)	63.0%	(17/27)
<u>Salaried</u>				
Nonexempt	44.0%	(11/25)	27.3%	(3/11)
Exempt	70.4%	(19/27)	15.8%	(3/19)
SMALL FIRMS				
<u>Hourly</u>				
Union	80.5%	(91/113)	89.8%	(79/88)
Nonunion	37.7%	(20/53)	55.0%	(11/20)
<u>Salaried</u>				
Nonexempt	19.1%	(4/21)	50.0%	(2/4)
Exempt	20.0%	(2/10)	100.0%	(2/2)

QUESTION 1: SURVEY RESULTS

Continued

Employee Type	Have written policy or collective bargaining agreement that deals with permanent layoffs ^a		Seniority stipulated to be most important factor in permanent layoffs ^b	
MANUFACTURING FIRMS				
<u>Hourly</u>				
Union	87.8%	(173/197)	89.5%	(153/171)
Nonunion	59.0%	(46/78)	63.0%	(29/46)
<u>Salaried</u>				
Nonexempt	54.6%	(6/11)	33.3%	(2/6)
Exempt	64.5%	(20/31)	25.0%	(5/20)
NONMANUFACTURING FIRMS				
<u>Hourly</u>				
Union	92.9%	(26/28)	92.0%	(23/25)
Nonunion	12.5%	(2/16)	0.0%	(0/2)
<u>Salaried</u>				
Nonexempt	25.0%	(9/36)	33.3%	(3/9)
Exempt	16.7%	(1/6)	0.0%	(0/1)

^aThe base groups for these figures include only cases where the relevant employees were covered by either a written policy or a collective bargaining agreement.

^bThe base groups for these figures include only cases where the relevant employees were covered by some written provision concerning permanent layoffs.

2. Q: IN THE EVENT OF A REDUCTION IN THE WORKFORCE, WOULD ONE OF THE SENIOR EMPLOYEES IN THE GROUP YOU MANAGE EVER BE INVOLUNTARILY TERMINATED, THAT IS, LAID OFF INDEFINITELY AGAINST HIS OR HER WILL WITH NO EXPECTATION OF RECALL, IN PLACE OF A JUNIOR EMPLOYEE?

- YES, IF THE JUNIOR EMPLOYEE WAS CONSIDERED A BETTER PERFORMER THAN THE SENIOR EMPLOYEE.
- YES, IF THE JUNIOR EMPLOYEE WAS CONSIDERED A SIGNIFICANTLY BETTER PERFORMER THAN THE SENIOR EMPLOYEE.
- NO, NEVER.

A: Managers of unionized hourly workers are by far the most likely to say they would never terminate a senior employee before a junior employee. In fact, 68% of these managers said they would never do so, while only 29% of the managers of nonunion hourly employees, 13% of the managers of nonexempt salaried employees, and 8% of the managers of exempt employees gave this response. However, at least half of the respondents in each of the latter three groups said that they would terminate the senior employee only if his or her performance were "significantly" worse than that of the junior employee. This suggests that seniority plays an important and often predominant role in termination decisions affecting nonunion as well as unionized employees. Again, the responses given by managers who said they had witnessed permanent layoffs from among their employee group did not appear to differ systematically from those given by managers who reported no such experience with permanent layoffs.

QUESTION 2: SURVEY RESULTS

<u>Employee Type</u>	<u>Total Respondents</u>	<u>Would terminate senior if junior better performer</u>	<u>Would terminate senior only if junior significantly better performer</u>	<u>Would never terminate senior</u>
ALL FIRMS				
<u>Hourly</u>				
Union	225	4.0% (9)	27.6% (62)	68.4% (154)
Nonunion	181	20.4% (37)	50.3% (91)	29.3% (53)
<u>Salaried</u>				
Nonexempt	77	31.2% (24)	55.8% (43)	13.0% (10)
Exempt	67	29.9% (20)	62.7% (42)	7.5% (5)
LARGE FIRMS				
<u>Hourly</u>				
Union	109	2.8% (3)	34.9% (38)	62.4% (68)
Nonunion	58	17.2% (10)	53.5% (31)	29.3% (17)
<u>Salaried</u>				
Nonexempt	37	37.8% (14)	54.1% (20)	8.1% (3)
Exempt	46	26.1% (12)	69.6% (32)	4.4% (2)
SMALL FIRMS				
<u>Hourly</u>				
Union	113	5.3% (6)	21.2% (24)	73.5% (83)
Nonunion	119	22.7% (27)	47.1% (56)	30.3% (36)
<u>Salaried</u>				
Nonexempt	39	25.6% (10)	56.4% (22)	8.0% (7)
Exempt	19	42.1% (8)	47.4% (9)	0.5% (2)
MANUFACTURING FIRMS				
<u>Hourly</u>				
Union	197	4.1% (8)	28.4% (56)	67.5% (133)
Nonunion	136	16.2% (22)	50.7% (69)	33.1% (45)
<u>Salaried</u>				
Nonexempt	24	37.5% (9)	62.5% (15)	0.0% (0)
Exempt	49	26.5% (13)	67.4% (33)	6.1% (3)
NONMANUFACTURING FIRMS				
<u>Hourly</u>				
Union	28	3.6% (1)	21.4% (6)	75.0% (21)
Nonunion	45	33.3% (15)	48.9% (22)	17.8% (8)
<u>Salaried</u>				
Nonexempt	53	28.3% (15)	52.8% (28)	18.9% (10)
Exempt	18	38.9% (7)	50.0% (9)	11.1% (2)

3. Q: IF A COLLECTIVE BARGAINING AGREEMENT OR WRITTEN POLICY DEALING WITH PROMOTIONS COVERS A MAJORITY OF THE EMPLOYEES IN THE GROUP YOU MANAGE, DOES IT MAKE SENIORITY THE MOST IMPORTANT FACTOR?

YES NO

A: Not surprisingly, unionized hourly workers are the most likely to be subject to written provisions pertaining to promotions. Almost 78% of the managers of hourly workers with union contracts indicated that these agreements included promotion provisions. However, only 60% to 65% of the managers of nonunion hourly, nonexempt salaried, and exempt employees in firms having written employment policies said that those policies contained promotion clauses.

Unionized hourly workers are also the group most apt to work under written provisions making seniority the primary consideration in promotion decisions. Nonunion hourly workers are second most likely to be covered by policies stating that promotions should be based mainly on seniority, but the difference between this group and the unionized group is enormous. Promotion clauses in collective bargaining agreements for hourly employees cited seniority as the major decision factor about four times as often (61% vs. 15% of the time) as did such clauses in written company policies for nonunion hourly workers.

QUESTION 3: SURVEY RESULTS

<u>Employee Type</u>	<u>Have written policy or collective bargaining agreement that deals with promotions^a</u>		<u>Seniority stipulated to be most important factor in promotions^b</u>	
ALL FIRMS				
<u>Hourly</u>				
Union	77.8%	(175/225)	60.9%	(106/174)
Nonunion	63.8%	(60/94)	15.0%	(9/60)
<u>Salaried</u>				
Nonexempt	61.7%	(29/47)	6.9%	(2/29)
Exempt	64.9%	(24/37)	4.2%	(1/24)
LARGE FIRMS				
<u>Hourly</u>				
Union	89.9%	(98/109)	59.2%	(58/98)
Nonunion	87.2%	(34/39)	17.7%	(6/34)
<u>Salaried</u>				
Nonexempt	80.0%	(20/25)	5.0%	(1/20)
Exempt	66.7%	(18/27)	0.0%	(0/18)
SMALL FIRMS				
<u>Hourly</u>				
Union	66.4%	(75/113)	63.5%	(47/74)
Nonunion	45.3%	(24/53)	12.5%	(3/24)
<u>Salaried</u>				
Nonexempt	38.1%	(8/21)	12.5%	(1/8)
Exempt	60.0%	(6/10)	16.7%	(1/6)

QUESTION 3: SURVEY RESULTS
Continued

<u>Employee Type</u>	<u>Have written policy or collective bargaining agreement that deals with promotions^a</u>		<u>Seniority stipulated to be most important factor in promotions^b</u>	
MANUFACTURING FIRMS				
<u>Hourly</u>				
Union	77.7%	(153/197)	59.2%	(90/152)
Nonunion	69.2%	(54/78)	16.7%	(9/54)
<u>Salaried</u>				
Nonexempt	54.6%	(6/11)	0.0%	(0/6)
Exempt	67.7%	(21/31)	4.8%	(1/21)
NONMANUFACTURING FIRMS				
<u>Hourly</u>				
Union	78.6%	(22/28)	72.7%	(16/22)
Nonunion	37.5%	(6/16)	0.0%	(0/6)
<u>Salaried</u>				
Nonexempt	63.9%	(23/36)	8.7%	(2/23)
Exempt	50.0%	(3/6)	0.0%	(0/3)

^aThe base groups for these figures include only cases where the relevant employees were covered by either a written policy or a collective bargaining agreement.

^bThe base groups for these figures include only cases where the relevant employees were covered by some written provision concerning promotions.

4. Q: IN ACTUAL PRACTICE, WOULD ONE OF THE JUNIOR EMPLOYEES IN THE GROUP YOU MANAGE EVER BE PROMOTED INSTEAD OF A MORE SENIOR EMPLOYEE WHO WANTED THE JOB?

- YES, IF THE JUNIOR EMPLOYEE WAS CONSIDERED A BETTER PERFORMER THAN THE SENIOR EMPLOYEE.
- YES, IF THE JUNIOR EMPLOYEE WAS CONSIDERED A SIGNIFICANTLY BETTER PERFORMER THAN THE SENIOR EMPLOYEE.
- NO, NEVER.


A: Managers of unionized hourly employees are the most likely to say that they would never promote a junior worker ahead of a more senior co-worker who wanted the job.

The responses to the layoff and promotion questions taken together indicate that seniority is far more often the key factor in termination decisions than in promotion decisions. Whereas only 32% of the managers of union hourly workers would ever consider terminating a senior employee ahead of a junior, 83% of the same managers would consider giving a promotion slot to a more junior individual. The comparable pairs of figures for nonunion hourly managers are 71% and 96%; for the nonexempt salaried group 87% and 97%; and for the exempt category 92% and 98%.

QUESTION 4: SURVEY RESULTS

<u>Employee Type</u>	<u>Total Respondents</u>	<u>Would promote junior if better performer</u>		<u>Would promote junior only if significantly better performer</u>		<u>Would never promote junior</u>	
ALL FIRMS							
<u>Hourly</u>							
Union	225	28.4%	(64)	54.2%	(122)	17.3%	(39)
Nonunion	183	44.3%	(81)	51.9%	(95)	3.8%	(7)
<u>Salaried</u>							
Nonexempt	81	63.0%	(51)	34.6%	(28)	2.5%	(2)
Exempt	69	56.5%	(39)	42.0%	(29)	1.5%	(1)
LARGE FIRMS							
<u>Hourly</u>							
Union	110	15.5%	(17)	62.7%	(69)	21.8%	(24)
Nonunion	59	44.1%	(26)	50.9%	(30)	5.1%	(3)
<u>Salaried</u>							
Nonexempt	38	71.1%	(27)	26.3%	(10)	2.6%	(1)
Exempt	46	58.7%	(27)	41.3%	(19)	0.0%	(0)
SMALL FIRMS							
<u>Hourly</u>							
Union	112	41.1%	(46)	45.5%	(51)	13.4%	(15)
Nonunion	120	44.2%	(53)	52.5%	(63)	3.3%	(4)
<u>Salaried</u>							
Nonexempt	42	57.1%	(24)	40.5%	(17)	2.4%	(1)
Exempt	21	57.1%	(12)	38.1%	(8)	4.8%	(1)
MANUFACTURING FIRMS							
<u>Hourly</u>							
Union	196	30.6%	(60)	53.6%	(105)	15.8%	(31)
Nonunion	138	42.8%	(59)	52.2%	(72)	5.1%	(7)
<u>Salaried</u>							
Nonexempt	24	66.7%	(16)	33.3%	(8)	0.0%	(0)
Exempt	51	56.9%	(29)	41.2%	(21)	2.0%	(1)
NONMANUFACTURING FIRMS							
<u>Hourly</u>							
Union	29	13.8%	(4)	58.6%	(17)	27.6%	(8)
Nonunion	45	48.9%	(22)	51.1%	(23)	0.0%	(0)
<u>Salaried</u>							
Nonexempt	57	61.4%	(35)	35.1%	(20)	3.5%	(2)
Exempt	18	55.6%	(10)	44.4%	(8)	0.0%	(0)

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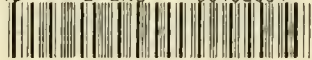
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