

UNITED STATES DEPARTMENT OF LABOR

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BUREAU OF LABOR STATISTICS

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# Dismissal Pay Provisions in Union Agreements

December 1944



*Bulletin No. 808*

[Reprinted from the MONTHLY LABOR REVIEW

January 1945, with additional data]

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## Letter of Transmittal

UNITED STATES DEPARTMENT OF LABOR,  
BUREAU OF LABOR STATISTICS,  
Washington, D. C., Feb. 5, 1945.

**THE SECRETARY OF LABOR:**

I have the honor to transmit herewith a report on dismissal-pay provisions in union agreements. This report is based on a study of 9,500 agreements current as of December 1944, as well as several dismissal-pay plans not negotiated through collective bargaining.

This bulletin, a portion of which appeared in the January 1945 issue of the Monthly Labor Review, was prepared by Abraham Weiss under the direction of Florence Peterson, Chief of the Bureau's Industrial Relations Division.

A. F. HINRICHS,  
*Acting Commissioner.*

HON. FRANCES PERKINS,  
*Secretary of Labor.*



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**Dismissal-Pay Provisions in Union Agreements,  
December 1944**

*Summary*

Dismissal or severance compensation generally refers to payment, in addition to wages or salary, of a sum of money by the employer to an employee who is involuntarily laid off or discharged through no fault of his own. The amount of dismissal pay is in almost all instances based on an employee's length of service with the company, his rate of pay during such employment, and the reason for his dismissal. A few severance-wage plans make no distinction as to reasons for dismissal and provide payment to employees discharged for cause, as well as to those who retire or resign.

Under most plans, the dismissal payment varies directly with the amount of earnings of the employee. A week's wages or a month's salary is usually the unit for determining compensation. Most plans also relate compensation to length of service, but generally establish a limit on the amount payable to any individual worker—in terms of either a number of weeks' or months' pay or a specified sum. Dismissal compensation almost invariably is paid in a lump sum, although a few plans provide for periodic payments at regular weekly intervals.

As a rule, dismissals are compensated only if they are caused by circumstances over which the employee has no control, and some plans are further limited to cover dismissals resulting from technological changes or business mergers but not general lay-offs caused by slack work. Although dismissal compensation is sometimes paid to employees dismissed because of incompetence or inefficiency, generally the service requirements are higher and the maximum dismissal allowance is less than in the case of dismissal because of business reasons.

Although dismissal compensation is designed to ease the burden resulting from unemployment, it is basically different from unemployment compensation or unemployment insurance. The latter may or may not be financed from a joint fund, whereas dismissal compensation is financed solely by the employer. Unemployment compensation provides weekly (or biweekly or monthly) payments for the duration of unemployment or for the maximum number of weeks specified in the particular plan. Dismissal compensation, on the other hand, is usually a lump-sum payment, which is based on the length of service of the employee, and it takes no account of the actual time lost before a new job is found. Unemployment-compensation benefits are usually equal to about half pay, and are paid after a waiting period of

1 or 2 weeks; dismissal compensation is almost invariably based on the employee's full weekly wage or salary and is generally paid at the time of dismissal.

In the past and, to some extent today, dismissal compensation indemnified the employee for final loss of his job and connoted a complete and permanent severance of the employment relationship; it represented a payment made for breaking a valuable relationship rather than reimbursement to cover a period of unemployment and was intended to compensate the worker for the loss of certain rights acquired on the job, such as seniority, vacation, pension, or retirement benefits. Most current union agreements, however, in providing dismissal pay do not distinguish temporary lay-off from permanent separation. Some agreements, notably those covering clerical or professional workers, do not use the term "lay-off"; other agreements use the term to denote dismissals; while still others allow dismissal pay to workers "laid off or dismissed."<sup>1</sup>

The American Newspaper Guild, which has succeeded in making dismissal pay a basic condition in practically all its agreements, regards dismissal pay as an equity which the individual employee builds up on his job and for which he should be compensated regardless of the reason of severance—whether for incompetence or other personal cause, or for economic reasons, by resignation, retirement, or death. The Guild is accordingly opposed to the use of the term "dismissal pay" and prefers "severance pay."

Most union agreements, whether or not they provide for dismissal pay, specify that employees laid off shall not lose their seniority status if rehired within a specified period. Also, an employee who receives dismissal pay when laid off does not lose status with the company but maintains reemployment rights based on his past service with the company, entitling him to be rehired before new persons are employed. Under dismissal plans which allow only 1 or 2 weeks' pay, seniority probably accumulates during lay-off, and reinstated employees would again receive dismissal pay, if again laid off, based on total service. Under a very few of the dismissal plans which allow more than 1 or 2 weeks' pay, if reinstatement takes place within a short time, it is provided that a portion of the dismissal pay, equal to the difference between the number of weeks' dismissal pay received and the number of weeks of lay-off, shall be returned to the company through deductions from wages. It is not clear, in these cases, whether an employee again laid off would be credited with prior service in determining the dismissal pay to which he is eligible. Under the Newspaper Guild agreements, and most others, there is no return of the dismissal pay but the reinstated employee, if laid off again, receives dismissal pay based on length of service only since the date of rehiring and not on total accumulated length of service with the company.

Dismissal compensation has not been common in American industry. When adopted, it has most frequently been applied to lay-offs caused by technological improvements or to retrenchments involved in consolidations. In only a few industries, notably newspaper publishing and railroad transportation, have such provisions been adopted to any considerable extent through collective-bargaining procedures.

<sup>1</sup>The term "dismissal pay" is by no means uniform in union agreements; the phrases "severance pay," "severance compensation," "termination allowance," "separation pay," etc., are also found.

A considerable number of agreements covering clerical workers in offices and industrial establishments, and technical and social-service workers also provide dismissal pay. Scattered examples of dismissal-pay clauses are found in agreements in other industries including the chemical, electrical machinery, gas, petroleum refining and production, radio and telegraph, rayon yarn, telephone, and textile industries.

### *Special Dismissal-Pay Plans*

In addition to the dismissal-pay plans provided in the agreements negotiated between individual employers and unions are those provided by law or arbitration award to take care of special circumstances within an industry. One of the first of these was a plan established by the trade board at a Chicago men's clothing company in 1926 to encourage a reduction in the surplus of cutters caused by changes in manufacturing processes. Under this plan every cutter who relinquished his job was paid a dismissal wage of \$500. About one-fifth of the cost incurred was borne by the union, and the rest by the firm. More recently, dismissal-pay plans have been adopted when large numbers of workers were to be laid off because of business consolidations or retrenchments. Outstanding examples are the plans provided for railroad and telegraph workers and New York milk-wagon drivers.

*Railroad workers.*—Because of the fear of railroad workers that possible consolidation among the railroads under the Emergency Railroad Transportation Act would result in widespread lay-offs, a nation-wide agreement<sup>3</sup> was negotiated between the operating and nonoperating railroad unions and the carriers, which established a plan for compensating employees laid off as a result of "coordination." Displaced employees are entitled to receive monthly payments for periods ranging from 6 months after 1 year of service to 60 months after 15 years' service or more. The monthly payment is equivalent to 60 percent of the average monthly pay of the employee for the 12-month period preceding the dismissal. Employees with less than 1 year of service receive a lump-sum payment equivalent to 60 days' pay at the straight-time daily rate of their last position held prior to loss of employment.

*Telegraph workers.*—Early in 1943, Congress amended the Communications Act of 1934 to permit consolidation and merger of domestic telegraph carriers and made provision for dismissal pay to workers whose jobs were terminated as a result of the merger and for the continued employment of other workers.<sup>4</sup> The amendment provided that employees of any merged company, whose employment began before a specified date, were to be assured employment for at least 4 years after the merger without reduction in compensation, and any employee whose employment began after the specified date, who was discharged as a result of the merger, would at any time within 4 years after the merger be entitled to severance pay of 1 month's wages for each year worked.

*New York milk-wagon drivers.*—In the summer of 1943, union milk-wagon drivers employed by two major New York milk companies faced loss of their jobs because of route consolidation and job elimina-

<sup>3</sup> This "Washington Agreement" was negotiated in May 1936 for a 5-year term but has since been renewed for an indefinite period.

<sup>4</sup> Section 222-1.

tion necessitated by the mileage-reduction program of the Office of Defense Transportation. To decide a dispute between the drivers' union and the companies over the displacement of these employees, the National War Labor Board<sup>5</sup> granted dismissal pay to employees who lost their jobs because of the consolidation, on the basis of their former straight-time weekly earnings, ranging from 2 weeks' pay for employees with less than 6 months' service to 10 weeks' pay for those with service of 3 years or more.

### *Dismissal-Pay Plans in Union Agreements*

Approximately 450 dismissal-pay plans covering about 135,000 workers were found in 9,500 current agreements examined. This did not include provisions in union agreements providing for advance notice of lay-off or pay in lieu of such notice, or dismissal-pay provisions in union agreements which contain guaranties of employment and in which such payment is made only in the event the guaranty is voided under stipulated circumstances. Slightly over a third of the dismissal-pay agreements were negotiated by the American Newspaper Guild (C. I. O.), covering approximately 20,000 workers; a similar proportion, covering about 7,500 workers, were negotiated by the International Typographical Union (A. F. of L.); about one-sixth, covering between 5,000 and 7,000 workers, were negotiated by the United Office and Professional Workers (C. I. O.); and the remaining agreements, negotiated by various unions, covered about 100,000 workers.

#### NEWSPAPER GUILD PLANS

Over 90 percent of the 182 agreements negotiated by the American Newspaper Guild, covering employees (except those in mechanical trades) working for newspapers, wire services, news weeklies and magazines, radio stations and allied fields, provide for severance pay.<sup>6</sup> Under most of the Guild agreements, dismissal pay is allowed for all dismissals except for gross misconduct and neglect of duty, dishonesty, drunkenness, gross insubordination, willful provocation of discharge to collect dismissal pay, and under union-shop agreements, failure to maintain good-standing membership. In about 15 percent of the agreements, the right to receive dismissal pay is unqualified, and payment must be made regardless of the reason for dismissal.

About half of the agreements provide a severance allowance payable to the beneficiary of an employee who dies while in the employ of the publisher. Twenty-seven provide that dismissal pay will be given on bona fide retirement, and 9 provide dismissal pay on resignation. Retirement benefits usually are limited to employees with 25 years of service and may specify illness or old age as conditions. Such provisions frequently give the employer reciprocal rights of retiring an employee who has reached a certain age, such as 65, and a stated length of service, although the Guild prefers to make retirement solely a matter of the employee's choice.

Veterans participate in dismissal pay in a special way; 125 Guild agreements specify that they will receive such grants if disabled during

<sup>5</sup> N. W. L. B. Case No. 197, Release B-1017, dated October 4, 1943.

<sup>6</sup> Information obtained from Wages and Conditions in American Newspaper Guild Contracts, June 10, 1944, published by the American Newspaper Guild, New York, 1944, and from union agreements on file in the Bureau of Labor Statistics.

military service, and 92 make provision for payment to beneficiaries in cases of death in service. Both these requirements are considered implicit in other Guild agreements, from the fact that dismissal pay is provided for all employees who are discharged or die and a veteran is considered as an employee until his services are dispensed with by the employer or are terminated by death. A number of Guild agreements credit all or part of the time spent in military service in computing the total amount of severance pay, and a few give employees the option of collecting severance pay before they enter service, while still maintaining their reinstatement rights.

All the Guild agreements contain graduated plans in which the dismissal payment is based on earnings and length of service. The agreements most commonly specify a uniform relation between pay and service, such as 1 week's pay for every 6 or 8 months' or year's service. (See Appendix, Example A.) Occasionally, dismissal pay is determined according to a schedule allowing a specified number of weeks' pay for stated years of service, but changing the ratio of weeks of pay to service at certain intervals. (See Example B.)

Slightly under 10 percent of the agreements establish no ceiling on the amount of dismissal pay but allow pay based on the employee's total length of service. Most of the agreements, however, specify a maximum allowance, ranging from 4 to 52 weeks' pay, although about three-fifths specify between 26 and 30 weeks, while some agreements stipulate a maximum lump sum, ranging from \$750 to \$5,000. The following shows the dismissal-pay maxima specified in Guild agreements current as of June 1944.

	<i>Number of agreements</i>		<i>Number of agreements</i>
4 weeks.....	2	28 weeks.....	24
5 weeks.....	1	30 weeks.....	31
10 weeks.....	3	34 weeks.....	1
14 weeks.....	1	43½ weeks.....	1
15 weeks.....	6	52 weeks.....	1
16 weeks.....	8	\$750.....	1
19 weeks.....	1	\$880.....	1
20 weeks.....	14	\$1,000.....	2
22 weeks.....	1	\$1,500.....	1
24 weeks.....	10	\$5,000.....	3
26 weeks.....	38	No limit.....	14

One week's pay is most commonly based on the highest salary received by an employee during his employment with the company, or the highest during the preceding 6 months or year. Some agreements figure severance pay on the average weekly salary received during a specified period (usually 6 months or a year) prior to dismissal, or, less frequently, the employee's current rate of pay.

About one-fourth of the Guild agreements, in addition to providing dismissal pay, grant preference in reemployment to employees who have been dismissed for reasons of economy, while a few agreements extend this right to all employees dismissed except for cause. A few agreements in the former group limit the right to preferential reemployment to 1 year after the dismissal for reasons of economy, or restrict it to Guild members. In most cases an employer may make his own choice of the order in which he hires former employees, although in others rehiring must be "in priority order." (See Examples A and B.) If rehired, future calculations of dismissal pay would, of course, be based on service since the date of rehiring.

### INTERNATIONAL TYPOGRAPHICAL UNION AGREEMENTS

The International Typographical Union (A. F. of L.) recently has made considerable headway in obtaining dismissal-pay provisions in its agreements. By August 1944 the union had obtained such provisions in 79 newspaper and 90 commercial-printing agreements, covering about 7,500 workers.

Unlike the Guild agreements, dismissal pay in the Typographical agreements is paid only for dismissals caused by suspension of business or merger. With but a few exceptions, no service requirements are stipulated, and the dismissal payment is the same for all employees affected, regardless of length of service, amounting, in general, to 2 weeks.<sup>7</sup>

### AGREEMENTS OF UNITED OFFICE AND PROFESSIONAL WORKERS

The United Office and Professional Workers of America (C. I. O.) has organized employees in offices, graphic arts and related fields, financial institutions and insurance companies, and nonprofit institutions such as the social-service agencies. Altogether, 73 agreements with dismissal-pay provisions negotiated by this union, all but a few of which cover firms in New York City, were analyzed.<sup>8</sup> Slightly less than half of these agreements cover employees of private social-service agencies and other nonprofit organizations, who are not covered by the Social Security Act. Over a fifth of them cover office employees of book publishers and distributors, and the others cover bank, motion-picture distribution, insurance brokerage, industrial office, and general office workers.

Dismissal pay is generally allowed to employees dismissed because of "retrenchment or reorganization" (the reason most commonly specified in the agreements covering nonprofit agencies), laid off because of lack of work, or discharged except for such specific causes as drunkenness, dishonesty, insubordination, violation of company rules, malfeasance, failure to maintain good standing under a maintenance of union membership clause, or other specified causes. (See Examples C and D.) Six of the agreements with nonprofit organizations, including social-service agencies, specifically provide dismissal pay to workers dismissed for "incompetency," or "unsatisfactory performance of work," and two agreements with book publishers grant dismissal pay to workers discharged for "inefficiency" (in one case only if the individual has been employed more than 5 years). Several additional agreements provide dismissal pay to employees dismissed "for reasons of retrenchment or reorganization" and for "other reasons, except malfeasance." Under these provisions, employees dismissed because of inefficiency or incompetence probably receive dismissal compensation.

One agreement with an insurance firm extends dismissal pay to employees who are forced to leave permanently because of ill health.

<sup>7</sup> International Typographical Union Bulletin, August 1944 (p. 175) and union agreements on file in the Bureau of Labor Statistics.

<sup>8</sup> In addition to dismissal compensation which is stated to be in lieu of a pension provision and to which only employees with 3 years' service are eligible, one agreement with a nonprofit organization provides weekly compensation in lieu of "government unemployment compensation" to employees who have worked with the organization for at least 1 year and who are laid off or discharged, except for reasons that the organization and union agree are cause for immediate dismissal. Benefits amount to \$15 per week (or 50 percent of the weekly salary at the time immediately preceding release, whichever is less) until other employment is secured, provided the period of unemployment does not exceed 20 weeks. For those with less than 1 year of service, the maximum unemployment compensation equals 4 weeks for each 3 months of service. It is further added that employees released shall actually search for other work, accept any reasonable work offered, and report their progress weekly to the organization.

In a few agreements, dismissal compensation is paid to employees honorably discharged or laid off for more than a specified period—30 days in two, and 3 months in two others. One of the agreements stipulates that any employee who cannot be rehired on his return from military service, because of retrenchment or reorganization during his absence, shall receive dismissal pay as of the date of his army discharge, less the military severance bonus paid on his induction.

All but a few of these agreements with dismissal pay provide for rehiring on the basis of seniority; four with film distributors provide that employees subsequently rehired during the same calendar year, after having received dismissal pay, shall not be entitled to the vacation privilege. The others include no special arrangements except that one, in which the dismissal pay is in weekly installments in amounts not less than one-half of the employee's wages, specifies that such payments shall cease upon reemployment. All the other agreements, except three, specify that the payments shall be in a lump sum; under three the payment may be made in either a lump sum or installments, as agreed among the employer, union, and employee, provided the full amount is paid within the period for which the employee is entitled to receive dismissal pay and provided no single installment is less than the employee's weekly wage. Five agreements, all with film distributors, specify that the company may deduct necessary taxes from the dismissal pay.

Seventy of the 73 agreements negotiated by this union provide dismissal pay graduated according to length of service. In contrast, three provide for fixed payments equivalent to a specified number of weeks' wages; two of these allow a maximum of 2 weeks' pay to employees "dismissed" or laid off, and the third allows regular professional workers 1 month's pay and other workers 2 weeks' pay if dismissal is caused by retrenchment or reorganization, while all employees receive 2 weeks' pay if dismissed for incompetence. In two of the three agreements, all regular employees are eligible; in the third, employees must have 2 years' service to be eligible.

One week's pay for every year of service is most frequently allowed under the 70 agreements with graduated plans, although a few allow 2 weeks' pay for every year of service. In a number of agreements employees receive 1 week's pay for the first 6 months' service, and 2 weeks' pay after 1 year's service, but receive 1 week per year of service thereafter. Two establish a ratio of 2 weeks' pay for every year of service if the cause of dismissal is "retrenchment or reorganization," or "reorganization," respectively, but only 1 week per year of service if the cause of dismissal is incompetence in the one case, and retrenchment or other reasons, in the other. In about one-fifth of the agreements with graduated plans, the dismissal compensation is determined by certain service-year groupings. (See Example C.)

Only 5 agreements have minimum service requirements exceeding 1 year; one requires 1½ years' service and four, 2 years' service. In three of the latter group, the 2 years of service are included in calculating dismissal pay; in the fourth, 1 week's pay is allowed for 2 years' service and 1 week's pay for every year of service of more than 2 years. Fourteen agreements list no service requirements and presumably all regular employees, i. e., those who have completed their probationary periods, are eligible.

Seven agreements—six with social-service agencies and one with a book publisher—establish two kinds of service requirements, depending on the reason for the dismissal. In the six social-service agreements, the service requirement for dismissal pay is 1 or 2 years if the cause of dismissal is retrenchment or reorganization. In two of these, employees dismissed for incompetence also receive dismissal pay but only if they have 3 and 13 years' service, respectively, while in the other four, employees dismissed for reasons other than retrenchment or reorganization, except malfeasance, receive dismissal pay only if they have worked for periods ranging from 3 to 5 years. (See Example D.) In the seventh agreement, employees laid off receive dismissal pay after 6 months' service while those discharged for inefficiency receive dismissal pay only after 5 years' service.

The maximum dismissal allowance ranges from 1 week's pay to an unlimited amount, depending on length of service. About one-fourth (19) of the agreements with graduated plans do not explicitly establish maxima for dismissal pay but allow full payment based on the employee's length of service in accordance with the graduated plan outlined in the agreement. (See Example D.) Twenty-six allow a maximum of 1 month's pay or less,<sup>9</sup> 6 allow maxima ranging from 6 to 10 weeks, 10 allow a maximum of 12 weeks' pay, and 8 maxima ranging from 14 weeks' to 10 months' pay.<sup>10</sup> (See Examples C and E.) The agreement, which provides that the dismissal wage shall be paid at weekly intervals in amounts not less than one-half of the employee's wages, establishes a maximum of \$400.

Although the large majority of agreements provide dismissal pay only for dismissals caused by business conditions, a few make no distinction (in the amount paid) between dismissals for economy and dismissals for other reasons, including, in seven cases, incompetence, inefficiency, or "unsatisfactory performance of work," while others provide varying amounts, depending on the reason for dismissal. Seven agreements with social-service agencies pay more when dismissal is caused by retrenchment or reorganization than when dismissal is due to other reasons, except malfeasance. In two of these cases the difference amounts to 2 weeks; in two others, 4 weeks; and in the remaining three, 8 weeks. Another agreement allows employees a maximum of 1 week's pay when laid off and 2 weeks' pay when dismissed because of a "decline in business operations."

#### DISMISSAL PAY IN OTHER AGREEMENTS

Agreements in industries other than those discussed above furnish only scattered examples of dismissal-pay clauses, although several cover comparatively large companies. Thirty-four such agreements are on file with the Bureau of Labor Statistics<sup>11</sup> covering approximately 100,000 in the following industries: Chemicals, electrical machinery, film processing, gas utility, laundry, machinery, non-ferrous-metal smelting and refining, petroleum, news services, pro-

<sup>9</sup> One agreement requires 2 weeks' notice of dismissal to employees with less than 15 years' service and 1 month's notice to employees with longer service. If the employee finds another job during the period of notice, he is released and his pay continues to the end of the notice period.

<sup>10</sup> Under one of these, which allows a maximum of 26 weeks' dismissal pay, in the event of the company's dissolution, the agreement stipulates that the employer will be responsible for payment only to the extent of the firm's assets.

<sup>11</sup> This report does not include a street-railway company agreement which might be interpreted as providing dismissal pay to older employees displaced by reason of technological development. This agreement provides that streetcar operators with 15 years' service who are "unable to continue at work by reason of the installation of one-man streetcars shall be retired from service" and paid a monthly pension of \$66 until the age of 65.

fessional and scientific instruments, radio and telegraph, rayon yarn, telephone, and textiles. Among the important companies which pay dismissal compensation under the terms of union agreements<sup>12</sup> are the Sinclair Oil Corp., National Carbon Co., American Viscose Corp., Postal Telegraph-Cable Co.,<sup>13</sup> Northwestern Bell Telephone Co., Celanese Corp. of America, Michigan Bell Telephone Co., Associated Press, and United Press (press telegraph operators). Two-thirds of these agreements cover workers paid by the hour, while the others cover salaried employees. In two cases the agreements are limited to technical and laboratory workers, and agreements covering production workers in these two plants do not contain dismissal-pay provisions.

Dismissal compensation is generally paid, under these agreements, to employees terminated or laid off "through no fault of their own," or who are laid off or discharged "except for just cause," or who are laid off because of "reduction in staff." (See Examples F, G, and H.) Under one agreement, dismissal pay is allowed to employees released because of "shut-down or discontinuance of any department or type of work or manufacture, or by reason of the conversion of the nature and type of machines used or articles manufactured." This same agreement allows dismissal pay to workers entering the armed forces. Under another, with a large company engaged wholly in war contracts, employees "laid off for lack of work" receive dismissal pay only if the employer is "notified by the governmental authorities that severance pay can be set up as a charge against Government contracts." In another agreement, all employees who are "in good standing with the company and the union and of necessity must be laid off by the company" receive dismissal pay.

One of the agreements, with a gas company, also allows dismissal pay to employees who resign, while another provides for payment (less legal costs or expenses) to beneficiaries of employees except those who die while on leave of absence granted at their request. Abandonment of the plant cancels the obligation to pay dismissal compensation under one agreement, while in another, the provision does not apply if employees are given at least 10 days' notice before lay-off becomes effective.

Six of the agreements, covering about 45,000 workers, limit dismissal payment to displacements resulting from mechanization or technological changes,<sup>14</sup> although one of these further provides that an employee separated from employment because of physical disqualifications is entitled to the same separation allowances as paid by the company to employees technologically displaced.<sup>15</sup> Under one agreement, honorably discharged veterans who are unable to resume their former employment because of "physical or mental disability" receive dismissal pay.

The great majority of the agreements provide for rehiring of laid-off or dismissed workers on the basis of seniority. Waiver of re-employment rights based on seniority, upon receipt of dismissal pay,

<sup>12</sup> Several agreements of one company which refer to existing company policy on "termination allowances" grant the company the right to terminate or modify the plan at any time, and have therefore been excluded from the analysis. This plan was the only one in which age was a factor in determining the amount of dismissal compensation.

<sup>13</sup> Although this company has recently merged with Western Union, this agreement is still operative.

<sup>14</sup> One of these, with a telegraph company, limits to 250 the number of those who may be dismissed because of mechanization. Another agreement in this industry, on the other hand, prohibits dismissals during the life of the agreement "because of mechanization or technological changes."

<sup>15</sup> By Directive Order of the National War Labor Board, March 24, 1943.

is expressly stipulated in five agreements with gas, rayon-yarn, and radio and cable companies which allow employees facing dismissal to accept either furlough with retention of seniority rights, or dismissal pay with cancellation of earned seniority. (See Example I.) Employees who are furloughed may later waive reemployment rights by accepting dismissal compensation.

Half of the agreements with dismissal-pay provisions define "a week's pay" as an amount equal to the employee's regular rate or average earnings multiplied by the hours of the basic workweek. Three agreements with news-service companies, on the other hand, stipulate that dismissal pay shall be based on the employee's "highest regular weekly salary," and one provides a week's "full wages." Under one agreement a week's pay in the case of an employee normally working varying hours is defined as an average of the weekly earnings, excluding overtime, differentials, and other special payments, "over a period sufficient to be representative of the employee's normal schedule."

Twenty-eight of the 34 agreements provide for dismissal pay graduated according to length of service, 5 provide a fixed number of weeks' wages, regardless of length of service beyond the qualifying period, and 1 provides for an "amount agreed to by the union and employer."

Of the five agreements which provide dismissal pay for a fixed number of weeks, three provide for 2 weeks' pay and two for 1 week's pay. Three specify minimum periods of service of 6 months, 1 year, and 2 years, respectively; the others make no reference to service eligibility requirements although presumably only regular or permanent employees are eligible. (See Example G.)

#### *Graduated-Pay Plans*

All of the 28 agreements with graduated plans establish minimum service requirements for dismissal pay, ranging from 30 days to 5 years, although about one-half specify 1 year; one agreement, with a telegraph company, limits dismissal pay to employees hired within the 18-month period prior to the effective date of the agreement.<sup>16</sup> Although about a fourth of the agreements provide compensation at the rate of 1 week's pay for every year of service (Example I), most of the other plans vary widely in the relationship between pay and service (Example F). In four cases, including two agreements of one company, pay is computed by days, based on months of service; in the others, dismissal pay is computed in multiples of a week's pay, based on years (or fraction thereof) of service.

About three-fourths of the agreements with graduated plans establish a maximum allowance ranging from 40 hours' to 26 weeks' pay, according to length of service. One allows a maximum of 40 hours' pay;<sup>17</sup> 9 allow a maximum of 2 weeks' pay; 1, a maximum of 3 weeks' pay; 1 allows 1 month's pay and 2 allow 4 weeks' pay; 2 allow a maximum of 10 weeks (one of these also provides 2 weeks' dismissal pay upon resignation); 1 a maximum of 16 weeks; and 3, covering press telegraph operators employed by press services,

<sup>16</sup> In one of these agreements, the service eligibility requirement "for military replacement employees" is 2 years; for other employees, 6 months.

<sup>17</sup> Under this plan, employees dismissed after 1 year of service receive 3 days' pay of 8 hours each plus 1 day's pay of 8 hours for each additional year of service, up to a maximum of 40 hours.

26 weeks.<sup>18</sup> One agreement with an oil refinery provides for a flat payment of \$10, instead of pay equal to a week's wages, for each year or fraction of service with the company subsequent to a specified date upon termination of employment or when laid off for more than 30 calendar days. This agreement also stipulates that "total severance payments received by an employee over a period of years shall not exceed \$10 for each calendar year, or part thereof, he has been in the employ of the company. . ." The other 7 agreements do not explicitly establish maxima for dismissal pay but allow full payment based on the employee's length of service. (See Example I.)

Three agreements, two with telephone companies and one with a metal-products company, specifically provide for refund of part of the dismissal pay if the worker is rehired within the period covered by such payment—the former two of these by pay-roll deductions at the rate of 10 percent of the employee's weekly earnings.

One agreement, with a gas utility, provides for the deduction from dismissal pay of an "amount equal to the weekly payment to which the employee might become entitled were he presently eligible to receive weekly payment under the unemployment-compensation law of Ohio, multiplied by the number of years of his service less 3 years, which multiple shall in no event exceed 7." Under this agreement, therefore, employees with less than 3 years' service receive full compensation on dismissal, but those with more than 3 years' service receive as dismissal compensation the difference between a full week's pay and unemployment-compensation benefits.



### *Appendix.—Sample Dismissal-Pay Clauses*

#### EXAMPLE A

Any employee dismissed shall, at his request, be given notice thereof in writing, giving the reason or reasons for his dismissal, and shall be compensated for such dismissal as follows:

The rate of dismissal pay shall be as follows: If at the time of dismissal the employee has been in continuous service of the publisher and in the department from which dismissed more than 3 months, but less than 1 year, 1 week's salary; for every year of continuous service of 1 year or more, up to 16 years, 1 week's salary for each year. But the total of all dismissal pay shall not be more than 16 weeks' salary. The highest rate of pay the employee has received from the publisher during the preceding year shall be the basis for dismissal pay.

Dismissal pay need not be paid to any employee who deliberately neglects to fulfill his duties or who provokes discharge for the purpose of collecting dismissal pay. It is further agreed that in case of a dispute over this clause, the matter shall be submitted to a joint standing committee of two representatives from the publisher and two from the Guild for a decision. Nothing in this clause shall apply to anyone employed 15 years or more by the publisher.

In the event of the death of an employee the publisher shall pay to his dependents an amount equal to the amount of dismissal pay to which the employee would have been entitled. The employee shall have the right to designate which dependent or dependents shall, as beneficiary, receive the dismissal pay in event of death of the employee.

When a vacancy, caused by dismissal to reduce the force, is filled within 1 year after said dismissal, said dismissed employee shall be rehired for the position, provided said employee is an applicant for said position and it is the same work he was doing before being dismissed, or is other work in the department, that in the judgment of the publisher, said dismissed employee is capable of filling to the satisfaction of the publisher.

<sup>18</sup> In two of these cases, the parties have negotiated a new agreement providing a maximum of 30 weeks' dismissal pay, at the rate of 1 week's pay for every 6 months' service. These agreements are before the National War Labor Board, for its approval.

**EXAMPLE B**

All employees dismissed for economy, who are members of the Guild at the time of dismissal, shall be placed on a list for rehiring and shall be rehired in priority order before any others may be hired for employment within the various divisions \* \* \*.

Employees dismissed shall be compensated immediately in a lump sum as follows:

	<i>Number of weeks' pay</i>		<i>Number of weeks' pay</i>
6 months and less than 1 year ----	2	7 years and less than 7½ years ----	14
1 year and less than 2 years ----	3	7½ years and less than 8 years ----	15
2 years and less than 2½ years ----	4	8 years and less than 8½ years ----	16
2½ years and less than 3 years ----	5	8½ years and less than 9 years ----	17
3 years and less than 3½ years ----	6	9 years and less than 9½ years ----	18
3½ years and less than 4 years ----	7	9½ years and less than 10 years ----	19
4 years and less than 4½ years ----	8	10 years and less than 10½ years ----	20
4½ years and less than 5 years ----	9	10½ years and less than 11 years ----	21
5 years and less than 5½ years ----	10	11 years and less than 11½ years ----	22
5½ years and less than 6 years ----	11	11½ years and less than 12 years ----	24
6 years and less than 6½ years ----	12	12 years and less than 12½ years ----	26
6½ years and less than 7 years ----	13	12½ years and over -----	28

It is agreed that the publisher may deny severance pay in dismissal for gross dishonesty. In case of discharge for cause other than gross dishonesty the employee shall be entitled to severance pay. In the event of the death of an employee, the amount of his severance pay shall be paid to his beneficiary or his estate, less any legal costs or expenses caused to the publisher in making such payment.

**EXAMPLE C**

In case of slack business, where it becomes necessary to dismiss workers, such employee shall receive in addition to the 2 weeks' notice:

1 week's severance pay for 1 to 5 years that he shall have worked for the company.

2 weeks' severance pay for anything over 5 years, and up to 10 years.

3 weeks' severance pay for anything over 10 years, and up to 15 years.

4 weeks' severance pay for anything over 15 years, and up to 20 years.

6 weeks' severance pay for anything over 20 years, and up to 25 years.

8 weeks' severance pay for anything over 25 years, based on the weekly salary that he shall have received at the time of such severance.

**EXAMPLE D**

*Separation allowance.*—In addition to vacation salary a separation allowance of 1 week's salary for each year of service shall be paid to staff members who are dismissed for reasons other than retrenchment if such member has been employed by the association for 4 years or more.

In addition to vacation salary which has accumulated at the time of dismissal, a separation allowance of 1 week's salary for each year of service shall be given to the worker dismissed for reasons of retrenchment or reorganization.

A person dismissed for malfeasance forfeits all privileges relating to notice, vacation, and separation allowance.

**EXAMPLE E**

Any employee who is discharged for any reason except dishonesty, drunkenness, insubordination or violation of the company's rules (provided such rules are reasonable and equally applied to all employees), shall be given severance pay as follows: For employment up to 1 year a sum at the rate of 1 week's pay; 1 to 2 years, 2 weeks' pay; after 2 years, 1 week additional for each year of service, but no employee shall receive more than 12 weeks' severance pay. Company shall have the right to deduct necessary taxes from severance pay. Any employee who has received severance pay and is subsequently rehired during the same calendar year shall not be entitled to the vacation privilege.

**EXAMPLE F**

Severance pay for employees laid off on account of reduction in force shall be in accordance with the severance-pay schedule attached hereto. Length of service of rehired employees shall be computed for purposes of severance pay from their last reemployment date.

Under 3 months' service—No allowance.

3 months and under 1 year of service—Same proportion of 1 week's pay as completed months of service are of 12 months.

1 year and under 3 years' service—1 week's pay.

3 years and under 5 years' service—1½ weeks' pay.

5 years and under 7 years' service—2 weeks' pay.

7 years and under 10 years' service—3 weeks' pay.

10 years' service—4 weeks' pay.

11 years and over—Same as for 10 years plus one-half week's pay additional for each additional year of service.

**EXAMPLE G**

The company agrees that when terminations are made for reasons other than cause, whenever reasonably possible to do so, the company will give the employee affected 2 weeks' notice of the intended termination or pay in lieu thereof.

The company will pay severance pay equal to 1 normal week's pay (i. e., 40 hours) upon termination of an employee who has had 6 months or more of continuous employment with the company. If an employee is discharged for cause or for failure to maintain good standing with the union, he shall not be entitled to severance pay.

**EXAMPLE H**

Except for part-time employees, severance pay shall be granted by the employer in cases where lay-offs occur for periods of 2 weeks or more in accordance with the following provisions:

(a) If the period of most recent employment is 1 year but less than 5 years—5 days' severance pay.

(b) If the period of most recent employment is 5 years or more—10 days' severance pay.

"Day's pay" for this purpose shall be based on the normal 8-hour day, not including overtime or night-shift bonus.

No severance pay will be allowed for lay-offs of less than 2 weeks' duration.

Employees laid off because of lack of work will be given the opportunity to return to their former jobs on the basis of seniority, provided they return to work in accordance with the provisions of this agreement.

**EXAMPLE I**

The company and the union agree to the following definition of a technological change:

Any employee classified as a permanent employee shall be considered displaced by a technological change when his or her services shall no longer be required as a result of a change in plant or equipment, or a change in a process or method of operation, diminishing the total number of employees required to operate the department in which he or she is employed. The term shall not include lay-offs caused by denier changes, business conditions, variations in customers' requirements, shut-downs for plant repairs, or other temporary or seasonal interruptions of work.

The following provisions shall be applicable wherever a displacement shall have been occasioned by any technological changes as above defined:

1. Any employee classified as a permanent employee in a related department affected by the technological change shall similarly be considered as displaced by a technological change when the total number of employees required to operate the department in which he or she is employed has diminished as a result of the change \* \* \*.

A displacement wage shall be paid to such employees so displaced, which displacement wage shall be in an amount equivalent to 1 week's pay for each full year of the employee's past continuous service with the company \* \* \*.

Within 60 days after displacement, a technologically displaced employee shall elect to be placed on the plant's furlough list or accept a displacement wage. Such election shall be final and be made in writing. The failure of a displaced employee to deliver such written election to the company within the aforementioned period of 60 days shall constitute an acceptance of the displacement wage, which displacement wage shall thereupon be promptly paid by the company to such employee \* \* \*.

Notices shall be posted in the department affected by an impending displacement, inviting such employees, as may desire, to surrender their seniority rights and rights to recall, in exchange for displacement wages. Such employees shall inform the head of that department of their decision within 7 days after posting of impending displacement lists. For each senior employee applying for displacement wages, the company will retain a junior employee who would otherwise have been displaced by the proposed technological change.

Should an employee displaced by technological change accept a displacement wage and thereafter be reemployed by the company, he shall accept such reemployment as a new employee, at the 3 months' rate \* \* \*.