

# Salary freezes and furloughs

A **furlough** occurs when schools are closed and both work year and compensation are reduced. In other words, a furlough is a forced unpaid leave of absence for a specified length of time determined by how much money the district needs to save.

For every day less than the negotiated 188-day calendar, teachers' salaries would be cut approximately 1/2%. For every 1% of salary reduction (two days of furlough), the district saves approximately \$2 million.

What would happen to benefits is unclear. Because of the method in which district benefits are paid, depending on the length of the furlough, the benefits could be maintained. If, however, the district determined that as a part of the budget reduction process they needed to reduce benefits by the same percentage amount as salary, they could simply increase the length of the furlough or attempt to get teachers to partially pay for their own benefits during the furlough. If the decision is ultimately made to furlough, JCEA will need to be actively involved in working to clarify this issue.

What will happen to PERA? According to PERA, a furlough of up to 15 days would not negatively impact the calculation of service credit. PERA did indicate, however, that if the furlough is considered a termination, then the survivor benefit—should a teacher die during the furlough—would not be paid.

Teachers must be active PERA members for their families to receive any survivor benefits. PERA suggested that one way of getting around this problem would be for the district to place all furloughed teachers on an unpaid leave of absence. This would protect both the teachers active status in PERA and the survivor benefits.

Again, this is an area JCEA would need to resolve with the district.

**Impact:** To some, a furlough is preferable to an across-the-board salary cut or reduction which reduces lifelong earnings potential, because a reduction or change in the salary index is continuous until the index is restored—if ever.

In a furlough situation, the salary schedule and index are maintained. The loss of earnings is confined to that year only. Because enacting a furlough does not change the salary system or “fix” the problem, the same problem could reoccur the following year and, potentially, could lead to a cycle of annual furloughs.

Another significant impact of the furlough approach is that it is consistent with the JCEA resolution (1993) calling for shared and visible cuts. Certainly, if schools are closed for any length of time, parents and others in the community will know that this is being done because of a budget deficit.

This will, however, shorten the amount of student contact time that is highly valued by the community and those advocating reform of the school year. This could lead to an



## a jcea backgrounder

erosion of support for public schools and further alienate the public and encourage the movement toward private, charter or voucher driven schools.

A **salary freeze** means no increase in salary above the current level. No automatic step or level increases or cost-of-living adjustments. Teachers would make the same amount of money next year as they are this year.

**Impact:** The employee whose salary is frozen will lose ground to inflation resulting in a loss of earning potential until the salary index is restored.

For teachers nearing early retirement, this could potentially lower their retirement benefit because the last five years of salary will be lower than if there were no salary freeze or reduction.

A freeze means no cost-of-living increase built into the base salary. This will represent a loss in lifelong earning potential, as it is unlikely that will ever be made up.

If the freeze were maintained throughout the ongoing budget crisis (for at least two years), there would be no incentive for teachers to continue to upgrade their skills or to achieve advanced degrees because there would be no payment for level changes.

New teachers will be hurt significantly because they will not receive the automatic steps for experience which, theoretically, compensate for low starting salaries. —2010