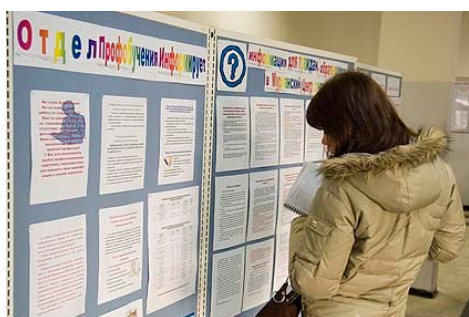


Labour market impact of the global economic crisis at the enterprise-level: illustration of a rapid assessment methodology

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Introduction



The ILO has a long-standing interest in developing rapid assessment methodologies to measure the immediate impact of economic crises and external shocks on the labour market. This note attempts to capture labour market adjustments at the enterprise level across the world. These adjustments have, of course, been sparked by the current global economic crisis, which standard survey instruments, such as labour force or even establishment surveys, cannot monitor quickly enough. This note represents an attempt to illustrate labour market impacts of the current global recession at the enterprise level that can approximate 'real time' monitoring. This entails the systematic collation of media-based reports.

The note is derived from an examination and analysis of media reports on lay-offs and adjustments to wages and working conditions by companies across different parts of the world. The company-level data is

extracted from the Financial Crisis News Alert (FCNA) generated by the ILO Library.

The FCNA was launched by the ILO Library in mid-December 2008 as part of the ILO's response to the global economic crisis. FCNA compiles articles in major newspapers on the employment aspects of the crisis. FCNA is issued twice weekly and as of May 25, 2009, 41 issues had been produced¹.

An analysis of the 41 issues of FCNA on emergency measures taken by employers in an attempt to fight the recession showed that in 339 companies almost 1.3 million people were reported to have been laid off or were intended to be laid off around the world and across a variety of sectors.

Methodology

All articles listed in the 41 issues of FCNA have been examined, and data on lay-offs and other instruments chosen by companies and governmental institutions to reduce costs have been carefully and systematically collected into two separate datasets (See Appendix 1 and 2). The first dataset traces

¹ The focus in recent issues of FCNA (April/May 2009) shifts from the lay-off announcements to statements about short- and long-term crisis response measures promoted on/or implemented by governments, trade unions and firms, among which are employment generation actions, offered vocational training, and adoption of minimum wage regulations.

the company's name, the sector to which the company belongs, the number of redundancies and their share in the total headcount of the company (where applicable) and the regions the lay-offs have been executed in. The second one concentrates on the tally of media citations of adjustments to wage and working conditions (see [Table 1](#) for the criteria).



Statements about lay-offs (both planned and executed) by individual companies only, or references to these, were recorded. General reports on job losses across a sector or nationwide were ignored in order to avoid errors caused by overlapping numbers. Further revisions to the database entailed removal of various discrepancies, such as repetitions of company-level lay-offs reported in the media.

Only English language articles were covered in the current run of the survey. This leaves out a large number of Spanish language articles, which, to a certain extent, explains the low numbers of job losses reported in Latin America and the Caribbean.

It should be emphasised that care should be taken in the interpretation of the data: they are based on a rather small sample of companies (339). The announced reductions in the enterprise-level workforce could be carried out immediately or be phased over a period of several months, and they could be accomplished in a multitude of ways, such as via offered buyouts, pre-mature retirement and other semi-voluntary means. Furthermore, lay-offs could be balanced by hiring in other divisions of the same company or on consultancy contracts.

The intention of this exercise is not to produce accurate numbers of jobs lost across industries around the world in a given period of time. The aim is to examine alternative instruments of generating data on labour market adjustments using unconventional methods of rapid assessment.

Box 1. Challenger Corporate Cost-cutting Survey

A cost-cutting survey was conducted by the Challenger, Gray & Christmas Inc., US-based outplacement company, on a monthly basis. The survey results are based on responses from approximately 100 human resource executives in a variety of industries in the US. The survey found that 92 per cent of companies initiated some kind of cost-cutting action, but nearly half managed to avoid lay-offs.

Source: Challenger Corporate Cost-Cutting Survey, Chicago, January 26, 2009

[Box 1](#), drawing on the US experience, suggests how firms use a variety of methods to make adjustments to labour costs. [Table 1](#) provides a list of the leading cost-cutting tools used by companies that were taken as the main criteria in tabulating adjustments to wages and working conditions.

Preliminary results

Preliminary assessment shows that altogether 339 companies across the world have announced lay-offs between mid-December 2008 and late-May 2009 amounting to a total to 1,298,697 persons, of which 287,048 were in the financial services sector (22 per cent of the total number of announced lay-offs, see [Table 2](#)). This yields an average of 3830 lay-offs per company and 216,449 lay-offs per month.

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Table 1:
Leading cost-cutting tools used by companies

Announced Lay-offs	Announced adjustments to wage	Announced adjustments to working conditions
Lay-offs (planned and executed) and their share in total headcount	Wage freeze/reduction	Reductions to retirement,
Job cuts (not renewing contracts)	Forced vacations Unpaid leave	Maternity leave
Offered buyouts	Reduced/eliminated year-end bonus	Scaling back tuition fees reimbursement
Pre-mature retirement	Cut working hours	Healthcare allowances
	Furloughs	

Table 2:
Number of announced lay-offs by sector and their share in the total number of announced lay-offs

Sector	Number of announced lay-offs by sector	Share of announced lay-offs by sector (%)
Airlines	24290	2
Automobiles	78259	6
Construction	3945	0.3
Electronics	230700	18
Engineering	23164	2
Financial Services	287048	22
Manufacturing	108697	8
Media	4435	0.3
Mining	88742	7
Sales Sector	70525	5
Telecommunication	46036	4
Other ³	332856	26
Total	1298697	100

January was the toughest month with the largest number of announced lay-offs (see [Figure 1](#)). After a slight easing in February, March was hit hard with over quarter of million positions shed. In two weeks in December 2008, more lay-offs have been announced than in the whole month of April. On average, companies laid off 20 per cent

of the workforce (see [Figure 2](#)). What is important to note is that the lay-off rate (that is, the absolute number laid off as a proportion of the company-level work-force) increased from 14 per cent in December-January, 2008/9 to 25 per cent in March and April, and went down by only one percentage point in May 2009. On the other hand the absolute number of lay-offs decreased in April and May, which appears to support the view that the recession is bottoming out².

Figure 1: Changes in absolute numbers of lay-offs on a monthly basis

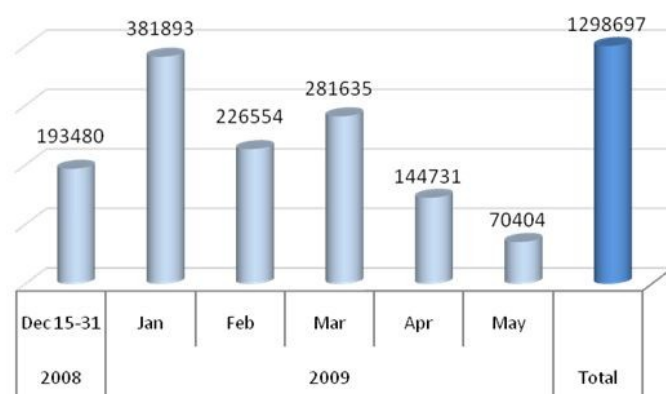
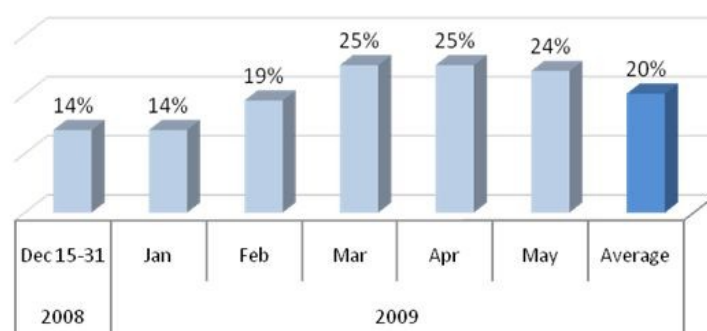


Figure 2: Changes in lay-offs as a share of the total headcount



North American companies shed the most jobs amounting to as much as 49 per cent of the total number of announced job cuts globally. Although the number of references to job cuts by European countries is larger than American firms, the latter reported almost twice as many lay-offs as European companies (See [Table 2](#)). It is important to

² Schifferes S. 12 May 2009. "Has Recession Bottomed Out?" in BBC News

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mention, though, that these jobs were not shed exclusively in the US or Europe but globally, as some of the companies, such as American General Motors or German Volkswagen, operate worldwide,. This also explains why in the [Table 3](#) below the number of media citations by region exceeds the number of companies cited to have announced redundancies.

Enterprises and governmental institutions have found creative ways to cut expenses in order to avoid or postpone the need for actual lay-offs. The leading among these being wage cuts and wage freezes, forced vacations, a cut in working hours, unpaid furloughs and reductions to healthcare allowances. Altogether, 164 references to these alternative measures were cited in the first reporting period, 15 December 2008 – 22 May 2009, of which 142 (or 86 per cent) refer to adjustments to wages as the main cost-cutting measure or as a complement to lay-offs. Among other measures implemented were reductions to retirement and healthcare allowances and the like, of which there were 26 media citations or 15.8 per cent. In four cases (or 2.4 per cent) both measures were employed.

Table 3:
Number of media citations of lay-offs by region and their share of the total number of media citations (mid-December, 2008 to end-May, 2009)

Regions	Lay-offs		
	Number of media citations	Absolute number of reported lay-offs	Share of the total number of reported lay-offs
Europe	125	353938	27%
North America	120	640376	49%
Asia and the Pacific	63	243645	19%
Sub-Saharan Africa	47	53539	4%
Latin America & Caribbean	8	7199	0.5%
Total	363	1298697	100.00%

Figure 3: Number of media citations of lay-offs

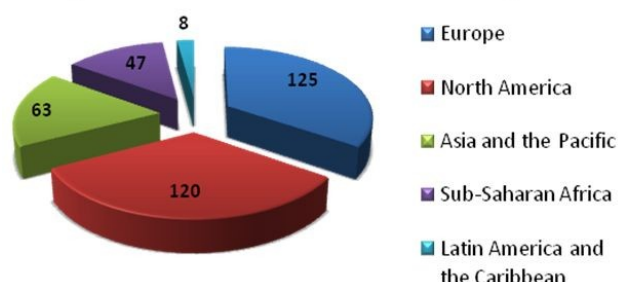
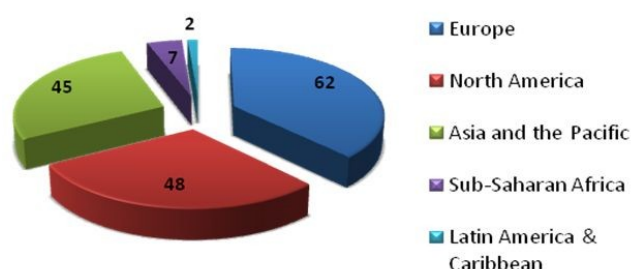


Table 4:
Number of media citations of adjustments to wage and working conditions by region and their share of the total number of media citations (Mid-December, 2008 to end-March, 2009)

Adjustments to wage and working conditions		
Regions	Number of media citations	Share of the total number of media citations
Europe	62	38%
North America	48	29%
Asia and the Pacific	45	28%
Sub-Saharan Africa	7	4%
Latin America and the Caribbean	2	1.2%
Total	164	100%

Figure 4: Number of media citations of other cost-cutting measures



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Concluding remarks



This note offered an illustration of a rapid assessment methodology for monitoring the labour market impact of the global economic crisis. It demonstrated how one can utilise a data source – the Financial Crisis Alert Series (FCNA) compiled by the ILO library – to collect company-level data on lay-offs as well as adjustments to wages and working conditions. The sample coverage is small (339 companies), but both the absolute number of lay-offs and their relative size (measured as a proportion of the company-level work-force) are quite high. Companies worldwide have announced lay-offs affecting nearly 1.3 million people between mid-December 2008 and late-May 2009. The monthly rate has varied, with December 2008 being a bad month, February suggesting an easing, but March reflecting a hard hit month. The lay-off rate has increased from 14 per cent of the company-level work-force in December 2008 to 25 per cent in March, down to 24 per cent in May 2009.

In April and May the general mood slowly started to change. The panic over mass lay-offs seems to have been replaced by energetic attempts to adjust to the crisis, protect employees and prevent or decrease further losses.

Given that the recession has affected the US and the Eurozone most, it is not surprising that more than 75 per cent of the lay-offs have been reported in North America and Europe.

The available analysis also showed that the financial services sector accounted for a significant share (22 per cent) of lay-offs, although non-financial sectors have also been affected severely.

Finally, the analysis suggests that firms have used downward adjustments to wages and working conditions as alternative or complementary strategies to lay-offs to cut costs in order to cope with the global economic recession. There were 164 media citations over the December 2008 to May 2009 period to wage cuts and adjustments to working conditions, with 86 per cent of these citations pertaining to wage cuts. Thus, workers have borne the brunt of the crisis either in the form of lost jobs or impaired wages and working conditions.

Further resources

ILO, Bureau of Statistics, Laborsta -database of labour statistics

ILO, KILMnet, Key Indicators of the Labour Market (KILM) database