

**Classification Chart: Extended Layoff Reasons and Higher-Level Reason Categories**

- I **Business Demand Reasons**
  - 11 Contract cancellation
  - 12 Contract completion
  - 13 *Domestic Competition*
  - 14 Excess inventory / saturated market
  - 15 *Import Competition*
  - 16 Slack work / insufficient demand / *non-seasonal* business slowdown
  
- II **Disaster/Safety Reasons**
  - 21 Hazardous work environment
  - 22 Natural disaster (*not* weather related)
  - 23 Non-natural disaster
  - 24 Extreme weather-related event
  
- III **Financial Reasons**
  - 31 Bankruptcy
  - 32 Cost control / cost cutting / increase profitability
  - 33 Financial difficulty
  
- IV **Organizational Reasons**
  - 41 Business-ownership change
  - 42 Reorganization or restructuring of company
  
- V **Production Reasons**
  - 51 Automation / technological advances
  - 52 Energy related
  - 53 Governmental regulations/intervention
  - 54 Labor dispute / contract negotiations / strike
  - 55 Material or supply shortage
  - 56 Model changeover
  - 57 Plant or machine repair/maintenance
  - 58 Product line discontinued
  
- VI **Seasonal Reasons**
  - 61 Seasonal
  - 62 Vacation Period—*school related* or otherwise
  
- IX **Other/Miscellaneous Reasons**
  - 91 Other
  - 96 Federal government cutbacks—*Not Defense Related* [Secondary reason or comment field **only**]
  - 97 Federal government cutbacks—*Defense-related* [Secondary reason or comment field **only**]
  - 98 Data not provided: *Refusal*
  - 99 Data not provided: *Does not know*

**Table 1: Definitions for Layoff Reasons and for Higher-Level Reason Categories**

- I Business Demand Reasons:** This set of layoff reasons is associated with a decreasing or an unfavorable level-of-demand for a company's products/services that can be attributed to conventional economic factors and/or cycles. Changes in consumer preferences, increased competition, and concluded contractual agreements (either by completion or early termination) can lead a firm to lower output (and therefore its needed workforce) to reflect lower demand for its products/services. Events attributable to slumps in demand *due to seasonal factors* (e.g., post-holiday slumps in retail sales) should be coded under Category VI: Seasonal Reasons.
- **11. Contract cancellation:** Use this code if the respondent states that the layoff was caused by the cancellation of a contract. More specifically, this code should be used for formal contracts already entered into and subsequently cancelled—and not contracts that may have been “lost” in a bidding process (see code 12: contract completion).
  - **12. Contract completion:** Use this code if the respondent reports that a single contract (or project) supporting a large number of employees has ended. The respondent should specifically state that a large contract has been completed or lost in a re-bidding process.
  - **13. Domestic Competition:** Use this code for layoffs that are precipitated by domestic competition involving the *production of goods* (e.g., automotive parts; computers; chemicals; prescription drugs; plastic containers; military equipment) or the *delivery of services* (e.g., airline transportation; banking services; retail sales). Unlike products or services that originate elsewhere (e.g., Canada, Mexico, Europe, China, India), domestic products and services originate *within* the United States. Since a response of “competition” is ambiguous as to type (i.e., domestic or import competition), it will be necessary to probe to determine its nature. Here is a potentially useful probe for such situations: “Is the competition you mentioned coming mainly from companies that produce goods and services here in the United States, or is it mainly import competition.” In rare cases, a respondent may answer “both” to the probe question posed above. In such cases, we suggest that you ask: “Which form of competition has had a more serious impact on your company, domestic or import competition?” If the respondent says that import competition has had the more serious impact, code that as the primary reason and code domestic competition as the secondary reason. If domestic competition has had the greatest impact, code that as the primary reason and import competition as the secondary reason.
  - **14. Excess inventory/saturated market:** Use this code if the respondent reports that the layoffs are due to a slowdown in business due to excesses in the company's product inventory or when the market is saturated with comparable products or services. Saturation invariably leads to excess inventories and such excesses often precipitate layoffs.
  - **15. Import Competition:** Use this code if the respondent identifies import competition as the primary cause for the layoff. This code covers any *product* (e.g., automobiles; toys; video equipment) manufactured outside the United States (e.g., Europe, China, India, Canada). It also encompasses import competition for *services* (e.g., banking or credit-card services; software development; telemarketing; product marketing). Since a response of “competition” is ambiguous as to type (i.e., domestic or import competition), it will be necessary to probe to determine its nature. Here is a potentially useful probe for such situations: “Is the competition you mentioned coming mainly from companies that produce goods and services here in the United States, or is it mainly import competition.” In rare cases, a respondent may answer “both” to the probe question posed above. In such cases, we suggest that you ask: “Which form of competition has had a more serious impact on

your company, domestic or import competition?” If the respondent says that import competition has had the more serious impact, code that as the primary reason and code domestic competition as the secondary reason. If domestic competition has had the greatest impact, code that as the primary reason and import competition as the secondary reason.

- **16. Slack work/insufficient demand/non-seasonal business slowdown:** Use this code if the respondent states that the layoff was caused by a *non-seasonal* lack of demand for the company’s products or services (e.g., an unexpected lack of orders for software products or for accounting services). Because some responses to our question about the layoff reason (such as “slack work”; “economic slowdown”; “demand slump”; “declining orders or production”; “lack of work”; “poor business conditions”) often imply the presence of other contributing causes for the layoff, it is important that interviewers **probe** in an effort to determine what these other secondary or contributing reasons might be (e.g., contract completed; excess inventory/market saturation). Here is a potentially useful probe for such situations: “Would you happen to know what might have caused the [fill with respondents answer (e.g., “slack work”) at your company?” If a respondent answers with, say, “just completed a large contract”, enter code 12 (contract completed) as the *secondary-reason code* and code 16 (slack work/insufficient demand/non-seasonal business slowdown) as the *primary-reason code* (see **Note 1** at the end of this document). If other contributing causes are mentioned, enter these codes/reasons in the *comments field* (see **Note 2**).

**II Disaster/Safety Reasons:** This set of layoff reasons is associated with a dramatic decrease in demand for a company’s products/services that can be attributed to disasters of a natural, socio-political or work-related nature. Disaster-related layoffs may occur due to shrinking demand within a particular industry (e.g., the impact of September 11, 2001 on the air-travel industry) or because a company can no longer productively employ workers as the result of damage to necessary infrastructure or production capability (e.g., furloughs due to a plant fire).

- **21. Hazardous work environment:** Use this code if the respondent reports a business cutback or closure because of a safety or environmental hazard (e.g., elevated levels of natural gas inside a mine shaft; high levels of asbestos in the air-filtration system). Business cutbacks/closures (and the layoffs that often follow) can be imposed by the company itself or by government actions/interventions; if the respondent specifically mentions the role of government in the cutbacks/closure (e.g., enforcement of environmental regulations), enter code 53 (government regulations/intervention) as the secondary-reason code.
- **22. Natural disaster (not weather related):** Use this code if the respondent reports that the layoff that was precipitated by a natural disaster (e.g., earthquake, insect infestation, tidal wave, volcanic eruption). Please note that, as defined here, natural disasters are **not** weather-related.
- **23. Non-natural disaster:** Use this code if the respondent reports that work activity has been curtailed/suspended—and layoffs implemented—as a consequence of a disaster caused by the misguided or malevolent behavior of human beings (e.g., the terrorist attacks of September 11, 2001) or as a consequence of some other disaster that is not weather related (e.g., building collapse; chemical plant explosion/fire; mine collapse/explosion; oil spill).
- **24. Extreme weather-related event:** Use this code if the respondent reports that the layoff was caused by an *extreme* weather-related event, such as: flooding, blizzard conditions, damaging hail, prolonged drought, hurricanes, damaging frost, tornadoes, squalls, dust storms, or fires triggered by electrical storms. If the weather event results in plant/machine damage that requires repair work, use code 24 (extreme weather-related event) as the

primary-reason code and code 57 (plant or machine repair) as the secondary-reason code. If, on the other hand, the company experiences a shortage in materials because an extreme weather event affected the production or delivery of those materials by outside suppliers, use code 55 (material shortage) as the primary-reason code and code 24 (extreme weather related event) as the secondary-reason code.

**III Financial Reasons:** This set of layoff reasons is associated specifically with a company's attempts to cope with (or reverse) a financial situation that is unacceptable or unsustainable. Layoffs reduce costs associated with labor and have the potential to increase cash flow, either before a bankruptcy filing or as part of the filing itself. Layoffs also have the potential to increase profitability in certain situations. This category of reasons specifically address the firm's "bottom-line." Events where layoffs are part of a business reorganization or restructuring should be coded under Category IV: Organization Reasons.

- **31. Bankruptcy:** Use this code if the respondent reports that the company responsible for the mass layoff actually filed for bankruptcy under one of the chapters of Bankruptcy Law and/or "reorganized" in compliance with such laws. This should be confirmed by the respondent, if possible. "Reorganization" (as used in the context of a bankruptcy) has been defined as the revamping of a company's capital, organization and/or management structure along the lines of a plan *worked out under bankruptcy proceedings* (Chapter 11) and its objectives are to eliminate the cause of the failure, settle with creditors, and allow the firm to remain in business. It would be analytically useful to know what may have contributed to the bankruptcy, so if respondents do not spontaneously provide such information, interviewers should **probe** to see if a contributing cause can be determined. If a contributing cause can be determined (e.g., contract cancellation; import competition), insert that code as the secondary-reason code for the layoff and enter code 31 (bankruptcy) as the primary-reason code. If the respondent gives a reply not covered by any existing reason codes (e.g., embezzlement; managerial incompetence), again insert the code 31 as the primary-reason code and enter code 91 ("other") as the secondary-reason code. Please note that code 91 ("other") requires the interviewer specify the respondent's verbatim response.
- **32. Cost control/cost cutting/increase profitability:** Use this code if the respondent reports that layoffs are an attempt to offset increases in various business costs (e.g., employee health insurance; debt payments; raw materials; wages), to reduce or eliminate losses (e.g., budget deficits), or to restore or enhance profitability/earnings (e.g., to improve the company's "bottom line").
- **33. Financial difficulty:** Use this code if the respondent states that the layoff as an attempt to deal with the company's troubled financial situation (e.g., a shortage of ready cash due to a substantial debt burden) or for other cash flow problems *that have not yet risen to a level requiring a bankruptcy filing*. Keep in mind, however, that the company's financial difficulty may actually be due to some *unspecified* contributing cause (e.g., a merger or acquisition; long overdue payments for products/services already delivered; loss of expected revenue due to the cancellation of a major contract). So, if a respondent simply answers "financial difficulty," interviewers should **probe** to determine if a contributing cause can be identified. If a contributing cause can be identified (e.g., contract cancellation; import competition; extreme weather-related event), enter the code for that reason as the secondary-reason code and enter code 33 (financial difficulty) as the primary-reason code. [See **Notes 1 and 2** (found at the back of this document) for guidance on how to assign and code reasons if the respondent mentions several reasons for an extended layoff event.]

IV **Organizational Reasons:** This set of layoff reasons refers specifically to significant changes in the company's organization, its corporate structure or its ownership. Layoffs due to a change in ownership or to restructuring, whether imposed from within or without, should be included here. Events that reduce employment but do not alter the firm's organizational structure should be coded elsewhere.

- **41. Business-ownership change:** Use this code whenever the respondent reports a change in business ownership (e.g., the sale of the business to an individual or another company) as the precipitating cause for a layoff. This code is appropriate in those cases where the respondent reports that a layoff was necessary to deal with the aftermath of a merger, an acquisition, a divestiture, or a leveraged buyout. A *merger* is the combining of two or more independent businesses under a single ownership (e.g., bank merger), accompanied by the complete acquisition of one company's stock by another, either for cash or stock in the acquiring company. An *acquisition* is the process by which all or part of one company becomes part of another company (e.g., a large computer company purchases a smaller company with an attractive software product). A *divestiture* is the process of getting rid of a subsidiary because it has ceased to be profitable or because the parent company needs cash, et cetera (e.g., an automotive corporation that sells its rental car company). A *leveraged buyout* is the purchase of outstanding shares in a company by a management group, which puts up relatively little cash and uses the company and its assets as collateral to borrow large sums for making a publicly-owned company revert to private ownership.
- **42. Reorganization or restructuring of company:** *Reorganization* is a strategy that firms often employ as a means of attaining greater efficiency and/or adapting to new markets. Use this code if the layoff experienced at a particular firm is the result of changes in the way a company is organized (e.g., the elimination of a particular division within a company or the downsizing of a particular group of line workers or middle managers). Though the goals and objectives are similar, the *restructuring* of a company tends to involve changes that are more comprehensive in scope (e.g., changes in management; outsourcing of operations; sale of underperforming units; reorganization of business functions; renegotiation of labor contracts; refinancing of debt). Some data users may find it analytically useful to know what might have contributed to the company's decision to reorganize or restructure; so, if respondents do not spontaneously provide such information, interviewers should **probe** to see if a contributing cause for the reorganization/restructuring can be determined. If a contributing cause can be determined (e.g., financial difficulty; import competition), then enter the appropriate code as the secondary-reason code and enter code 42 (reorganization/restructuring) as the primary-reason code. **Remember:** If the respondent reports that the layoff is one aspect of a business/company reorganization resulting from bankruptcy proceedings, then use code 31 (bankruptcy) as the primary-reason code as use code 42 (reorganization) as the secondary-reason code.

- V **Production Reasons:** This set of layoff reasons is associated with factors (events, processes, technological advances) that affect a company's ability to manufacture a given product or provide a given service. Though some of these factors will have a negative impact on output/productivity (e.g., government intervention, material shortage) and others a positive impact (e.g., automation and technological advances), all have the effect of decreasing the amount of labor a firm requires or wants.
- **51. Automation/technological advances:** One of the obvious side-effects of technological advances is the substitution of more-efficient/more-productive capital equipment for production and service workers, and the corresponding reduction in labor requirements (i.e., layoffs). Use this code if the respondent reports that the layoff is due to automation in the workplace (e.g., automated checkout machines in grocery stores), new technology (e.g., computerized inventory control) and/or other technology-based improvements to production facilities or operational procedures (e.g., the use of robotic technology on assembly lines).
  - **52. Energy related:** Use this code if the respondent reports that the layoff occurred either because of the excessive cost of energy or the disruption of the supply of energy to the worksite/establishment/company.
  - **53. Governmental regulations/intervention:** Use this code if the respondent reports that a layoff was a direct or indirect result of governmental regulations (e.g., changes to pollution laws related to energy production) or a specific governmental intervention (e.g., legal action against a rogue accounting firm). For example, the *National Do-Not-Call List* (i.e., a governmental regulation enacted in 2005 restricting unsolicited calls to home telephones), though it has greatly reduced unsolicited intrusions in many households, has resulted in reduced business and in some cases the closure of less-competitive telemarketing firms.
  - **54. Labor dispute/contract negotiations/strike:** Use this code if the respondent reports that the layoff was the result of a strike, protracted contract negotiations or a labor dispute. For example, if a construction firm lays off employees because a servicing trade union goes on strike and delays the construction project, use this code. On the other hand, if a strike occurred at an outside supplier of materials causing a slowdown of work at the construction site (and a subsequent layoff), code 55 (material shortage) should be assigned as the primary-reason code and code 54 (labor dispute/contract negotiations/strike) should be assigned as the secondary-reason code.
  - **55. Material or supply shortage:** Use this code if the respondent reports that the layoff was caused by a shortage of materials (e.g., drywall or framing wood used for home construction) or a shortage of supplies (e.g., microprocessors for laptop computers) provided by outside contractors/firms. If the impact of a contributing cause is suspected, interviewers should **probe** to obtain a secondary code for the shortage. For example, if an outside supplier was affected by unusual/extreme weather and this delayed the delivery of needed materials, enter code 55 (material shortage) as the primary-reason code and code 24 (extreme weather-related event) as the secondary-reason code.
  - **56. Model changeover:** Use this reason for layoffs traditionally associated with automotive industries, but which also occur in various other durable goods manufacturing industries. Model changeovers not only affect major automobile manufacturers but also have secondary effects on related industries like tool and die job shops, tire companies, and parts suppliers. Use this code for those related firms if linkage can be made to the model changeover affecting their primary customer. For example, if GM lays off 5000 employees in June for a model changeover, code 56 would be the obvious choice. But if a company

that supplies tires to GM has to lay off 100 of their own employees as a result of GM's model changeover, assign code 16 (slack or insufficient work) as the primary-reason code and code 56 (model changeover) as the secondary-reason code.

- **57. Plant or machine repair/maintenance:** Use this code if the respondent reports that the layoff was the result of regular maintenance work or caused by a breakdown (and subsequent repair) of plant equipment or machinery. Layoffs that occur as a result damage to the plant or production machinery caused by severe/extreme weather should be assigned code 24 (extreme weather-related event) as the primary-reason code, and code 57 (plant or machine repair/maintenance) as the secondary-reason code.
- **58. Product line discontinued:** Use this code if the respondent reports that the layoff was caused by the discontinuation of a particular product (e.g., SUVs) or group of products (e.g., all high gross-weight vehicles, like SUVs and heavy trucks). Interviewers might want to be alert for a possible contributing cause here (e.g., decreased demand due to the high cost of gasoline) and **probe** if they suspect one exists. For example, if the respondent at a Ford plant in Michigan reports that his company is discontinuing production of its high-end SUV because of slack demand, enter code 58 (product line discontinued) as the primary-reason code and enter code 16 (slack work/insufficient demand/non-seasonal business slowdown) as the secondary-reason code.

**VI Seasonal Reasons:** This set of layoff reasons is associated with a decrease in demand for a company's products/services that can be attributed to natural cycles or to cultural/societal practices that are seasonally determined. For instance, agriculture (based on natural cycles), education (based cultural/societal practices and natural cycles), and retail (moderated in part by natural cycles and cultural/societal practices) are all economic sectors that exhibit high degrees of seasonality in employment and mass layoffs.

- **61. Seasonal:** Use this code if the respondent reports that the layoff was due to normal seasonal trends, such as the downsizing of retail employment after the Christmas holidays, or of summer/winter recreational staff during the off-season months, or of persons employed in canning operations/activities following crop or fish harvesting.
- **62. Vacation period—school-related or otherwise:** Use this code if the respondent reports that the layoff was associated with school vacation (e.g., a decline in school-related business activities during the summer months, such as food and transportation services) or with other extended vacation periods. Employer-imposed "vacations" prompted by extraordinary events (e.g., extreme weather, natural disaster, or strike) or by contractual agreements (i.e., contract completions) should be assigned a primary-reason code consistent with the actual reason for the layoff; in such cases, code 62 (vacation period) would be assigned as the secondary-reason code. Experienced interviewers should **probe** to verify (or ascertain) the actual cause for the layoff if "vacation period" does not fit expectations for the company, the industry, the season or the geographic region.

**IX Other/Miscellaneous Reasons:** With the exception of codes 98 and 99, the layoff reasons in this category have the potential to affect a company's ability to manufacture a given product or provide a given service, but they are not readily classified into any of the six categories specified above.

- **91. Other:** Use this code if the respondent reports that the layoff was caused by some event or situation (e.g., legal trouble; low growth rate; low productivity; mismanagement; privatization) not covered by one of the reason codes specified above. **Please note that** any response coded as "other" must be accompanied by an explanation in the comments section specifying the actual/verbatim layoff reason as communicated by the respondent.
- **96. Federal government cutbacks—Not Defense Related [Secondary reason or comments field, only]:** This code should be used when discussion with the employer determines that the layoff in question was precipitated/caused by a *non-defense-related* Federal government cutback (e.g., across-the-board discretionary budget cuts). This code should not be assigned as a primary-reason code; code 96 can be assigned as a secondary-reason code or, in the case where multiple reasons are provided, as a contributing reason captured in the comments field.
- **97. Federal government cutbacks—Defense-related [Secondary reason or comments field, only]:** This code should be used when discussion with the employer determines that the layoff in question was precipitated/caused by a *defense-related* Federal government cutback (e.g., base closings). This code should not be assigned as a primary-reason code; code 97 can be assigned as a secondary-reason code or, in the case where multiple reasons are provided, as a contributing reason captured in the comments field.
- **98. Data not provided: Refusal.** Use this code to signify contact with a firm that otherwise satisfies MLS layoff criteria but whose representative/spokesperson was uncooperative or refused to provide the reason for the extended layoff event.
- **99. Data not provided: Does not know.** Use this code to signify contact with a firm that otherwise satisfies MLS layoff criteria but whose representative/spokesperson could not provide the reason for the extended layoff event either because she/he did not know the reason or because such information was not made available to him or her.

\*\*\* **Note 1: "Primary" and "secondary" reasons for extended layoff events:** In differentiating between these two classes of reasons, this brief explanation may be helpful. The **primary reason** for an extended layoff event is the economic or business-related "straw that broke the establishment/company's back" and directly precipitated/caused the layoff event. Oftentimes, however, there are contributing causes (economic or environmental factors/conditions) that precede or co-occur with the precipitating/primary cause—we refer these causes/factors/conditions as **secondary reasons**. If made available by the respondent, it is useful to gather data on both primary and secondary reasons.

\*\*\* **Note 2: General guidance when multiple layoff reasons are provided:** If, when identifying the reasons for an extended layoff event, the respondent mentions a set/series of three or more reasons/causes for a layoff event, attempt to determine what the most important and the second/next most important reasons might be. The most important reason should be assigned the primary-reason code and the second most important reason should be assigned the secondary-reason code. Enter any other reasons into the *comments field*. If the respondent finds it too difficult to designate specific reasons as primary or secondary, you may need to draw on experience and make these judgments yourself.



## **Coding Form** Based on an Alphabetical Listing of Extended Layoff Reasons

- 51: Automation / technological advances
- 31: Bankruptcy
- 41: Business-ownership change  
“Competition” (see *Import Competition* and *Domestic Competition*)
- 11: Contract cancellation
- 12: Contract completion
- 32: Cost control / cost cutting / increase profitability
- 98: Data not provided: *Refusal*
- 99: Data not provided: *Does not know*
- 13: *Domestic Competition*
- 52: Energy related
- 14: Excess inventory / saturated market
- 24: Extreme weather-related event
- 96: Federal government cutbacks—*Not Defense Related* [Secondary reason or comment field **only**]
- 97: Federal government cutbacks—*Defense-related* [Secondary reason or comment field **only**]
- 33: Financial difficulty
- 53: Governmental regulations/intervention
- 21: Hazardous work environment
- 15: *Import Competition*
- 54: Labor dispute / contract negotiations / strike
- 55: Material or supply shortage
- 56: Model changeover
- 22: Natural disaster (*not* weather related)
- 23: Non-natural disaster
- 91: Other
- 57: Plant or machine repair/maintenance
- 58: Product line discontinued
- 42: Reorganization or restructuring of company
- 61: Seasonal
- 16: Slack work / insufficient demand / *non-seasonal* business slowdown
- 62: Vacation Period—*school related* or otherwise  
“Weather—unusual or extreme” (see Extreme weather-related event)