

# Chapter 6.

## The Mass Layoff Statistics Program

The Mass Layoff Statistics (MLS) program is a Federal-State cooperative statistical effort that uses a standardized, automated approach to identify, describe, and track the effects of major job cutbacks, utilizing data from each State's unemployment insurance (UI) database, supplemented by direct employer contact if specific conditions are met. The data collected in this program provide a wealth of information on employers having mass layoffs as well as the resultant unemployed. The Bureau of Labor Statistics (BLS) administers the MLS program and provides conceptual, technical, and procedural guidance in the development of required data. State agencies are responsible for data collection in cooperation with BLS.

Private nonfarm employers that have at least 50 workers who file initial UI benefit claims against them during a consecutive 5-week period are contacted by State agencies to determine whether those separations are of at least 31 days duration. If so, information is then obtained on the total number of persons separated, the reason for layoffs, recall expectations, any offshoring and outsourcing of work associated with the layoffs, and the affected business functions. Employers are identified according to industry classification and location, and unemployment insurance claimants are identified by such demographic characteristics as age, race, gender, ethnicity, and place of residence. The program yields information on an individual's entire period of unemployment up to the point when regular State UI benefits are exhausted.

### Background

The MLS program was initially developed in response to the recession of 1981–82, as Congress was concerned about the lack of accurate information on mass layoffs and plant closings. The Job Training Partnership Act (JTPA) (PL 97-300), which was signed into law in 1982, directed and funded the largest Federal employment training program in the Nation, serving dislocated workers, homeless individuals, and economically disadvantaged adults, youths, and older workers. Certain conditions of the JPTA (section 462(e)) required the U.S. Department of Labor to develop and maintain statistical data relating to permanent mass layoffs

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and plant closings and issue an annual report on the findings. In 1984, the MLS program was formed in an effort to meet the legislative and statistical requirements in the JTPA.

In 1985, the MLS program started out with the participation and funding of eight States. The first issuance of MLS information covered layoff activity for 1986 and included data for the 11 States that were participating in the program. State participation grew steadily in subsequent years, and by 1992, all States were participating in the program. In November 1992, the program was eliminated because of a lack of funding. In August 1994, funding for the MLS program was reinstated, and data collection resumed in April 1995. However, because of changes in concepts and definitions, data that were collected after the program resumed are not comparable with earlier data. Currently, all 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands participate in the program.

In late 1996, a workgroup including Employment and Training Administration (ETA) and BLS employees recommended that the MLS program identify smaller worksite closures (involving 20–49 workers), claimants in declining industries, and substantial layoffs (loosely defined as layoffs that require employers to file a Worker Adjustment and Retraining Notification [WARN notice]). Data collection for these layoff criteria began in the fourth quarter of 1996.

The Workforce Investment Act (WIA) of 1998 (PL 105-220) replaced the JTPA, and section 309 of WIA charged the Secretary of Labor and State Governors with ensuring the development and management of nationwide and statewide workforce information systems. In addition, the Act also states that these systems should include data on the incidence of permanent layoffs and plant closings, the industrial and geographical location of those layoffs and closings, and the number of workers displaced by layoffs and closings.

In December 2002, a lack of funding resulted in another discontinuation of the program, but data collection resumed in February 2003 with the signing of the budget for that fiscal year. No break in series exists during the December 2002 and February 2003 period because the program was able to collect information retroactively. Because of cuts in program funding during fiscal year 2004, the scope of the extended mass layoff data series was redefined to include only the private nonfarm economy. In addition, the data collections for closures of smaller sized worksites (involving 20–49 workers), substantial layoffs, and declining industries were discontinued.

Major program changes have occurred since the MLS program was reinstated in 1995. In 2004, the MLS program added the collection of movement-of-work data to identify offshoring and outsourcing of work associated with extended mass layoffs. Changes instituted in 2007 include improvements to the reasons for layoff (<http://www.bls.gov/mls/mlsrchange.htm>), development of a structured interview approach (<http://www.bls.gov/respondents/mls/interviews-cript.pdf>), and the collections of business functions and processes affected by layoffs.

## Concepts

The following section defines the key concepts of the MLS program, the data elements obtained from State UI and Quarterly Census of Employment and Wages (QCEW) databases, and the information collected by State analysts from employers during the interview process.

*Business functions.* Those specific activities that a firm performs in order to produce products, provide service, or otherwise achieve objectives.

*Business processes.* Broad-based categories consisting of “business functions” that cover the full range of activities a firm engages in to conduct business. Currently the MLS program codes functions into nine business processes: strategic management; procurement, logistics, and distribution; operations; product development; marketing, sales, and account management; customer and after-sales service; general management and firm infrastructure; human resource management; and technology and process development.

*Continued claim.* A claim filed after the initial claim, by mail, telephone, or in person, for a waiting period credit or

payment for a certified week of unemployment. The MLS program collects continued claims for 1 week each month—generally the calendar week that includes the 12th day of the month and is referred to as the reference week because of its use in the CPS as the basis for monthly unemployment.

*Domestic relocation.* The movement of work to other locations inside the United States, either within the same company or to a different company.

*Employers.* Employers in the MLS program include those covered by State unemployment insurance laws. Information on employers is obtained from the QCEW program, which is administered by BLS.

*Extended mass layoff event.* An event where 50 or more workers filed initial claims for unemployment insurance benefits from a private nonfarm employer during a consecutive 5-week period, with at least 50 workers separated for more than 30 days. In States with trigger levels of fewer than 50 initial claimants, employers must confirm that 50 or more people were laid off for more than 30 days in order for events to be classified as extended mass layoffs. (See “mass layoff event” for further information.)

*Final payment.* The last payment received by a person who has exhausted all of his or her regular unemployment insurance benefits.

*Industry classification.* Beginning with the release of 2008 data, the MLS program implemented the 2007 version of the North American Industry Classification System (NAICS) as the basis for the assignment and tabulation of economic data by industry, replacing the 2002 NAICS. A complete list of NAICS 2007 industries with further information on the changes associated with moving from the 2002 NAICS is available on the Census Bureau’s NAICS page. NAICS-based data are available from April 1995 to the present for both mass layoff and extended mass layoff data. Prior to implementing NAICS as the basis of the MLS program in 2002, the program used the Standard Industrial Classification (SIC) structure. SIC-based data are available from April 1995 through the end of 2001.

*Initial claim.* A notice of unemployment filed to request either a determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year, or an additional period of eligibility.

*Mass layoff event.* An event where 50 or more initial claimants for unemployment insurance benefits filed against an employer during a consecutive 5-week period. Several States use trigger levels of fewer than 50 initial claimants for mass layoff events because separating employers are not identified in a significant portion of their weekly UI data. The lower alternative trigger level in such States is based on research to determine the equivalent of 50 initial claims. This atypical

approach diminishes the possibility of missing mass layoff events. States with alternative trigger levels for identifying mass layoffs are California (35 initial claimants), Delaware (45), Florida (35), Idaho (42), Louisiana (40), Mississippi (40), Missouri (40), New Mexico (40), Pennsylvania (45), and Tennessee (45).

*Movement of work.* The work activities performed at a worksite by the company's employees are reassigned in one of the following ways: 1) to another worksite within the company; 2) to another company under formal arrangements at the same worksite; or 3) to another company under formal arrangements at another worksite.

*Reason for layoff.* The economic reason for which the layoff occurred. BLS currently classifies 25 separate reasons with provisions for indentifying primary and secondary reasons.

*Reason for layoff categories.* The 25 separate reasons for layoff are aggregated to seven higher level reason groups or categories: business demand reasons, organizational changes, financial issues, production specific reasons, disaster/safety reasons, seasonal reasons, and other/miscellaneous reasons.

*Separation.* Termination of employment by an employer as part of an extended mass layoff event. Separated persons can be subject to recall or permanently laid off.

*Worksite closure.* The full cessation of operations of either a multi- or single-unit employer, or the partial closure of a multi-unit employer resulting in the closure of an entire worksite, according to the employer.

*Overseas relocation.* The movement of work from within the United States to locations outside of the United States. Overseas relocation can occur within the same company and involve movement of work to a different location of that company outside of the United States, or to a different company altogether.

## Collection Methods and Description of Series

The Mass Layoff Statistics program maintains two economic series, the mass layoff (monthly) and extended mass layoff (quarterly) data series. Mass layoff data are collected and processed by each State using an automated system to maintain and transmit reports on mass layoff events.

### Mass layoff data (monthly)

These data are based solely on State administrative statistics without regard to the duration of the layoff and prior to employer contact. Each week, States process weekly UI initial claim filings to determine whether the criteria for a

mass layoff event have been met (50 initial claimants filed against an employer in a consecutive 5-week period).<sup>1</sup> Each month, States report these events to BLS by the 15th day of the month following the reference period. Data for all Sunday through Saturday weeks are included for a month, except if the first day of the month falls on a Saturday. In such situations, data for that week is included in the previous months' tabulation. The one exception to this rule occurs when the first day of January falls on Saturday. When this situation arises, the week's data are included in January. Because of this situation, some months will contain 4 weeks of data and others will contain 5 weeks, and the number of weeks in a given month may be different from year to year. Weekly averages are used in the monthly news release to analyze over-the-year changes in data that are not seasonally adjusted to mitigate distortions attributable to differences in the number of weeks.

Mass layoff information is rarely revised after publication because it is considered an early snapshot of a month's layoff activity. Additional information on mass layoff events, including all initial claimants associated with a layoff, is reported to BLS when events meet the extended mass layoff criteria.

### Extended mass layoff data (quarterly)

These events are based on both State administrative data and employer-provided data. Thirty days after a mass layoff event has triggered, the employer is contacted by the State agency to determine the duration of the layoff and the number of workers involved. If the layoff has been at least 31 days in duration and at least 50 workers were involved, other information pertaining to the layoff is obtained, including the total number of workers separated, the reason for the separations, pre-layoff employment levels, recall expectations of the employer, the number of separations associated with work moved elsewhere, the location to which work was moved, and the business functions affected by the layoff. Events that an employer reports to have lasted fewer than 30 days are coded as temporary because they do not meet the criteria of an extended mass layoff event. Employers who refuse to provide layoff-related data or who are unable to be contacted are classified as having extended layoff events. In these cases, the number of job separations is set to equal the number of initial claims that were filed against them.

Employers experiencing extended mass layoffs are identified according to industry and location. Unemployment insurance claimants associated with extended layoffs are identified by such demographic characteristics as age, race, Hispanic ethnicity, and gender, as well as by place of residence. These data are tabulated for two points in time: when an initial claim is filed and when the claimant exhausts regular UI benefits. In between these times, the unemployment

<sup>1</sup>State agencies develop and transmit reports on the status of MLS activities via the computerized, Windows-based MLS operating system known as WinMLS. This system generates a summary report for monthly submittals and a more comprehensive report for quarterly submittals.

status of claimants is tracked through the monitoring of certifications for unemployment (continued claims) filed under the regular State UI program. The extended mass layoff series provides information on an individual's entire period of unemployment, up to the point when regular unemployment insurance benefits are exhausted. The series provides databases of establishments and claimants, both of which are used for further research and analysis.

Transmission files containing data for the current and previous reference quarters are created by the State agencies at the close of the processing quarter. Also included is additional unemployment insurance information associated with extended layoff events from previous quarters. The extended mass layoff (quarterly) data are due to BLS on the last business day of the month following the close of the reference quarter. Data for the current reference quarter are noted as preliminary, as all employer contacts have yet to be made, and thus, are incomplete. Conversely, data for the previous reference quarter are more complete and noted as revised because all employer contacts have been made.

### **Movement of work**

Because of the employer interview, BLS decided to use the MLS program as a vehicle for collecting additional information on offshoring and outsourcing associated with job loss, by adding questions that address movement of work. (Prior to 2004, "overseas relocation" and "domestic relocation" were economic reasons for layoffs and were used in extended mass layoff news releases. These reasons were eliminated with the collection of movement-of-work data, and, therefore, the current data are not comparable to the data from this earlier period.)

Questions on movement of work and location are asked for all identified layoff events when the reason for separation is other than "seasonal work" or "vacation period." Seasonal and vacation layoff events are unlikely to result in work relocation.

Before questions on movement of work are asked, an analyst must verify that a layoff has in fact occurred, and has lasted for more than 30 days. An analyst must also obtain the total number of workers separated from jobs, the date the layoff began, and the economic reason for layoff. If the reason for layoff is other than seasonal work or vacation period, the employer is asked the following:

- (1) "Did this layoff include your company moving work from this location(s) to a different geographic location(s) within your company?"
- (2) "Did this layoff include your company moving work that was performed in-house by your employees to a different company, through contractual arrangements?"

A "yes" response to either question is followed by "Is the location inside or outside of the United States?" and "How many of the layoffs were a result of this relocation?"

Layoff actions are classified as "overseas relocation" if the employer responds "yes" to questions 1 and/or 2, and indicates that the location(s) was outside of the United States. Domestic relocation is determined if the employer responds "yes" to questions 1 and/or 2 and indicates that the location(s) was within the United States.

After asking the movement-of-work questions, the employer interview continues and responses are obtained for questions on recall expectations and open/closed status of the worksite.

### **Business functions and processes**

Business functions are the specific activities that a firm performs to produce products or provide services. During the MLS interview, employers are asked to identify all the functions performed by the workers who were laid off. For example, when a manufacturing plant has a layoff, workers involved in shipping, inventory control, and administration may be let go in addition to those involved in actual production. Thus, the collection of business functions allows for a broader assessment of the impact of the layoffs than the industry classification, which only reflects the main activity of a firm. Specifically, there are now data on the number and types of business functions affected by all the extended mass layoffs that occurred during a quarter. These function counts can be compared over time to determine if the number of functions affected has increased and if the types of functions affected has changed.

In 2007, the MLS program began collecting data on business functions; since then, many different business functions have been reported by employers. To better understand how these functions are involved in a firm's operations, the MLS program identified and used a set of nine business processes that define the full range of activities conducted by a firm. All functions can be assigned to a process, depending on the industry of the establishment. The nine processes are divided into two groups: core business processes and support business processes. As with business functions, it is possible to report the number of business processes affected by extended mass layoffs, compare how that number changed over time, and cross tabulate the number of business processes by other information collected through the MLS, such as by reason for layoff and industry.

### **Seasonal Adjustment**

In January 2005, the MLS program began publishing seasonally adjusted mass layoff data and analysis of over-the-month changes for six data series. BLS seasonally adjusts the six series using the X-12-ARIMA seasonal adjustment program. Seasonal adjustment is the process of estimating and removing periodic fluctuations caused by events such as weather, reduced or expanded production, harvests, holidays, and the beginning and ending of the school year. Seasonal adjustment makes it easier to observe fundamental changes in the level of the series, particularly those associated with general eco-

conomic expansions and contractions. Revisions of historical data for the most recent 5 years usually coincide with December estimates. Thus, revised seasonally adjusted data for previous months will not be available in each monthly news release. Previous adjustments are applied to the series to adjust the original data for differences in the number of weeks used to calculate monthly data. As weekly unemployment insurance claims filings are aggregated to form monthly data, a particular month's value could be calculated with 5 weeks of data in one year and 4 weeks in another. This can seriously distort the seasonal factors if ignored in the seasonal adjustment process. These effects are modeled in the X-12-ARIMA program and are permanently removed from the final seasonally adjusted series.

## Reliability of the Data

The identification of employers, layoff events, and characteristics of claimants in the MLS program is based on administrative data for employers and workers covered by UI. Therefore, these data are not subject to issues associated with sampling error. Nonsampling errors such as typographical errors may occur but are not likely to be significant. Although the employers and layoff events in the MLS program are not subject to sampling error, and all such private nonfarm employers are asked the employer interview questions, the employer responses are subject to nonsampling error. A nonsampling error can occur for many reasons, including the inability to obtain information for all respondents, inability or unwillingness of respondents to provide correct information, and errors made in the collection or processing of the data.

## Presentation and Data Availability

Mass layoff data are published monthly in a news release that includes a narrative summary and analysis of layoff activity in that month as well as several tables. These data include summary information by industry and by different levels of geographic entities—national, census region and division, all 50 States, the District of Columbia, and Puerto Rico. The monthly historical series of data that are not seasonally adjusted are generally not revised.

The quarterly news release on extended mass layoffs provides detailed information on employment cutbacks in the private nonfarm sector by industry, reason for layoff, movement of work, recall expectations, size of layoff, initial claimant characteristics, and geographic distribution. The geographic information includes data at the national, census region and division, State, and local area levels. Characteristics on UI claimants associated with extended layoffs in-

clude gender, age, race, ethnicity, and residency. Reason-for-layoff data are aggregated to higher level reason categories including business demand reasons, organizational changes, financial issues, production specific reasons, disaster/safety reasons, seasonal reasons, and other/miscellaneous reasons.

Information on business functions and processes involved in extended mass layoffs is updated quarterly on the MLS website (<http://www.bls.gov/mls/mlbfmain.htm>). These data are generally posted 1–2 weeks after the quarterly news release has been issued.

An annual report on extended mass layoff activity is issued after substantial revisions for that year are received. The report provides a more comprehensive summary of layoff activity than does the quarterly news release. Information is available by industry, reason for layoff, movement of work, size of layoff, initial claimant characteristics, duration of insured unemployment, geographic distribution, recall expectations, permanent worksite closures, and business functions/business processes.

Many of the MLS data series are available on LABSTAT, the BLS public database on the Internet. They can be accessed at <http://www.bls.gov/mls/data.htm>. Tabulations of unpublished data are available upon request via email ([mlsinfo@bls.gov](mailto:mlsinfo@bls.gov)).

## Uses of the Data

The wide variety of data collected by the MLS program has many uses and is analyzed in a variety of occupations, such as State employment agency officials, financial analysts, educators, journalists, and congressional staff. Individual States use MLS data to develop sub-State allocation formulas for Federal funds that provide assistance to dislocated workers through the Workforce Investment Act. Data may also be used for the analysis of ailing industries and geographic areas. Data are also useful for the analysis of the causes and the scope of worker dislocation, especially in terms of the human and economic costs, and the characteristics of dislocated workers.

Workforce planners and labor market analysts use the data in developing approaches to assist employers and workers at the local level. Firms considering expanding their operations or relocating to a new labor market area use the data to answer questions on the available labor supply.

State and local workforce investment boards use MLS data to prepare or review grant proposals for training or reemployment services. Data are also used to evaluate these services and determine their effectiveness. Researchers and academicians, including economists, and private research organizations dealing with economic and labor market research, often request custom tabulations of MLS data for their research and analysis.

## Technical References

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