

WARN Applications in Illinois During the Covid-19 Pandemic: July 2020 to September 2020

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The Worker Adjustment, Retraining and Notification Act (WARN) stipulates that employers provide 60-days advance written notice of a plant closing or mass layoff; advance notice of employment termination must be given to each employee, even when they are terminating on different dates. All but small employers (businesses with less than 100 employees) and federal, state, and local governmental employers are required to provide this notice². In this paper, the number of WARN notifications in Illinois during the third quarter of 2020 (July-September time period) is presented and compared with WARN numbers during the 3rd quarter of 2019, pre-Covid-19 time period. County specific details on WARN numbers are also provided.

Table 1 shows the total notices issued during the 3rd quarter, 2020. Service sectors received the bulk of the WARN notices: 59% of the total 31, 923 notices. In general, while the metros witnessed the most plant closures and layoffs in the service sectors, rural regions suffered employment setbacks in manufacturing and construction industries.

Table 1: WARN Notices: July 2020 to September 2020

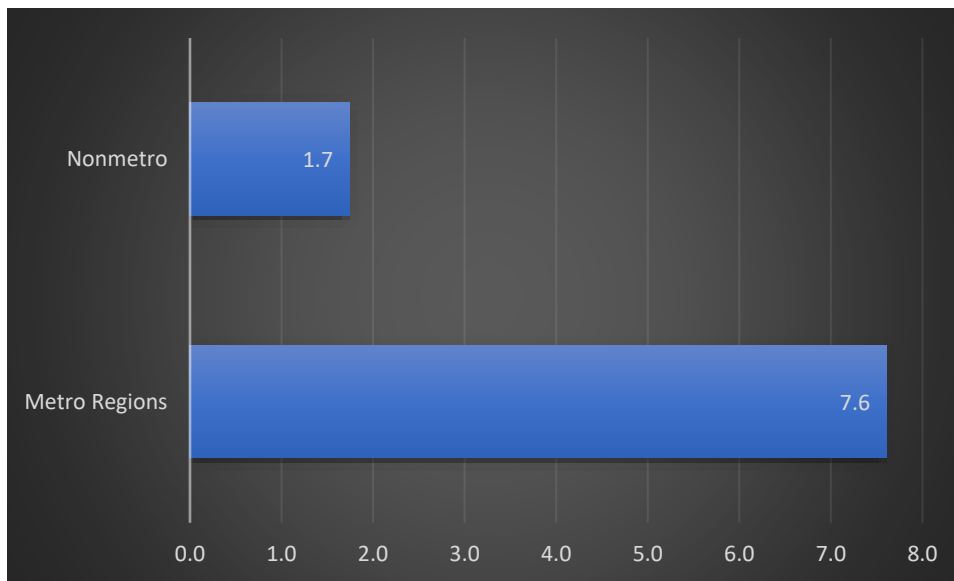
	Metro Plant Closure	Metro Layoff	Nonmetro Plant Closure	Nonmetro Layoff	Total
NAICS 21 Mining, quarrying, and oil and gas extraction	0%	0%	0%	21%	0%
NAICS 23 Construction	0%	0%	73%	0%	1%
NAICS 31-33 Manufacturing	30%	1%	16%	79%	4%
NAICS 42 Wholesale trade	12%	3%	11%	0%	4%
NAICS 48-49 Transportation and warehousing	17%	33%	0%	0%	31%
NAICS 51 Information	0%	0%	0%	0%	0%
NAICS 52 Finance and insurance	1%	0%	0%	0%	0%
NAICS 53 Real estate and rental and leasing	0%	0%	0%	0%	0%
NAICS 54 Professional and technical services	0%	1%	0%	0%	1%
NAICS 56 Administrative and waste services	0%	3%	0%	0%	3%
NAICS 62 Health care and social assistance	4%	1%	0%	0%	1%
NAICS 71 Arts, entertainment, and recreation	6%	4%	0%	0%	4%
NAICS 72 Accommodation and food services	30%	54%	0%	0%	50%
All Sectors	2429	28672	536	286	31923

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² See our earlier publication on the topic for more about WARN notices: <http://www.iira.org/wp-content/uploads/2020/06/The-Impact-of-SARS-CoV-2-on-Plant-Closings-and-Mass-Layoffs-The-Case-of-Illinois-Counties.pdf>.

How does the 3rd quarter, 2020 (number of WARN notices) compare with the 3rd quarter, 2019? For metros, WARN notices multiplied eight folds in 2020; for nonmetro regions the multiplier was about two (Figure 1).

Figure 1: Changes to WARN Notices during the 3rd Quarter of 2020: Multiples of 3rd Quarter, 2019 Numbers



County as the unit of analysis for WARN

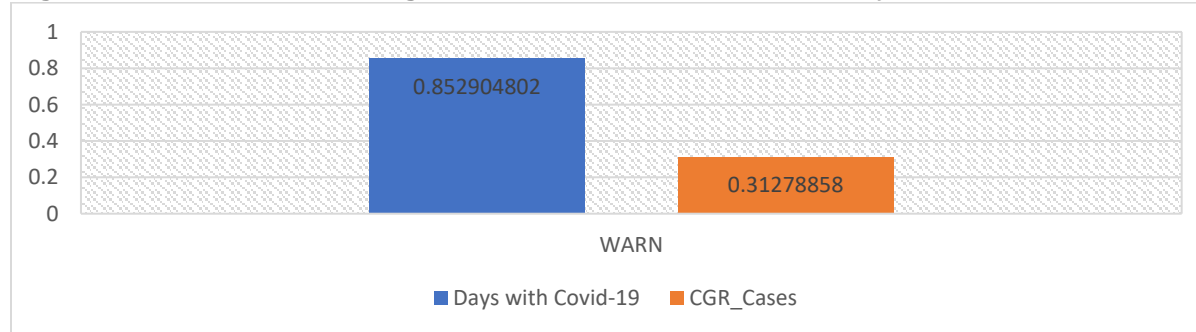
WARN at the county level highlights the difficulty of manufacturers in functioning during this pandemic; a large number of metro counties that have been issued with plant closure and/or layoff notices (6 out of 14 counties) and most rural counties (4 out of 5 with WARN notices) have suffered manufacturing job losses (Table 2).

To explore the extent to which WARN numbers covary with Covid-19 numbers, data on Covid-19 for the counties listed in Table 2 were computed and correlated with WARN notices. The results suggest that 72% of variability in WARN notices is attributable to the presence of Covid-19 in the counties; the higher the number of days since the advent of Covid-19 in the county, the higher the plant closures and layoffs in the county (Figure 2).

Table 2: WARN Notices at the County Level: 3rd Quarter, 2020

	Metro														Nonmetro						Illinois
	Champaign	Cook	De Witt	DeKalb	DuPage	Kane	Lake	Macon	Rock Island	Sangamon	St. Clair	Tazewell	Will	Winnebago	Crawford	Hancock	LaSalle	Lee	Livingston	Marion	
NAICS 21 Mining, quarrying, and oil and gas extraction																	59				59
NAICS 23 Construction																			390		390
NAICS 31-33 Manufacturing	83	302	148	140				90						107		84		2		79	1183
NAICS 42 Wholesale trade		473				139	626								60						1298
NAICS 48-49 Transportation and warehousing		9648			84							64									9796
NAICS 51 Information		38											39								77
NAICS 52 Finance and insurance		34																			34
NAICS 53 Real estate and rental and leasing		1			2																3
NAICS 54 Professional and technical services		291			86								51								428
NAICS 56 Administrative and waste services		788			159																947
NAICS 62 Health care and social assistance		103					190														293
NAICS 71 Arts, entertainment, and recreation		1335																			1335
NAICS 72 Accommodation and food services		14318			457	445	358		321	59	72		50								16080
All Sectors	83	27331	148	140	788	584	1174	90	321	59	72	64	140	107	60	84	59	2	390	79	31923

Figure 2: Correlations among Variables: WARN, Number of Days with Covid-19, and Growth Rate of the Virus (CGR)



Discussion

Covid-19 has reduced consumer spending by 20%³ and according to a recent study⁴, 60% of businesses in the nation are expected to report decreases in revenue in 2020. Given this backdrop, it is no wonder WARN filings have increased tremendously in the 3rd quarter of 2020.

According to the International Labor Organization (ILO), over half of the global workforce, approximately 1.9 billion people, will be affected by layoffs and reduced working hours⁵; the impact will be higher in nonfood sectors including manufacturing and construction. Our analysis of WARN data validates ILO's assertions, more so for rural regions.

To respond to the pandemic, businesses have adapted practices such as reducing costs, testing e-commerce models, stabilizing supply chains, and using technology to improve communication and engagement with stakeholders. Cost-cutting alone is insufficient to grow the business; using digital to improve pricing or optimize promotions can increase a firm's topline by 4% to 6%, and digitizing the sales function can generate gains of 10% to 20% in revenue⁶.

Summary and Conclusion

This research highlights that both the metro and the nonmetro regions of Illinois continue to suffer from employment losses because of the Covid-19 disruption; during the 3rd quarter of 2020, service sectors received the bulk of the WARN notices: 59% of the total 31, 923 notices. In general, while the metros witnessed the most plant closures and layoffs in the service sectors, rural regions suffered employment setbacks in manufacturing and construction industries.

Although a general response of businesses to this external threat is cost cutting (for example, layoffs), the future remains with the businesses; they have the ability to experiment with proven technologies (for example, digital) to make their business processes more efficient. Higher education should support businesses in this transformation by training the future workforce in skills such as AI and robotic process automation.

³ See Athiyaman, A. (2020). The economic impact of Covid-19, Research Brief, 2(9), May, 1-18. Available online at: http://www.iira.org/wp-content/uploads/2020/05/Economic-Impact-of-Covid-19-on-Illinois-Counties-ResBrief9_May-4-2020.pdf

⁴ Close, K., Grebe, M., Phillip, A., Khurana, V., Franke, M. R., and Kalthof, R. (2020). The digital path to business resilience, BCG, July, 1-6.

⁵ ILO Monitor: Covid-19 and the place of work, September 2020. Available online at: https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_755910.pdf

⁶ See the reference given in footnote 4.