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Unemployment Through Layoffs: What Are the Underlying Reasons?

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Summary

Unemployment can come about in a number of ways, but the form of unemployment that policymakers have shown they are most concerned about occurs when businesses displace employees. Congress has demonstrated its desire to assist workers who have involuntarily lost jobs through no fault of their own by its provision of income support under the Unemployment Insurance program and the Trade Adjustment Assistance (TAA) program, training for dislocated workers under the Workforce Investment Act (WIA) and TAA, and notice of mass layoffs and plant closings under the Worker Adjustment and Retraining Notification Act (WARN).

Unemployment through layoffs ebbs and flows with the business cycle, but involuntary job loss is ever-present because firms displace workers for reasons other than temporarily weak demand. Employers also conduct layoffs for reasons specific to them or their industry (e.g., import competition and seasonal work).

The term "downsizing" was coined to describe a practice that became prevalent during the 1980s of typically "old economy" manufacturers restructuring their operations through large-scale layoffs to become more competitive in the global marketplace. Reorganizing work to improve competitive advantage has since spread to "new economy" manufacturers and to firms in the service sector. It also encompasses more than downsizing, such as outsourcing work to facilities within and outside U.S. borders. By definition, restructuring achieved through downsizing produces a net loss of jobs at firms. This is not necessarily the case at companies that outsource work. Even if businesses that are engaged in offshore outsourcing are laying off workers, they may be hiring at least as many new employees.

The various series on layoffs provide little data on offshore outsourcing (also referred to as offshoring). To obtain some measure of offshore outsourcing, the U.S. Bureau of Labor Statistics added questions to its extended mass layoff series in 2004 about whether these events include movement-of-work actions within or outside the country's borders and among a firm's own facilities or to other firms. (Extended mass layoffs are defined as lasting longer than 30 days and involving at least 50 workers.) Outsourcing of work — particularly of work moving offshore — accounts for a small share of all employees separated from payrolls through extended mass layoff events. Of all employees in the private nonfarm sector let go in extended mass layoffs in 2004, some 9%-11% were displaced in events involving domestic and offshore outsourcing; perhaps 3% in layoff events that specifically involved offshoring. Work was more often transferred between a company's own facilities than to other firms among the extended mass layoffs that involved outsourcing, either domestic or foreign. A majority of layoff events that entailed outsourcing actions occurred at manufacturers. Outsourcing activity also was most often due to company restructuring (change in business ownership, internal corporate reorganization, financial difficulty, and bankruptcy).

This report will be updated as warranted.

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Unemployment Through Layoffs: What Are the Underlying Reasons?

Unemployment can develop in a number of ways, such as an individual (re)entering the labor force and being unable to immediately find a job or a person quitting a job at one firm before having obtained a job at another firm. The form of unemployment that policymakers have shown they are most concerned about occurs when businesses layoff employees. Congress has demonstrated its desire to help workers who have involuntarily lost their jobs through no fault of their own, and are presumed to face an indeterminate spell of unemployment, by its provision of income support under the Unemployment Insurance (UI) program and the Trade Adjustment Assistance (TAA) program, training for dislocated workers under the Workforce Investment Act (WIA) and TAA, and advance notice of pending mass layoffs and plant closings under the Worker Adjustment and Retraining Notification Act (WARN).

Although involuntary "no-fault" displacement from jobs is always with us, this form of unemployment increases when the economy is sluggish and decreases when the economy is robust. In other words, there is a cyclical component to layoff activity. However, firms lay off workers not only due to temporarily weak demand throughout the economy, but also due to factors specific to them or their industry (e.g., company reorganization and seasonal work). The current interest in involuntary job loss springs from two sources: the sluggish response of the labor market to the end of the latest recession in November 2001, and the reportedly increasing practice of U.S. firms sending work to firms located in other countries — commonly known as offshore outsourcing or offshoring.

This report focuses on unemployment through layoffs. It first briefly provides a context for the offshore outsourcing phenomenon and its relationship to gross and net employment change. The report next examines the available sources of data on layoffs to determine whether they provide information on the reasons that underlie those events. It then analyzes the trend in, severity of, and explanations of extended mass layoffs. The report concludes with a discussion of those extended mass layoff events that involve movement-of-work actions (within the same firm but to its other U.S. locations, to other U.S. firms, to foreign-based affiliates of the U.S. company, and/or to foreign businesses).

Restructuring Work for Competitive Purposes

U.S. firms have, in the past few decades, been restructuring their operations to be more competitive in the global marketplace by:

- downsizing their workforces;
- outsourcing functions, ranging from performing janitorial services to developing computer software, to firms located within and outside the United States; and
- utilizing contingent workers, such as independent contractors and temporary workers.[1]

The term "downsizing" was coined during the 1980s to describe a practice among, typically, very large "old economy" manufacturers to become more efficient international competitors by each laying off thousands of employees — sometimes in multiple rounds of mass layoffs — and closing entire facilities. Since then, downsizing has spread to "new economy" manufacturers (e.g., computer producers) and to companies in the service sector, particularly those affected by the bursting of the dot-com/telcom/stock market bubble, including internet-related companies, telecommunications firms, and financial enterprises.

Similarly, the practice of contracting out or outsourcing of activities to other companies — particularly to firms located outside the United States — reportedly has grown since the 1990s. It has been suggested that employers increasingly have been able to achieve efficiencies through offshore outsourcing due to improved internet, telephone, and transportation links with countries (e.g., India) whose educational systems have expanded the worldwide supply of English-speaking, well-educated graduates who possess, among other skills, those in the field of information technology (IT).[2]

As a result, the kind of worker who is susceptible to involuntary job loss has changed. Whereas displacement once occurred primarily among traditionally layoff-prone blue-collar factory workers, the risk of job loss has increased among traditionally stable white-collar workers (e.g., IT workers). Consequently, concern about job security has spread from blue-collar to white-collar workers, who make up the majority of all employees in the labor market. Some observers, including Federal Reserve Board Chairman Alan Greenspan, attribute the lack of upward pressure on wages despite an extremely tight labor supply in the late 1990s to workers' perception of heightened job insecurity.

By definition, restructuring achieved through downsizing produces a net loss of jobs at firms. This is not necessarily the case at companies that utilize contingent

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[1] For more information, see CRS Report RL32387, *Self-Employment as a Contributor to Job Growth and as an Alternative Work Arrangement*, by Linda Levine.

[2] For more information, see CRS Report RL32292, *Offshoring (a.k.a. Offshore Outsourcing) and Job Security Among U.S. Workers*, by Linda Levine.

workers or outsource work. If these employers are laying off workers, they may be hiring a greater, equivalent, or lesser number of people.

Overlaid on these ongoing changes in how firms organize their operations, which may or may not result in involuntary job loss, is the business cycle. During the long economic expansion that characterized much of the 1990s, for example, net job growth and layoffs occurred simultaneously according to data from the U.S. Bureau of Labor Statistics (BLS). Over 20 million private sector nonfarm jobs were added between 1991 and 2000, and during 2000, the unemployment rate dropped to a 30-year low of 4.0%. Nonetheless, in 2000, employers permanently displaced almost two million workers from their private sector jobs through mass layoffs.

Job losses usually have not persistently exceeded job gains at the national level, thereby yielding a net decrease in employment, except during recessions.[3] However, after employment contracted by almost 300,000 jobs in the private nonfarm sector and the unemployment rate averaged 4.7% in 2001 (during the latest recession), 1.9 million more jobs were lost than gained in 2002, and the unemployment rate rose still further to 5.8% for the year.[4] In contrast, although remaining high by historical standards, the number of workers who permanently lost their private sector jobs through mass layoffs dropped by nearly 300,000 in 2002. Despite employment starting to grow during 2003, signaling the end of the "jobless recovery," the net change in employment for the year was negative (a net loss of some 400,000 private nonfarm jobs). The unemployment rate similarly showed no improvement for the year, edging up to 6.0%. In contrast, the number of workers permanently displaced from their private sector jobs as part of mass layoffs fell in 2003 as it did in 2002, but to an even greater extent (by almost 400,000). Not until 2004 did the private nonfarm economy record a net increase in employment (of almost 1.5 million jobs) and the unemployment rate fell 0.5 percentage points to 5.5%, while the number of employees separated from payrolls through mass layoffs continued to trend downward.

Sources of Information on Layoffs

Data series measure layoffs in different ways. One, for example, tracks at the national level the number of persons who are unemployed by broad reason for their joblessness. Another focuses on the number of workers displaced in lengthy (permanent) mass layoffs, which are considered to be more difficult to recover from for the affected workers and geographic areas. Only one tries to determine whether layoffs are associated with the relocation of work (within the same firm but to its other U.S. locations, to other U.S. firms, to foreign-based affiliates of the U.S. company, and/or to foreign businesses).

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[3] For more information, see CRS Report RL32194, *Job Loss: Causes and Policy Implications*, by Marc Labonte.

[4] For more information, see CRS Report RL32047, *The "Jobless Recovery" from the 2001 Recession: A Comparison to Earlier Recoveries and Possible Explanations*, by Marc Labonte and Linda Levine.

Layoffs

Current Population Survey (CPS). The CPS is a monthly survey of households from which the unemployment rate is derived. It includes a question on reason for unemployment. Unemployed persons are categorized as *job losers* if they report they are on a temporary layoff (meaning that their employer has given them a date to return to work or that they expect to return to their jobs within six months) or they have permanently, involuntarily lost their jobs. *Individuals are not asked about why they were involuntarily terminated.*

The other reasons for unemployment are having left a job voluntarily, having completed a temporary job, and newly entering or reentering the labor force. In all cases, the individual must currently be looking for a job to be classified as unemployed. Thus, if job losers become discouraged about their reemployment prospects and stop searching for work, their reason for being jobless would not be tallied.

In 1999, before the start of the last recession, an average of 848,000 workers stated that they were on temporary layoff, and more than 1.2 million workers indicated they had been permanently let go by their private or public sector employers. In 2001, during which the most recent recession ended (November), the number of temporarily laid off workers rose to almost 1.1 million, and the number of permanently separated workers reached almost 1.8 million. The number of job losers continued to climb during the "jobless recovery": while the number of workers on temporary layoff was virtually unchanged between 2002 and 2003, the number of workers who reported permanent job losses continued to grow, reaching 2.8 million. The increase of almost 150,000 permanent job losers in 2003 was much less than the more than 900,000 increase in 2002, however. Both the number of workers on temporary and permanent layoffs decreased in 2004, with the latter falling by about 400,000 to 2.4 million.

Job Openings and Labor Turnover Survey (JOLTS). BLS initiated a new program, JOLTS, within the last few years that collects data on job openings and labor turnover from a sample of establishments subject to state UI laws as well as federal agencies subject to the Unemployment Compensation for Federal Employees program. More specifically, data on total employment, job openings, hires, quits, *layoffs and discharges*, and other separations by month are available from December 2000 forward.

Of interest in terms of this report are the figures on separations due to layoffs and discharges. These involuntary terminations are defined in JOLTS to include layoffs with no intent on the employer's part to rehire their former employees and layoffs that have lasted or that the employer expects to last more than seven days; discharges that arise from downsizing, mergers, closings, and firings or other discharges for cause; and terminations of permanent, short-term, or seasonal employees. *Employers are not asked about the reasons underlying the layoffs and discharges.*

As the data are not adjusted for regularly recurring seasonal fluctuations, comparisons should not be made from one month to the next within a year but rather

from a given month in one year to the same month the next year. The number of layoffs and discharges in the private sector declined in 7 out of 12 months in 2004 compared to the same months in 2001. For example, in November 2004, 1.5 million private sector employees were laid off or discharged, compared with 1.8 million in November 2001 at the recession's end. Similarly, the monthly rates of layoffs and discharges were unchanged or declined in 7 months of 2004 compared with 2001. For example, the number of layoffs and discharges as a share of private sector employment was 1.4% in November 2004 and 1.7% in November 2001. Some industry groups experienced more of an improvement than others in their layoff/discharge rates between November 2001 and November 2004. Information (i.e., publishing, including software publishing, and traditional publishing and publishing exclusively on the internet; motion pictures and sound recording; broadcasting, including exclusively on the internet; telecommunications; and internet service providers, web search portals, data processing, and information services) and construction showed the largest decline in the layoff/discharge rate. The two industry groups were followed closely by real estate/rental/leasing and nondurables manufacturing, and more distantly by durables manufacturing, leisure/hospitality, and accommodations/food services. In contrast, professional and business services recorded an increase (from 1.4% to 2.1%) in the layoff/discharge rate.

Mass Layoffs

Mass Layoff Statistics (MLS) Program. Under the Job Training Partnership Act of 1982 (JTPA), the U.S. Department of Labor (DOL) was charged with obtaining information about mass layoffs and plant closings. The Employment and Training Administration (ETA) used JTPA funds to have the BLS develop the Mass Layoff Statistics (MLS) program. The program was terminated in 1992 for budgetary reasons. After ETA gave it funds to do so in 1994, BLS resurrected the MLS program in 1995, with some improvements (e.g., coverage of all states) that make 1986-1992 data noncomparable with more recent data. The DOL announced in December 2002 that the MLS program was terminated again due to lack of a funding source, but in P.L. 108-7, the omnibus FY2003 appropriations bill, Congress included money in the BLS budget for resumption of the series.

The MLS program consists of two series:

- In its monthly series, BLS defines a mass layoff as an event involving 50 or more workers from a single establishment who file initial claims for UI benefits. The only information available on a monthly basis is the number of layoff events and the number of initial UI claimants disaggregated by state and industry group separately.

- In its quarterly series, BLS provides more detailed information on extended (permanent) mass layoffs, which are defined as those above-described layoffs that last more than 30 days. Additional information is obtained by querying employers that have layoffs longer than 30 days, including *the reason for the layoff and whether it involved the relocation of work*. Through 2003, covered establishments in both series included employers throughout the

economy. For budgetary reasons, the extended mass layoff series began covering only nonfarm employers in the private sector in 2004. The mass layoff series, which is based solely on administrative records, continues to include agricultural and government employers.

Employer Announcements of Large Staff Cuts. A more frequently and regularly reported source of information on substantial staff cutbacks has been announcements of impending actions that are issued by individual firms. However, several drawbacks exist in using the timely layoff announcements to gauge the actual circumstances of workers, firms, and communities. Companies make announcements about their expectations, but these may or may not come to pass as planned. Although firms sometimes include statements in financial reports about how their restructuring plans have been implemented, there is neither readily available nor comprehensive information on their actual outcomes. In addition, layoff announcements commonly are interpreted as calling for involuntary job cuts, but some employees accept early retirement or voluntary severance offers while others accept transfers to jobs within their own firms or to reorganized entities. Moreover, the announcement of a layoff in a given month does not mean that affected workers are displaced immediately or terminated as a group. Instead, a layoff might involve varying numbers of people being released at different intervals over many months or years. This scenario would have considerably less of an adverse impact on a community's labor market, which could more easily absorb the displaced workers who had not found new jobs before their termination.

The impetus for issuance of these announcements was passage of the Worker Adjustment and Retraining Notification Act (WARN, P.L. 100-379), which went into effect in 1989. The act requires firms with 100 or more employees to provide notice to employees or their union representatives and to local/state government officials 60 days before initiating a major layoff or closing a plant. Because smaller businesses do not have to issue these notices, some unknown number of mass layoffs cannot be detected from this source. Policymakers have introduced legislation to amend WARN by, among other things, requiring firms to provide notice and other information about offshoring that results in layoffs.[5]

A comprehensive database of these announcements does not exist because there is no legal requirement that the notices be filed with a single entity. Some of these announcements are reported by the media or other information-gathering organizations. These reports might include only the most newsworthy layoff events (e.g., those involving the nation's or a geographic area's largest employers). Moreover, these reports might not mention the hiring expectations of some of the same firms that issue layoff announcements.[6] *There is likely to be considerable*

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[5] For more information on WARN, see CRS Report RL31250, *The Worker Adjustment and Retraining Notification Act (WARN)*, by Linda Levine.

[6] Patrick Barta, "Zero-Sum Gain: In Current Expansion, as Business Booms, So Too, Do Layoffs," *Wall Street Journal*, Mar. 13, 2000; and Carrie Johnson, "Firings, Hirings Balancing Out," *Washington Post*, Aug. 24, 2001.

variability in what, if any, information is provided about the reasons for the anticipated layoffs.

Mass Layoff Trends and Characteristics

Employer Announcements of Mass Layoffs

The severity of mass layoffs had been decreasing since the early 1990s as the economy slowly recovered from the 1990-1991 recession. The size of announced layoffs fell from a peak of 615,186 employees in 1993 to 434,350 employees by 1997, according to *The Challenger Employment Report*.[7] The trend reversed sharply in 1998, when firms announced their intention to displace 677,795 employees, chiefly due to economic conditions in Asian countries (e.g., Japan) and the plight of U.S.-based oil producers and related service companies. (See **Table 1**.) The severity of layoff announcements remained almost as great in 1999, when the economy still was expanding. Retailers reported the largest number of anticipated job reductions. Despite an increase in the number of job cuts announced late in 2000, the size of planned layoffs for the entire year fell to 613,960. Many of the workers expected to be let go in those actions were employed in the retail and auto industries.

The number of employees expected to be affected by layoffs announced during the first eight months of 2001 — at 1,123,356 — was well above any full year's total since the series' inception. Telecommunications, computer, electronics, and e-commerce companies initiated many of the cutbacks that occurred during the latest *recession*. In contrast, airline and related industries (e.g., hotels) accounted for many of the 248,332 workers who were expected to be let go as a result of September's announcements, a direct reflection of the *terrorist attacks*. Fewer workers may actually have been let go at the time, however. For example, Continental, Delta, and US Airways announced in September 2001 that they were going to lay off about 36,000 employees. By the following month, the carriers concluded that they would terminate fewer workers because many accepted early retirement or voluntary separation options. As a result, the number of workers involuntarily separated from the three airlines' payrolls could have been reduced by some 15,500 workers.[8]

The number of announced job cuts diminished during the fourth quarter of 2001, when the short-lived recession was ending. Nonetheless, the total for the year reached an all-time high of 1,956,876.

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[7] The monthly report is prepared by and available for a fee from Challenger, Gray & Christmas, Inc., an international outplacement firm. It lists individual companies that have announced layoffs during a given month along with the number of expected job cutbacks, industry, and reason for the action. The report largely is derived from firms' press releases and newspaper articles.

[8] "More than 15,000 Layoffs May Be Averted by Voluntary Programs at Three Airlines," *Daily Labor Report*, Oct. 29, 2001.

Table 1. Staff Cuts Announced by U.S. Companies

Year	Number of employees
1989	111,285
1990	316,047
1991	555,292
1992	500,000
1993	615,186
1994	516,069
1995	439,882
1996	477,147
1997	434,350
1998	677,795
1999	675,132
2000	613,960
2001	1,956,876
2002	1,466,823
2003	1,236,426
2004	1,039,735

Source: News reports based on *The Challenger Employment Report*.

The improving trend continued in 2002, during the "jobless recovery", when it was announced that 1,466,823 workers would be laid off. Despite the 25% decrease in the severity of layoffs between 2001 and 2002, this was only the second year to exceed 1 million since figures first were collected. Many of the employees who were expected to lose their jobs worked in the telecommunications industry.

Further improvement was recorded in the following years. A total of 1,236,426 individuals were expected to be involved in layoffs announced during 2003, which is 16% less than in 2002. Anticipated separations at telecommunications and computer-related firms were down substantially while those at government and non-profit organizations were up.[9] The latter may reflect *the delayed impact of the recession* on state and local governments' budgets. Although remaining above one million for the fourth consecutive year, the number of announced job cuts fell by 16% between 2003 and 2004, when they totaled 1,039,735. Telecommunications firms cut the most jobs for the third time in the past four years, although the number of anticipated separations were 11% lower than in 2003. Unexpectedly, given its

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[9] "Challenger Says Job Cuts Fell in 2003, but Pace Exceeds Boom Years of 1990s," *Daily Labor Report*, Jan. 7, 2004.

good performance, the financial sector announced the second-highest cuts; they were twice the prior year's level.[10]

The MLS Program

As less than one-half of all mass layoffs identified by BLS lasts 31 days or longer, the traditional layoff-recall pattern still predominates. Even among extended layoffs, a majority of firms in the private nonfarm sector typically had expected to recall their separated workers — until 2001. Less than one-half of firms reported that they anticipated a recall of some employees let go as part of long-term mass layoffs until 2004 (when the proportion rose to 51%), which likely reflected employers' continuing uncertainty about the strength of the economic recovery.

Trends. As seen in **Table 2**, the severity of staff cuts worsened in 1998. The elevated number of workers separated from the payrolls of firms in the private nonfarm sector of the economy was largely due to *a strike* in the auto industry that had employment repercussions in related industries. In 1999 and 2000, employee separations that occurred as a part of extended mass layoffs dropped below levels recorded in prior years for which data are available. But, during the recession year of 2001, the 1.5 million employees terminated in extended mass layoffs greatly exceeded the number in earlier times. Although there were some 250,000 fewer private nonfarm employees let go in 2002, the number of separated workers nonetheless totaled over 1.2 million. The figure for 2003 were virtually unchanged, but in 2004, it dropped to slightly under 1.0 million.

Typically, few extended mass layoffs involve permanent closures of facilities (e.g., 15% in 2004). These events also directly affect a relatively small share of all separated workers (e.g., 16% or 157,512 workers in 2004). Manufacturers accounted for many of the plant closings in 2004, and they most often gave company reorganization as the reason for the action.[11]

Reasons for Extended Mass Layoffs. Across all private nonfarm establishments that experience extended mass layoffs, *seasonal work* (e.g., the end of winter or summer recreational activities and the end of planting or harvesting activities) usually has been the leading reason that firms provide. In 2004, for example, it accounted for 33% of all layoff events and 34% of all separated workers. *Internal company reorganization* (bankruptcy, business ownership change, financial difficulty, and reorganization within company) was the second most often mentioned explanation in 2004, accounting for 20% of all extended mass layoffs and 20% of the employees involved in them. It was a commonly given reason among employers in the following industry groups: general credit remediation, food manufacturing, and

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[10] "Announced Job Cuts Fell 16 Percent in 2004, but Topped 1 Million for Fourth Straight Year," *Daily Labor Report*, Jan. 6, 2005.

[11] BLS, "Extended Mass Layoffs in the Fourth Quarter of 2004 and Annual Averages for 2004," *News Release*, USDL 05-264, Feb. 16, 2005. (Hereafter cited as BLS, *Extended Mass Layoffs in the Fourth Quarter of 2004 and Annual Averages for 2004*.)

telecommunications. *Contract completion* was offered as a reason for 15% of these layoff events, which involved 17% of all separated workers, in 2004.[12]

Table 2. Short- and Long-Term Mass Layoff Activity

Year	Mass layoffs		Extended mass layoffs		
	Events	Initial UI claimants	Events	Initial UI claimants	Separated workers
1996	14,111	1,437,628	4,760	805,810	948,122
1997	14,960	1,542,543	4,671	879,831	947,843
1998	15,904	1,771,069	4,859	1,056,462	991,245
1999	14,909	1,572,399	4,556	796,917	901,451
2000	15,738	1,835,592	4,591	846,267	915,962
2001	21,467	2,514,862	7,375	1,457,512	1,524,832
2002	20,277	2,245,051	6,337	1,218,143	1,272,331
2003	18,963	1,888,926	6,181	1,200,811	1,216,886
2004	15,980	1,607,158	4,879	816,259	956,327

Source: U.S. Bureau of Labor Statistics data on mass layoffs covering employees in all industries and on extended mass layoffs covering employees in the private nonfarm sector (i.e., excludes agriculture and government).

Note: Data for 2004 are preliminary. The number of separated workers often is larger than the number of initial UI claimants because not all separated workers file for benefits. In contrast with the figures on separated workers, which are provided by employers with extended mass layoffs or worksite closings, the figures on initial UI claimants are from the regular UI reporting system and may include claimants who are not part of a mass layoff or closing.

Offshore and Domestic Movement of Work. BLS began to ask employers who call extended mass layoffs (for reasons other than seasonal work and vacation periods) additional questions in 2004 to learn about layoff events that include offshore outsourcing actions.[13] It appears that outsourcing of work — particularly of work moving offshore — accounts for a small share of layoffs that last more than 30 days and involve at least 50 workers (excluding those called because of seasonal work and vacation periods). Of all employees in the private nonfarm sector let go in extended mass layoffs in 2004, some 9%-11% were displaced in extended mass layoff events involving domestic and offshore outsourcing; perhaps

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[12] Ibid. and data available at [http://stats.bls.gov/].

[13] The number of actions can be greater than the number of layoff events because one layoff can involve multiple movements of work (e.g., some work shifting to another facility of the same company within the United States, some to another U.S. firm, and some to the company's own subsidiary in another country).

3% in events that specifically involved offshoring.[14] The jobs of perhaps 3% of all separated workers were shifted to other countries, principally Mexico and China. California and North Carolina were the most reported destinations for domestic movement of work. Typically, outsourcing (either domestic or offshore) took place within the same company (e.g., a U.S. firm sending work to a U.S.- or foreign-based affiliate) rather than contracting with another business.[15]

Most workers separated in extended mass layoff events involving domestic or offshore outsourcing had been employed by manufacturers, mainly producers of computer/electronic goods and transportation equipment. Employer restructuring (bankruptcy, business ownership change, financial difficulty, and reorganization within company) accounted for a majority of these layoffs as well.

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[14] The lower bound represents the number of separations connected with specific movement-of-work actions. The upper bound represents all separations associated with layoffs that involve some relocation of work. The difference between the lower and upper bounds is that the latter includes some number of terminations related to movement-of-work for which firms could not provide detail and some number of terminations not connected with work relocation.

[15] BLS, *Extended Mass Layoffs in the Fourth Quarter of 2004 and Annual Averages for 2004*.