

WSI Report

02 | March 2010

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Impact of the economic crisis on employees

Results of an online-survey by the 'LohnSpiegel' project

Many firms have responded to the economic crisis by reducing employee numbers, introducing short-time working, and cutting pay and benefits. However, the experiences of individual employees vary considerably, depending on economic sector and type of employee.

These are the findings of a recent online survey conducted by the LohnSpiegel project, a pay database managed by the Collective Bargaining Archive of the WSI institute at the Hans Böckler Foundation in Düsseldorf, Germany.

1. Background to the survey

The WSI institute has been conducting regular online surveys of pay and working conditions since 2004. Data is collected via an online questionnaire, accessible at www.lohnspiegel.de, which any interested visitor to the site can complete. In August 2009, a number of questions about the impact of the current recession on employees, their working conditions and their pay were included in the questionnaire. These asked respondents to comment on the economic situation of their employer, any changes made to employment levels or other staffing measures taken by management, and any modifications to pay and conditions. The analysis here is based on some 10,000 responses collected between August and December 2009, covering both the public and private sectors in Germany. The nature of access to the site means that the employee sample is not statistically representative. However, previous experience with the LohnSpiegel dataset suggests that data collected through the site serves as a reliable indicator of the wider working population (Bispinck et.al., 2010). The data collected for this survey also offers a useful complement to the WSI's 2009 survey of works council members, which on this occasion included several questions on the issue of employment security in the crisis (Bogedan et.al. 2009).

2. Extent of the crisis

The survey began by seeking to ascertain the extent and impact of the crisis on respondents' place of work. Employees were asked to assess the economic situation of their organisation at the time when they completed the questionnaire as compared with the beginning of 2009.

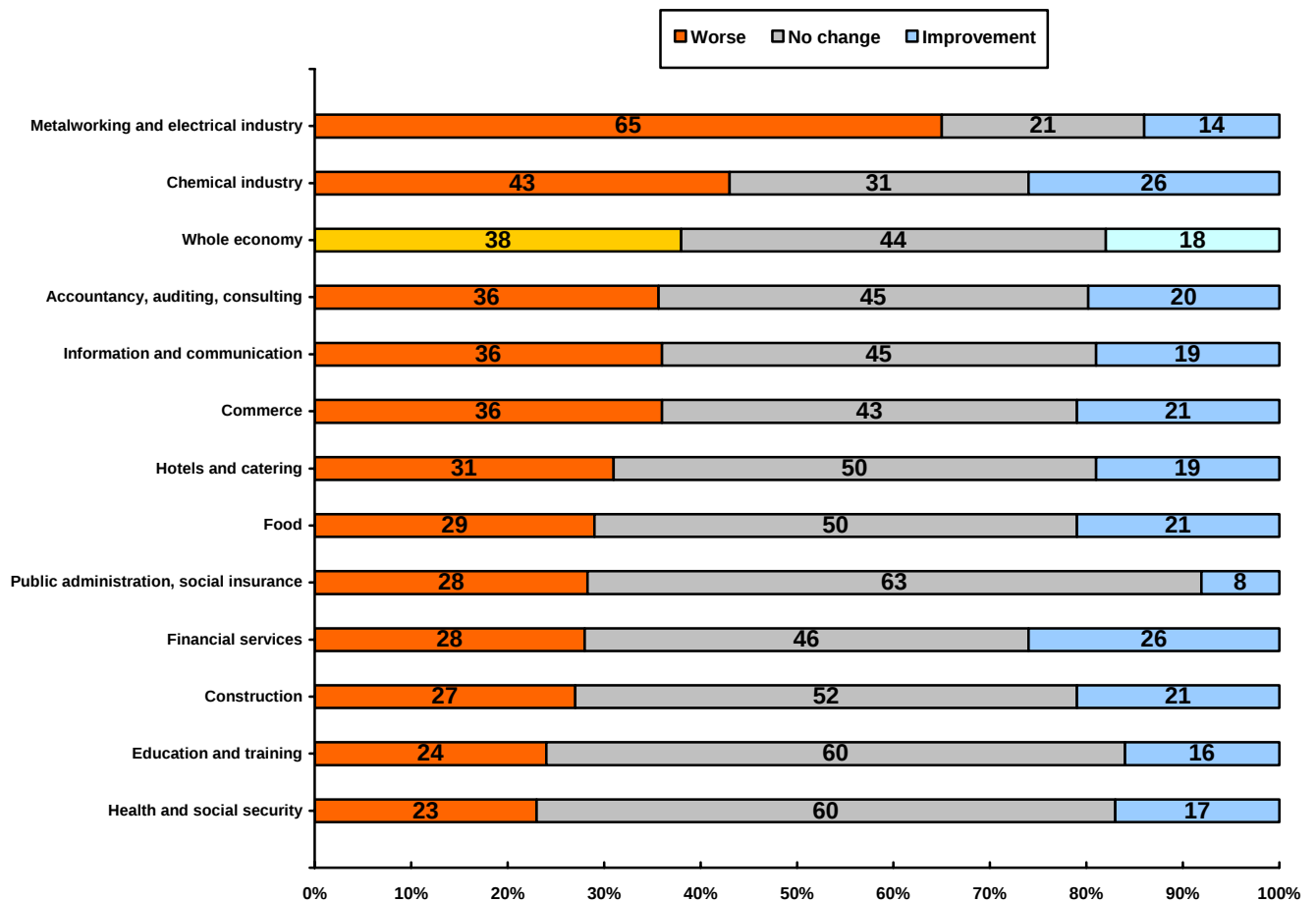
On average, 38% of respondents stated that the economic situation of their employing organisation had worsened since the beginning of 2009; 44% noted no change; and just under a fifth (18%) reported an improvement. In our analysis below, we refer to those organisations which, in the view of their employees, were in a worse economic position as 'crisis-hit organisations'. Of course, organisations which had not suffered any further worsening of their economic situation during 2009 could also have been affected by the crisis if the deterioration in their position had begun earlier.

As might be expected, there were significant differences between economic sectors. Hardest hit was the metalworking industry, where 65% of respondents reported a worsening in the business situation of the establishment they worked in – rising as high as 68% in the mechanical engineering branch. The chemical industry was also hard hit, with 43% of respondents noting a worsening of the position of their organisation. However, overall a majority of respondents in the chemical industry indicated either no change or an improvement in the economic situation since the beginning of 2009.

The financial service sector offered an interesting picture. Here only 28% of respondents reported a worsening of the business situation, around 50% indicated no change, and the remaining 26% an improvement. Employees in the construction industry were equally positive, a development possibly attributable to the effects of the state spending programme on infrastructure.

Figure 1: Economic situation of employing organisations during 2009

- Employee responses in % for each branch -

Source: www.lohnspiegel.de. Survey conducted August – December 2009

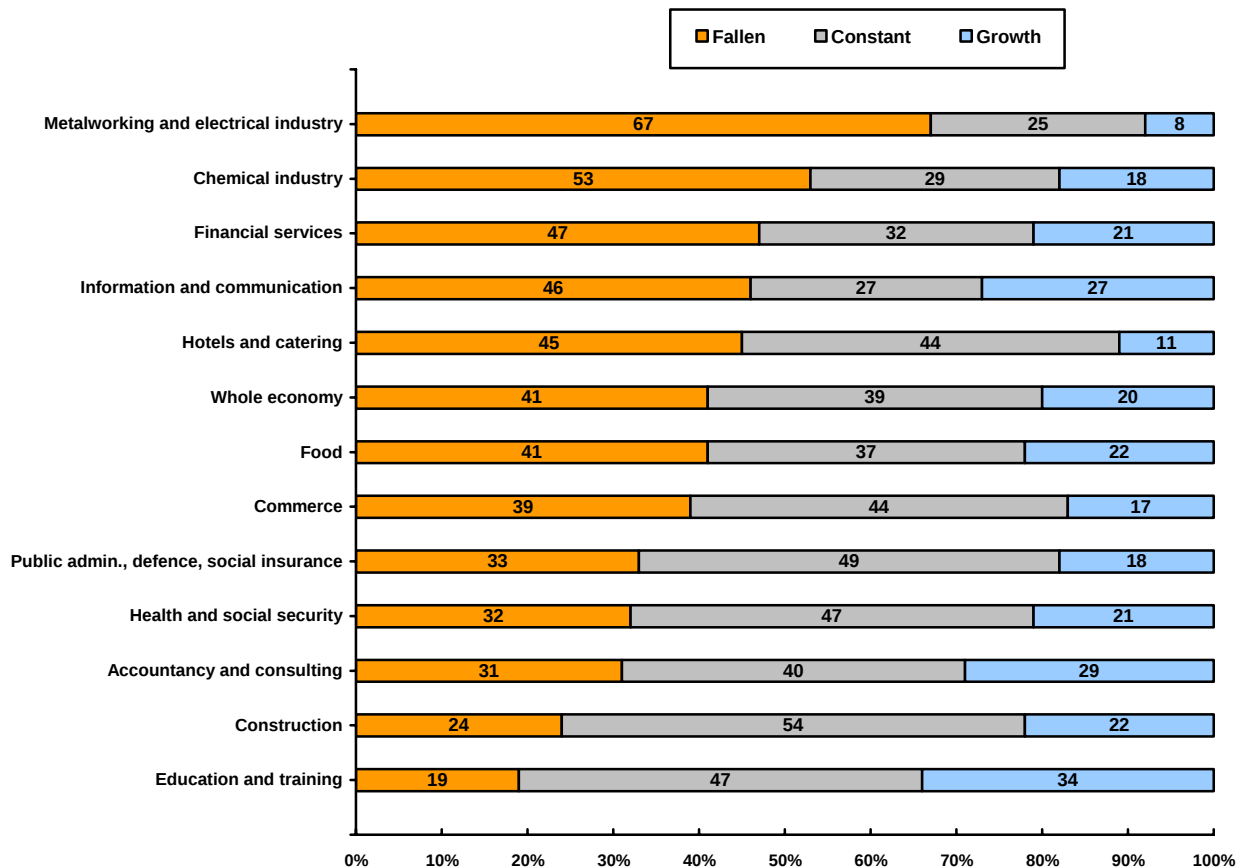
3. Overall development of employment

The economic situation of employing organisations was also reflected in the movements in numbers employed. Overall, 41% of respondents indicated that employment had fallen at their workplace. Nearly as many (39%) reported no change, and a fifth noted an increase in employment.

There were also widely varying experiences depending on economic sector. The metalworking and electrical industry was - and continues to be - especially hard hit, with 67% of respondents reporting declines in employment, a quarter no change, and just 8% indicating an increase. The chemical industry was also badly affected, with 53% of respondents in this sector reporting a fall in employment levels. Financial services, for which a below-average number of respondents noted an economic deterioration, was also characterised by an above-average improvement in employment, with 47% of respondents noting an increase in staffing levels. The hotel and catering sector also saw a net improvement in terms of the balance of responses, with 45% of respondents reporting a fall in employment. The least affected was the education sector, where four out of five respondents noted either no change or an increase in employment.

Figure 2: Change in employment during 2009

- Employee responses in % -

Source: www.lohnspiegel.de. Survey conducted August – December 2009

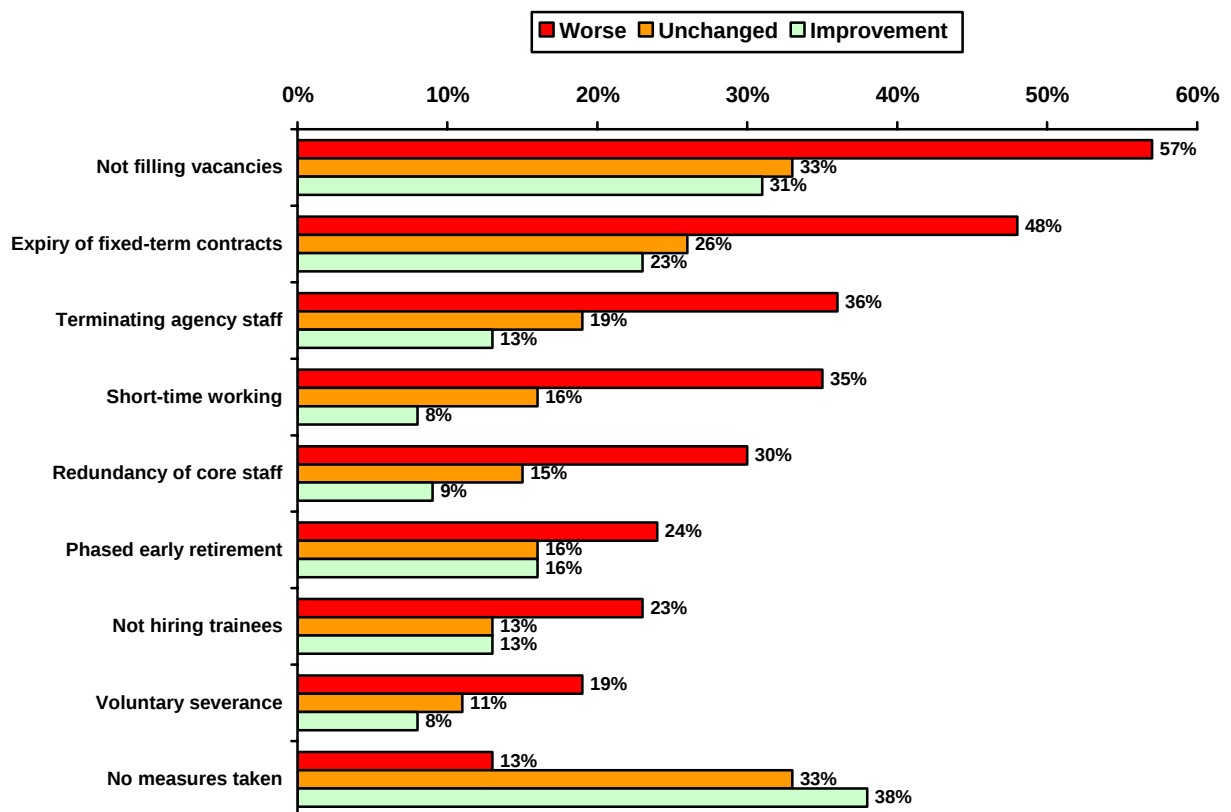
4. Staffing reduction measures

Overall, the vast majority of organisations had taken some steps to reduce their staffing, according to respondents. Only 28% of respondents stated that no such measures were used in their organisations. Preference was generally given to ‘soft’ measures intended to protect core employees. The most frequently cited was the practice of not filling vacant posts, an option used by 40% of organisations. Some way behind this was a policy of allowing fixed-term contracts to expire (32%) and terminating agency staff (22%). The use of short-time working came in fourth place, and was practised by 22% of organisations. Short-time working in Germany is a statutory scheme, in which employees can claim a state benefit, equivalent to unemployment benefit, for any time not worked, provided the official criteria are met. In all 18% of respondents reported that core employees were subject to redundancies. Other measures cited included not hiring trainees on completion of their training (that is, young people on formalised training schemes and apprenticeships), and voluntary redundancies (see Table 1).

Special challenges in 'crisis-hit organisations'

Looking specifically at 'crisis-hit organisations', that is those in which employees reported a worsening economic situation during 2009, it was evident that falls in employee numbers and cuts in pay were much more prevalent than in other workplaces (see Table 1). On average, 57% of respondents from such organisations reported that leaving vacancies unfilled was the most common instrument used, followed by expiry of fixed-term contracts (48%) and termination of agency employees (36%). Short-time working was reported in 35% of such organisations, and redundancies of core staff in 30%. In organisations in which the economic situation was either unchanged or improved, all these instruments were used to a much lesser extent. The most marked differences were in the use of short-time working or resort to redundancies for core employees.

Figure 3: Staffing measures adopted by organisation, by economic situation
- Employee responses in % -



Source: www.lohnspiegel.de. Survey conducted: August – December 2009

Sectoral differences

According to respondents, crisis-hit firms in the **metalworking industry** made particular use of short-time working, with 73% of firms reportedly resorting to this option (see Table 1). Nearly the same proportion of organisations (71%) terminated agency employees. And 63% of firms allowed fixed-term contracts to expire without renewal. Core employees were also exposed to a higher risk of unemployment in such firms: 34% of organisations had made core staff redundant.

Employees in crisis-hit workplaces in the **chemical industry** were also disproportionately affected by short-time working, with 54% of firms resorting to this option. In all 33% of organisations were reported as having made core staff redundant. And agency employees were terminated in more than half (56%) of workplaces. These firms also made above-average use of non-filling of vacancies (64%) and allowing fixed-term contracts to expire (59%).

According to respondents, ‘crisis-hit organisations’ in the **financial services sector** were heavily inclined to leave vacancies unfilled, with three-quarters of organisations reportedly using this option. Allowing fixed-term contracts to expire was also used to an above-average extent (56%), as were voluntary redundancies (48%) and phased early retirement (41%). However, core employees were largely spared redundancy in this sector. Short-time working was also little used.

Table 1: Staffing measures in the crisis

- Percentage of respondents citing each measure -

Measures	‘Crisis-hit organisations’*				All organisations
	Metal-working	Chemicals	Financial services	Total	Total
Vacant posts not filled	62	59	75	57	40
Expiry of fixed-term contracts	63	64	56	48	32
Termination of agency employees	71	56	32	36	22
Short-time working	73	54	6	35	19
Redundancy of core staff	34	33	18	30	18
Phased early retirement	37	44	41	24	17
Non-hiring of trainees on completion of training	23	43	34	23	16
Voluntary redundancy	26	30	48	19	13
No staffing measures taken	5	7	10	13	28

* Workplaces in which the economic situation had deteriorated since the beginning of 2009.

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

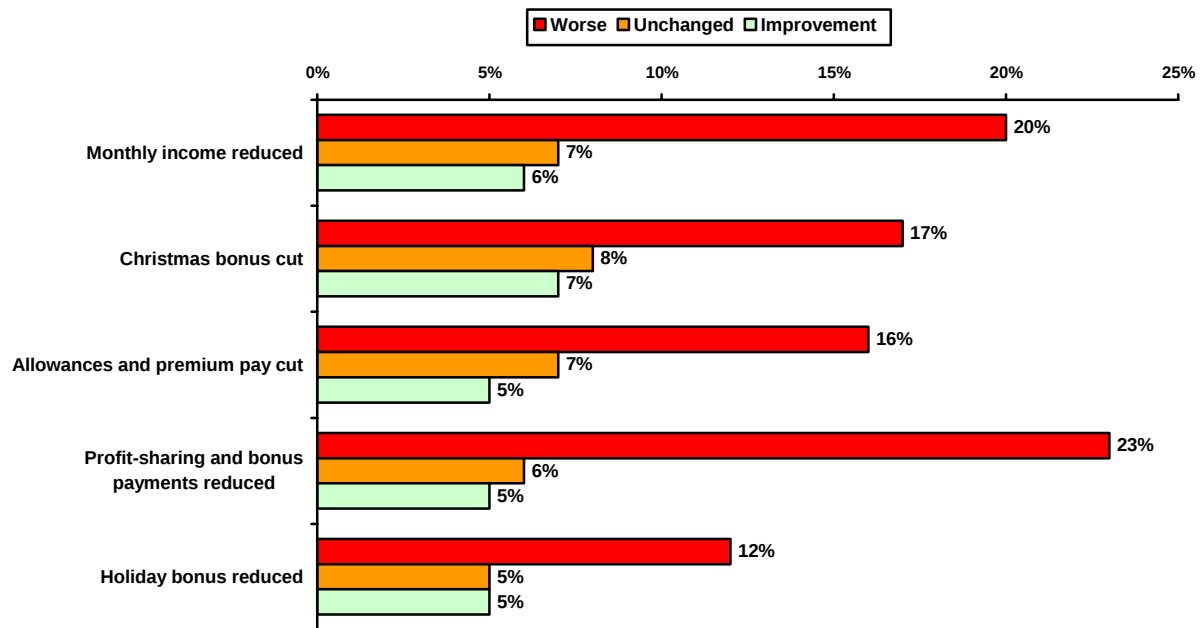
5. Impacts on incomes

As might be expected, the crisis has had a negative impact on employee incomes. Overall, 11% of respondents reported a fall in their monthly income. For 14%, special payments, such as profit-sharing or bonuses, had fallen. Most German employees receive an additional payment at Christmas and during the summer holiday period: this had also fallen, in the case of Christmas for 11% and additional holiday payment for 8% of respondents. Additional allowances and premium pay were reduced for 9% of respondents.

Crisis-hit organisations were disproportionately affected. Here one in five employees experienced a fall in their monthly income (see Figure 4). The most likely explanation for many will have been a reduction in overtime. Special payments were also lower, according to 23% of respondents (see Table 2). Christmas payments were reduced for 17% of employees, allowances and premium pay for 16%, and holiday payments for 12%.

Figure 4: Impact of the crisis on incomes, by economic situation of employing organisation

- Employee responses in % -



Source: www.lohnspiegel.de. Survey conducted: August – December 2009

Cuts in incomes were predictably greater in the hard-hit **metalworking industry** (see Table 2). Here, just under a third of employees (32%) had suffered a cut in their regular monthly income. Reductions in special payments were somewhat less frequent, and reported by 29% of employees, Christmas payments were down for just under a quarter (23%) of respondents, followed by premium pay and allowances (24%) and additional holiday payment (17%).

Reductions in pay were equally prevalent in the **chemical industry**, where just under a half (44%) of respondents indicated falls in profit-sharing payments and bonuses, and 22% a lower Christmas payment. Cuts in regular monthly incomes appear to be less common, and were reported by 19% of respondents; this also applied to allowances and premium pay (14%) and additional holiday payment (22%).

In **financial services**, more than half (52%) of respondents indicated that special payments (profit-sharing and bonuses) had fallen. Employees in this branch were less affected by cuts in monthly incomes (6%), allowances and premium pay (7%) and additional holiday and Christmas payments (5% in each case).

Table 2: Impact of the crisis on incomes

- Employee responses in % -

Impact	'Crisis-hit organisations'				All organisations
	Metalworking	Chemicals	Financial services	All	All
Profit-sharing and bonus payments reduced	29	44	52	23	14
Monthly income reduced	32	19	6	20	11
Christmas bonus reduced	23	22	5	17	11
Supplements, premium pay and allowances cut	24	14	7	16	9
Holiday bonus reduced	17	22	5	12	8

* Workplaces in which the economic situation had deteriorated since the beginning of 2009.

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

6. Worsening working conditions

Working conditions have also worsened during the economic crisis (see Table 3). Three-quarters (76%) of respondents in crisis-hit organisations reported that pressures to perform had increased; 75% stated that the workplace atmosphere had deteriorated; and 66% felt that opportunities for promotion had become more limited. The average values for all workplaces were below these, but still running at a high level.

Figure 5: Impact of the crisis on working conditions, by economic position of employing organisation

- Employee responses in %

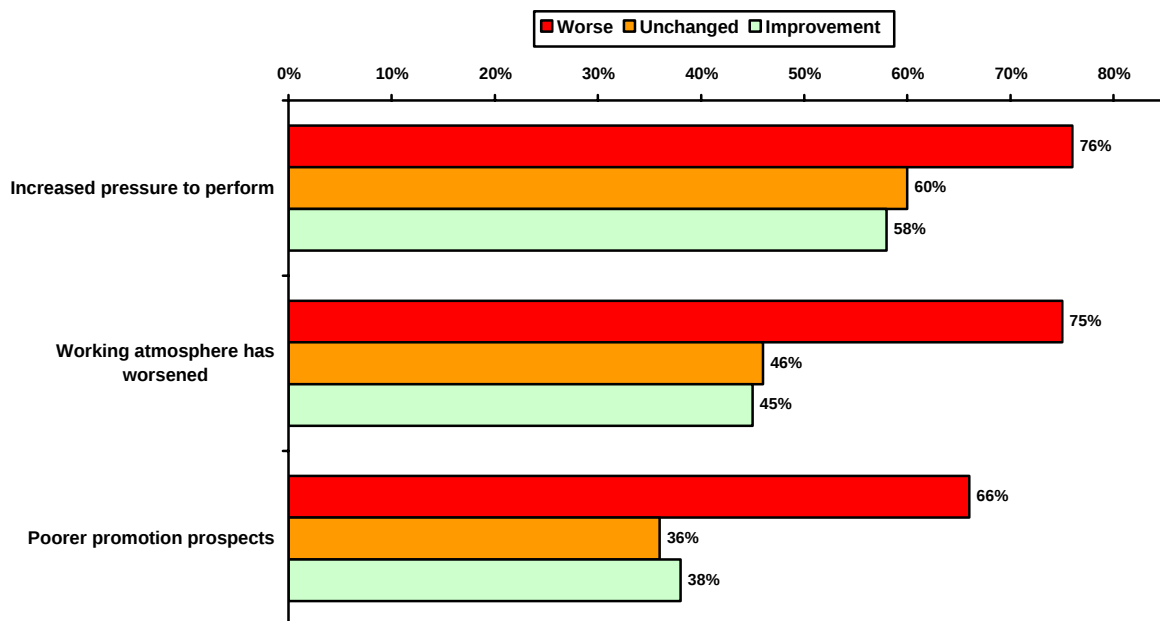
Source: www.lohnspiegel.de. Survey conducted: August – December 2009

Table 3: Working conditions in the crisis*

- Employee responses in % -

Impact	'Crisis-hit organisations'*				All organisations
	Metalworking	Chemicals	Financial services	All	All
More pressure to perform	72	70	78	76	65
Workplace atmosphere worse	72	79	74	75	57
Poorer promotion prospects	59	60	68	66	48

* Workplaces in which the economic situation had deteriorated since the beginning of 2009.

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

7. Women and men

There is no simple divergence of experience by gender: 38% of both men and women reported that the economic position at their workplace had worsened during 2009. Workforce reductions were mentioned more frequently by men (43%) than by women (38%). However, this gives no direct information about the scale and impact of such reductions. Opinions varied markedly on the question as to whether women had been especially affected by workforce cuts: whereas 40% of women agreed with this, only 14% of men did so.

In terms of the negative impact of the crisis on incomes, women appear to have fared slightly better than men. Women reported a lower incidence of cuts to monthly incomes as well as special payments (such as profit-sharing or bonuses).

The situation is different for working conditions. Here women indicated more frequent incidences of a deterioration in the three dimensions dealt with in the questionnaire: performance pressures, workplace atmosphere, and promotion opportunities.

Table 4: Gender impact of the crisis

- Employee responses in % -

	Men	Women
Economic situation		
Organisation's position has worsened	38	38
Workforce reductions	43	38
Women particularly affected	14	39
Income		
Profit-sharing and bonus payments reduced	17	9
Monthly income reduced	13	7
Christmas bonus reduced	11	10
Supplements, premium pay and allowances cut	11	6
Holiday bonus reduced	8	7
Working conditions		
More pressure to perform	63	68
Workplace atmosphere has worsened	55	60
Less scope for promotion	46	51

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

If the impact on incomes is broken down by branch, women report a lower incidence of reductions in the different components of remuneration than men. In the chemical industry, by contrast, women were (slightly) more affected than men for holiday and Christmas payments. There is a similar picture, albeit at a lower level, in financial services. More men than women reported pay cuts in commerce, and in hotels and catering the situation was reversed.

Table 5: Reduction in components of pay, by branch and sex

- Employee responses in %

	Metalworking		Chemicals		Financial services		Commerce		Hotels and catering	
	M	W	M	W	M	W	M	W	M	W
Monthly income reduced	27	12	13	15	3	4	11	8	3	7
Allowances and premium pay reduced	19	7	10	6	6	7	13	6	7	8
Holiday bonus lower	15	8	5	16	2	7	8	8	2	7
Christmas bonus lower	21	14	12	15	1	7	11	11	4	10
Profit-sharing payments and other bonuses cut	21	13	36	29	39	37	11	5	5	4

M = Men W = Women

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

8. The outlook

Overall, employees are not expecting the economic situation of their workplaces to improve. However, our survey reveals that expectations of further cuts in jobs and new hirings are broadly in balance. Over the coming 12 months (from the time the questionnaire was completed), just over one-third of employees (37%) expected further falls in employee numbers in their organisations, but some 40% expected new hirings to take place. Six of ten employees expected their organisations to be engaged in restructuring and reorganisation. In contrast, just 8% expected their organisation to suffer bankruptcy or closure.

Table 6: What are your expectations for the next 12 months at work?

- Employees in % -

Announcement of workforce reductions	37
Restructuring/Reorganisation	60
I am worried that my organisation will become bankrupt	8
I expect the organisation to hire more staff	40
Merger with another firm/organisation	13

Source: www.lohnspiegel.de. Survey conducted: August – December 2009

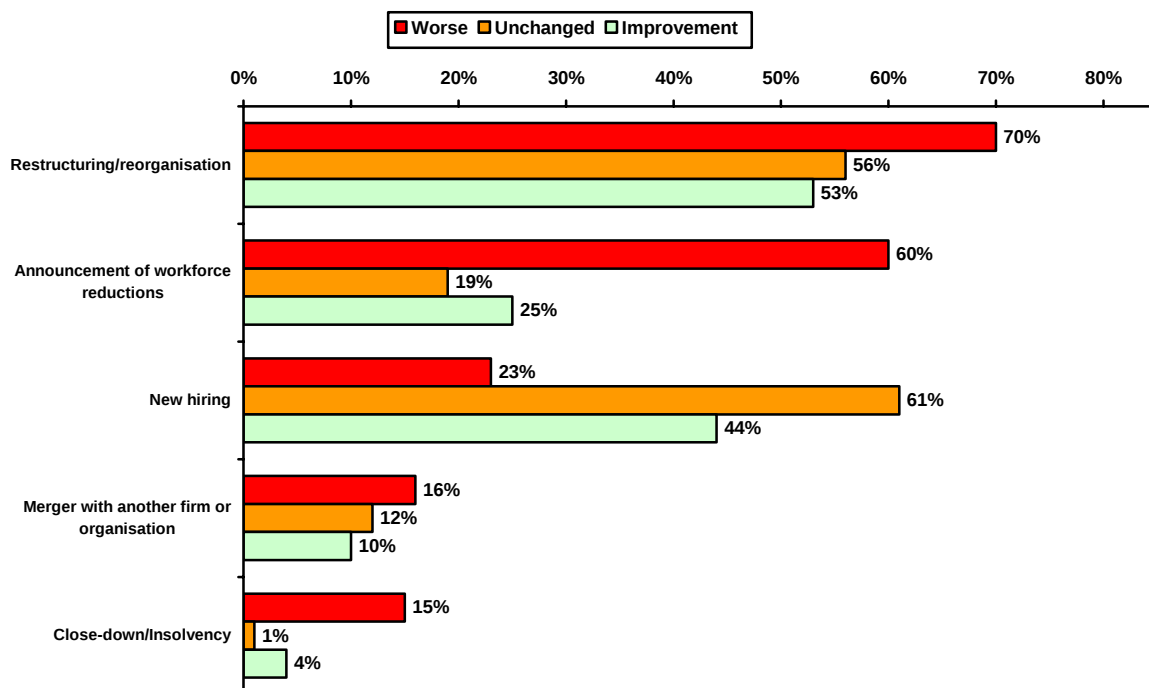
This general picture looks quite different when responses are broken down according to the economic position of the employing organisation. Worries about further job cuts are especially marked in the ‘crisis-hit’ organisations, where 60% of employees expressed this concern. None the less, even here around a quarter (23%) of respondents expected new hirings. Many more respondents were

concerned about insolvency in this sector (15%) and there were also greater expectations of mergers (either at company level or with another operational unit).

Workplaces in which respondents indicated an improvement in the economic situation since the beginning of 2009 were also seen to have better prospects than the average. Although just under a fifth (19%) still expected some reduction in employee numbers, a clear majority (61%) considered that new hirings would take place. There was scarcely any concern about insolvency (1%) but expectations of mergers (at 12%) and restructuring (56%) were not much lower than for the ‘crisis-hit’ group.

Figure 6: What are your expectations for the next 12 months at work?

- Employees responses in %, by economic situation of organisation -



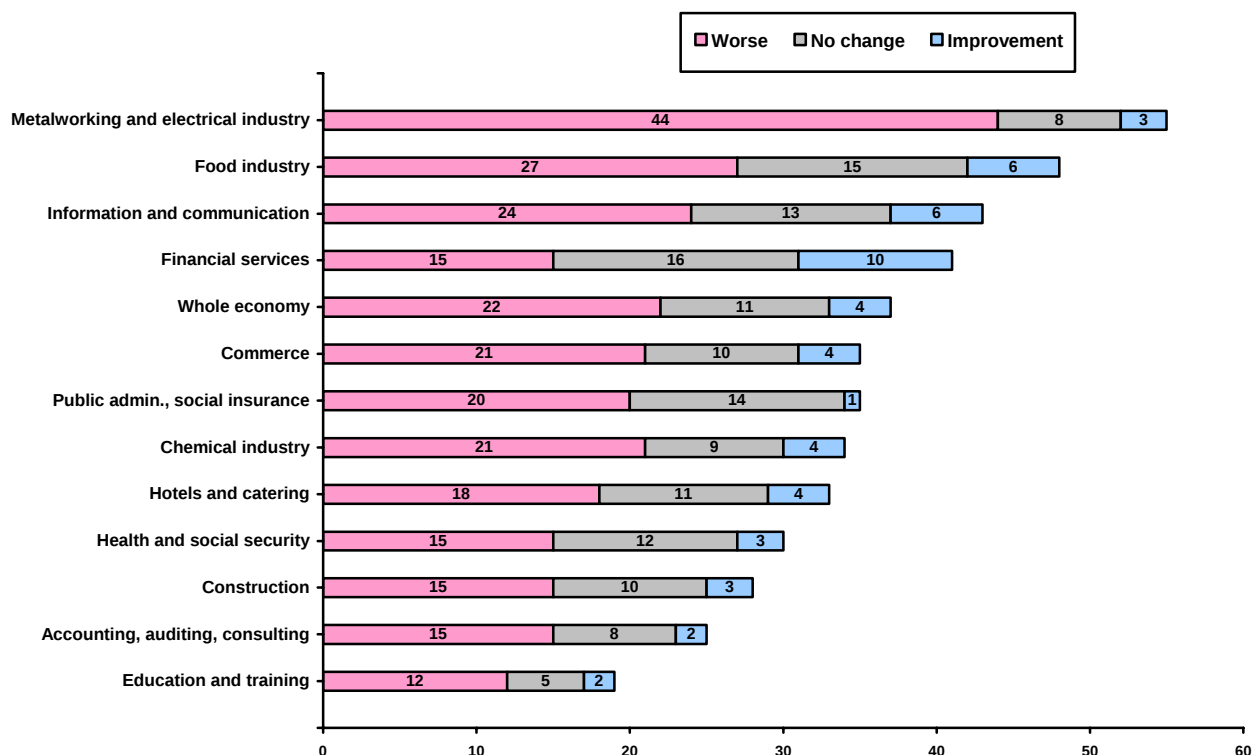
Source: www.lohnspiegel.de. Survey conducted: August – December 2009

Figure 7 highlights the differences in the expectation of further cuts in employee numbers by branch. For example, 55% of employees in the metalworking and electrical industry expected further job cuts over the next 12 months. The proportion was 41% in financial services, but only around a third (34%) in the chemical industry. The average figure for the whole economy was 37%.

The chart also shows the differing economic situation of workplaces where further cuts in employee numbers were expected, broken down by branch. In the metalworking industry, this mostly applies to ‘crisis-hit’ workplaces, where the position had deteriorated during 2009. In other branches, cuts in employee numbers were also expected both in workplaces where the situation was unchanged or even where it had improved.

Figure 7: Expected workforce reductions in the next 12 months, by sector and economic situation of employing organisation

- Employee responses in % -



Source: www.lohnspiegel.de. Survey conducted: August – December 2009

Conclusion

A number of key findings can be drawn from the c. 10,000 responses to the range of questions on the implications of the economic crisis for pay, jobs and working conditions provided by the LohnSpiegel survey, and collected between August and December 2009 :

- **Economic situation:** More than a third (38%) of respondents stated that the economic situation of their employing organisation had deteriorated between the beginning of 2009 and the time at which they responded to the survey. The most marked deterioration, measured in terms of employee responses, was in the metalworking industry, where this was indicated by 65% of respondents, compared with 28% in financial services.
- **Changes in employment:** This corresponded with the economic situation: 41% of respondents stated that employee numbers had fallen in their workplace, with metalworking (67%) and chemicals (53%) especially hard hit.
- **Workforce reduction measures:** Overall, there was a preference for 'soft' measures, such as leaving vacancies unfilled, allowing fixed-term contracts to expire, and terminating the use of agency employees. Short-time working was used by 19% of workplaces. None the less, in 18% of workplaces core employees experienced redundancy – especially in 'crisis-hit' organisations.

- **Branches:** Crisis-hit firms in the metalworking industry made much greater use of short-time working than other branches (73%), closely followed by the termination of agency staff.
- **Incomes:** Special payments, such as profit-sharing and other bonuses, were particularly frequently cut (14% of respondents). 11% of employees indicated that they had suffered cuts in their regular monthly income, together with reductions in other elements of remuneration, such as Christmas and holiday payments, allowances and premium pay. There were marked differences between 'crisis-hit' and other workplaces.
- **Working conditions:** These were seen to have worsened across the board during the crisis. In particular, a large number of respondents (65%) stated that they were under greater pressure to perform, and 57% stated that the workplace atmosphere had worsened. In the crisis-hit group, 66% of respondents said that promotion prospects had dimmed.
- **Gender:** There was no clear difference between men and women in the degree to which they were affected by the crisis. Cuts in employee numbers were cited more often by men than by women, and negative effects on pay by women as compared with men. Women reported a worsening in their working conditions to a greater extent than men.
- **Outlook:** Opinions were divided on the outlook for jobs. A majority of respondents expected continuing reorganisation and restructuring. In the crisis-hit group, 60% of employees expected further job cuts and as many as 15% feared that their organisation faced bankruptcy.

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