

# IBEC BUSINESS SENTIMENT SURVEY

## NOVEMBER 2009 – Quarter 4: Employment



*This survey is the final quarterly survey of business sentiment for 2009. The following report contains a comparative look at sentiment throughout all four surveys, conducted in February, May, August and November 2009.*

### Summary

- The proportion of companies expecting to implement lay-offs has remained similar throughout the year at close to 20%. However, the share not considering lay-offs in the coming three-month period fell from 48% in Q3 to 40% in Q4. Correspondingly, 27% of companies in Q4 stated that they are considering lay-offs, up from 22% in Q3.
- The share of companies expecting to implement short-time working in the coming three months remained stable at just over 20% throughout the year, while around 40% of companies plan to retrain existing staff.
- The share indicating that they will freeze recruitment fell from 62% in Q1 to 55% in Q4; however, the number of companies who are uncertain has increased.
- The total pay bill decreased in 54% of companies in the 12 months to Q4 2009.
- Looking ahead to 2010, 47% expect their total pay bill to remain constant, 33% expect it to decrease, while just 14% see their pay bill increasing.
- The majority of respondents expect to implement pay freezes in 2010.
- In 31% of companies employee numbers had stayed the same; however, in 54% employee numbers had fallen over the past 12 months.
- Looking ahead to 2010, 48% of companies where employee numbers had increased in 2009 expect an increase next year. Of those where numbers had decreased, 42% expect more decreases in 2010; however, 49% do not foresee further change in employee numbers.

### Respondent profile

In November, 41% of respondents were from the manufacturing sector, with a further 33% from the services sector and 26% from the wholesale and retail distribution sector.

Almost two-thirds of respondents employed fewer than 50 employees, while one in ten had 250 or more employees.

Table 1: Profile of participants – all quarters

	February Q1	May Q2	August Q3	November Q4
Percentage of respondents				
<b>Less than 50 employees</b>	71	59	64	65
<b>50 – 249 employees</b>	18	27	24	22
<b>Over 250 employees</b>	9	12	11	11
<b>Not stated</b>	2	2	2	1
<b>Manufacturing</b>	31	38	38	41
<b>Distribution</b>	20	27	25	26
<b>Services</b>	47	34	36	33
<b>Not stated</b>	2	2	2	1
<b>Total</b>	761	468	508	501

**Table 2: Actions companies expect to carry out in the next three months.**

	Yes	No	Under consideration	Don't know/ Not stated
Percentage of respondents				
Freeze recruitment	55	18	11	17
Implement no further contract extensions	27	17	9	47
Retrain existing staff	41	15	22	21
Implement lay-offs	18	40	27	16
Implement short-time working arrangements	21	39	23	16
Reduce spend on training	24	41	14	22
Increase spend on training	14	49	13	24

### Company actions in next three months – all quarters

#### Increase spend on training

The proportion of respondents expecting to increase spend on training in three months following each survey has declined since quarter 2. What is also noteworthy from fig.1 below is that the proportion of respondent companies who are considering an increase in spend on training, or who do not know yet whether they will increase spend on training, has increased over the past two quarterly surveys.

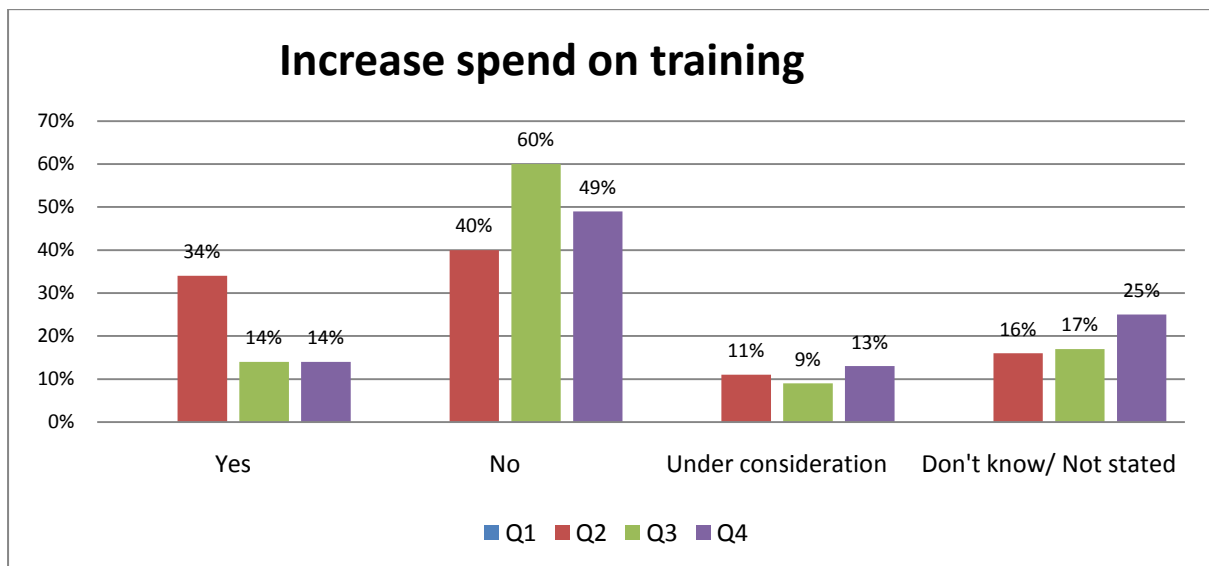


Figure 1: Spend on training in next three months – Q2-4 **Please note:** information on Q1 is not available

## Reduce spend on training

The proportion of respondents who expect to reduce spend on training has declined steadily since Q2. Fig. 2 below sets out the details.

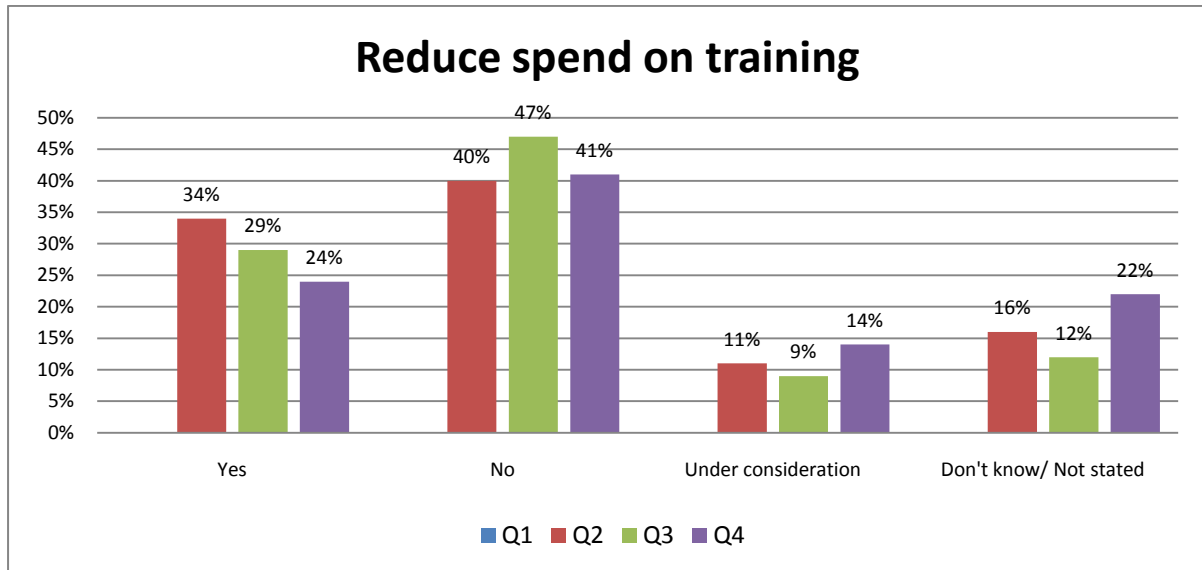


Figure 2: Reduce spend on training – Q2-4 **Please note:** information on Q1 is not available

## Implement lay-offs

The proportion of respondent companies who expect to implement lay-offs in the three months following each survey has remained reasonably similar across Q2-4. In Q3, almost half the respondents were not considering the implementation of lay-offs. This figure has declined to 40% in the current quarter. Also, in Q4, there has been a proportionate increase in respondents who are considering lay offs or who do not know yet whether or not lay-offs will be implemented. Fig. 3 below sets out the full details.

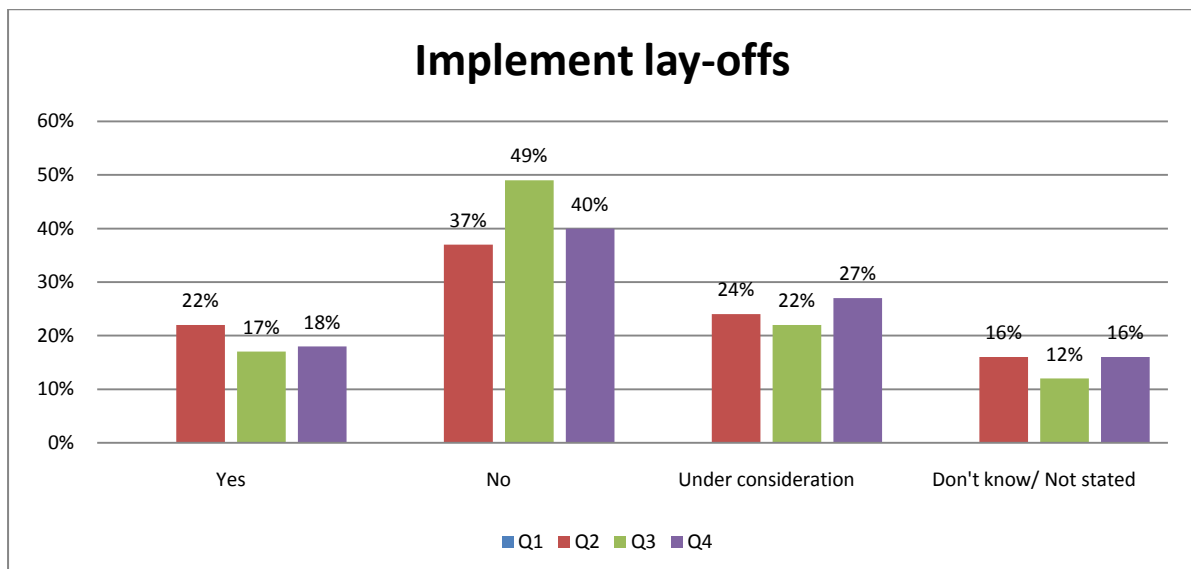


Figure 3: Implement lay-offs – Q2-4 **Please note:** information on Q1 is not available

## Implement short-time working arrangements

Findings in relation to short-time working arrangements are similar to those of lay-offs above. While there has been a slight decrease in those who expect to implement short-term working arrangements in the current quarter, there has also been an increase in those who are considering the implementation of such arrangements and those who do not know yet.

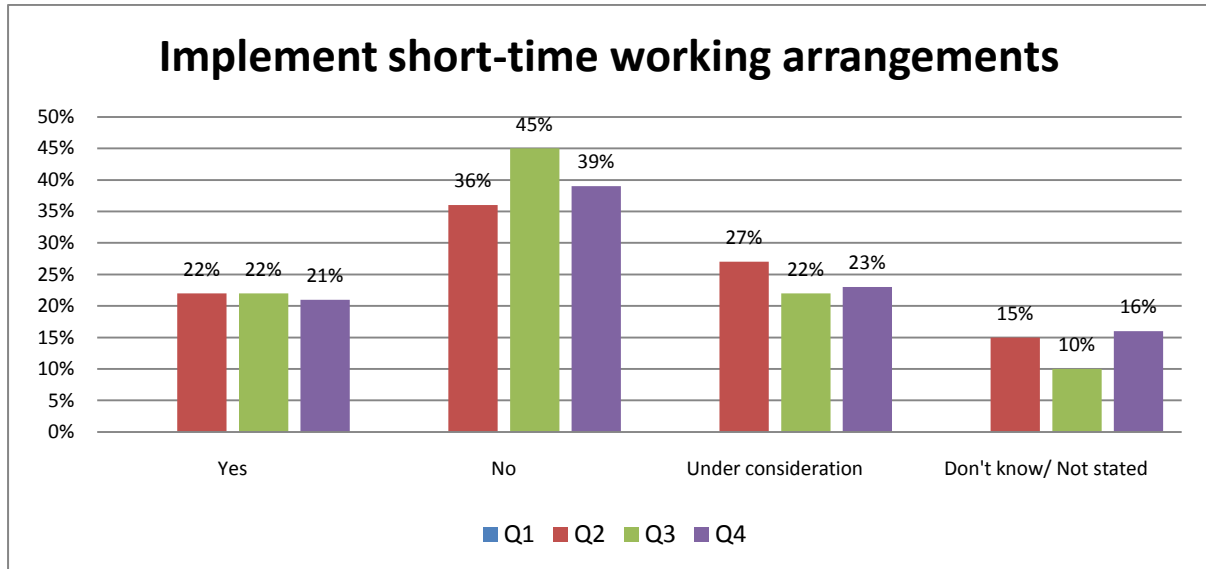


Figure 4: Implement short-time working arrangements – Q2-4 **Please note:** information on Q1 is not available

## Implement no further contract extensions

Over a quarter of respondents in the current quarter expect to implement no further contract extensions, however the majority (56%) are still undecided (either 'under consideration' or 'don't know/ not stated' in fig. 5 below).

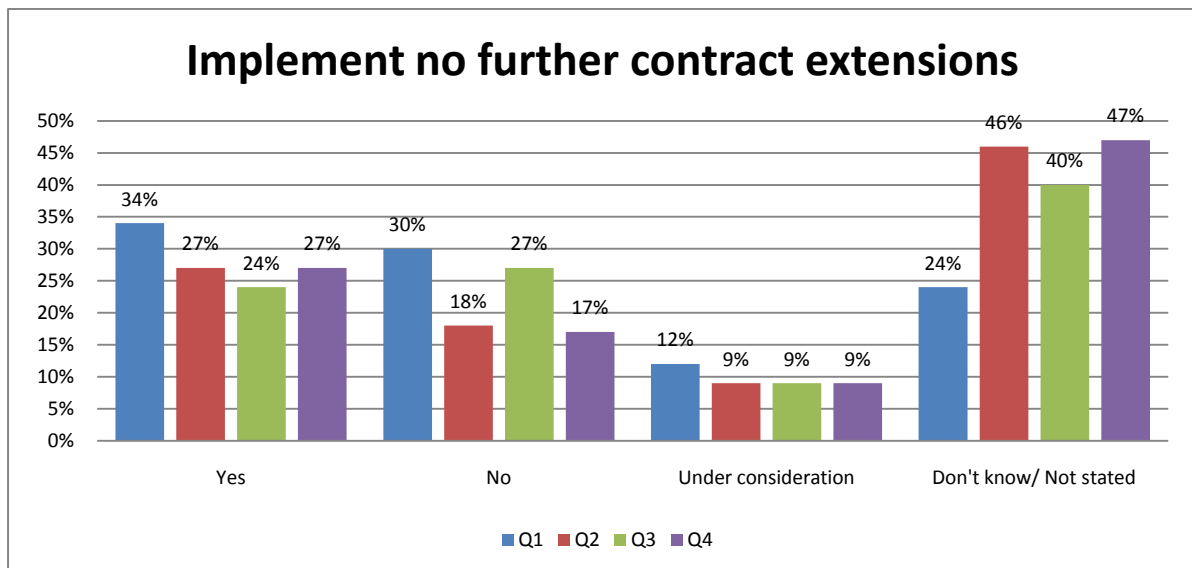


Figure 5: Implement no further contract extensions – all quarters

### Retrain existing staff

Consistently around four out of ten respondents in all quarters expect to retrain existing staff in the three months following the survey. There has been an increase in those who are undecided in the current quarter, and a decrease in the proportion who do not intend to retrain. Fig. 6 below sets out the details.

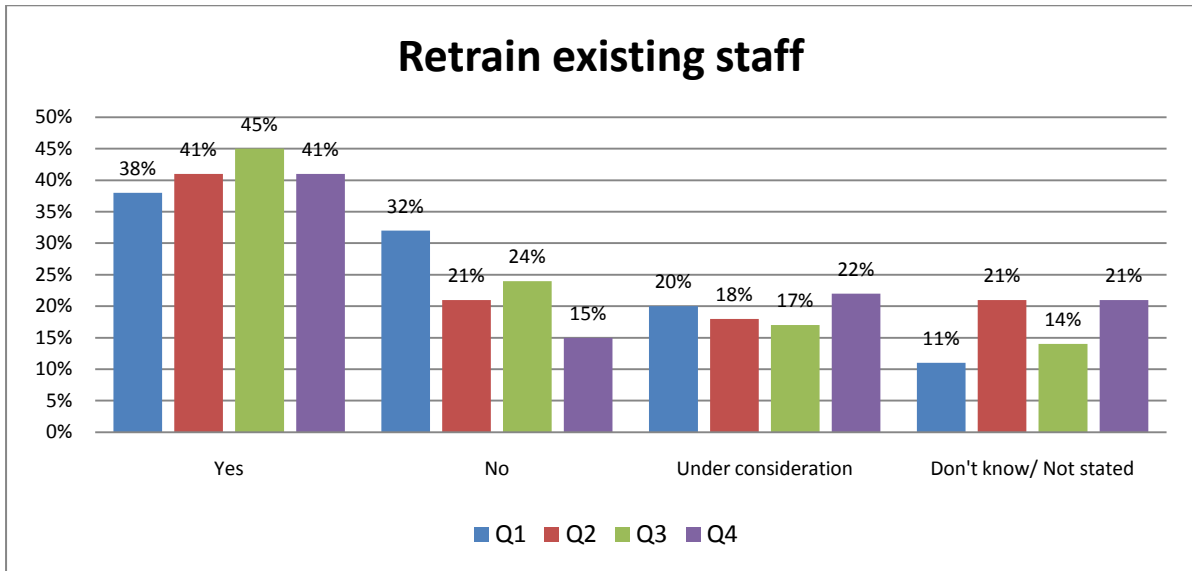


Figure 6: Retrain existing staff – all quarters

### Freeze recruitment

Between half and three-quarters of respondents have indicated that they will freeze recruitment in the three months following each quarterly survey. While the proportion of respondents has declined since Q2, over half (55%) still expect to freeze recruitment in the three months following the Q4 survey. Fig. 7 below sets out the full details.

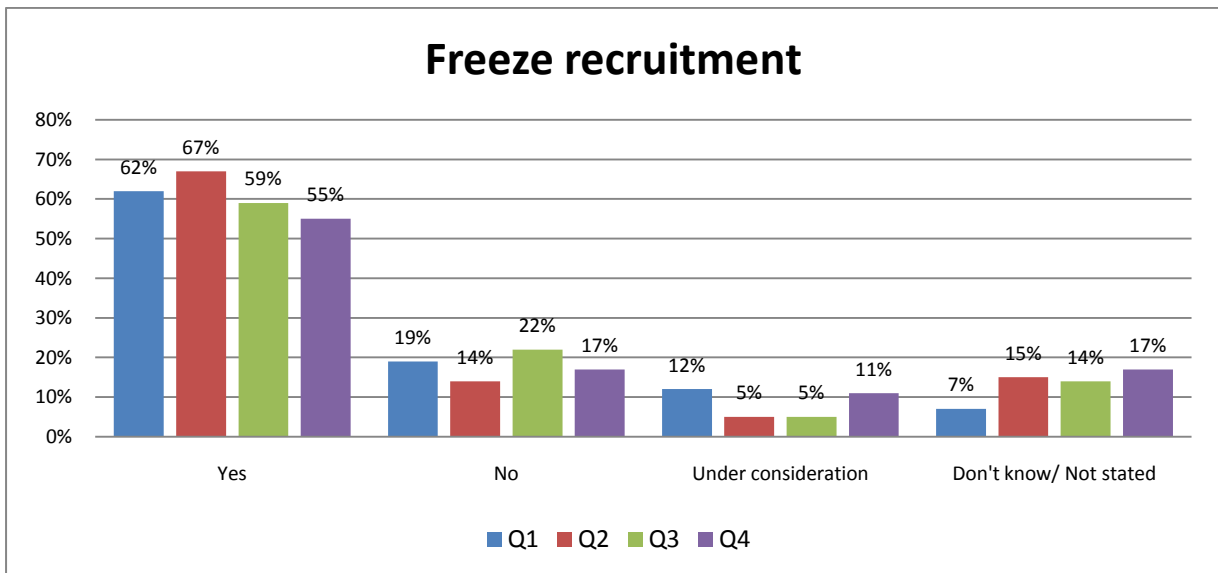


Figure 7: Freeze recruitment – all quarters

### Company actions in relation to pay

Companies were asked to identify the percentage change in their total pay bill from this time last year. In 13% of companies the total pay bill had increased over the last 12 months. In over one-quarter of respondents (30%) the total pay bill had stayed the same. Over half the respondent companies (54%) indicated that their total pay bill had decreased over the past 12 months. Some 103 companies provided information in relation to their total pay bill decrease, amounting to an average decrease of -19.29%, and a median decrease of -17%. Where the pay bill had increased, the average increase across the 22 companies who provided information was 7.55% with a median increase of 3.25%. Overall, on average the total pay bill for 2009 decreased by -9.78%<sup>1</sup>.

Looking ahead to 2010, companies were asked to provide similar information. Some 14% of respondents expected their total pay bill to increase, almost half (47%) expected the 2010 total pay bill to remain the same as currently. One-third of respondents (33%) expected their total pay bill in 2010 to decrease. Some 59 companies provided details of the percentage decrease in total pay bill that they expected. The average expected decrease was -15.01%, with a median of -10%<sup>2</sup>. Some 25 companies provided details of their expected increase in total pay bill. The average increase was 13.16% with a median increase of 5%. Overall, on average the total pay bill for 2010 is expected to decrease by -3.26%<sup>3</sup>.

Companies were asked to identify changes to pay for particular employee grades since the beginning of 2009. Results are set out in the following table.

**Table 3: Company actions since start of 2009 in relation to pay by job category**

	Management grades		Other salaried staff		Production workers		All staff	
	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4
Pay increase	9%	9%	11%	12%	9%	11%	11%	12%
Pay freeze to reverse previous pay cut	-	-	-	-	-	-	-	-
Pay freeze (no pay increase applied)	57%	52%	61%	57%	55%	51%	59%	54%
Pay cut	30%	33%	22%	22%	14%	15%	21%	22%
Not stated	4%	6%	6%	9%	22%	24%	9%	12%
Total	508	501	508	501	508	501	508	501

**Table 4: Percentage change to pay since start of 2009 (where data was provided)**

	Average pay increase	Median pay increase	Average pay cut	Median pay cut
Management grades	3.00%	2.50%	-17.68%	-13.50%
Other salaried staff	3.36%	3.00%	-12.94%	-10.00%
Production workers	3.18%	3.00%	-12.17%	-10.00%
All staff	3.11%	3.00%	-13.84%	-10.00%

Overall, when the percentage changes to pay (including pay freezes (0%)) were averaged across all respondents, an average decrease of -5.9% in pay to management was found, with average decreases of -2.7% for other salaried staff and -1.9% for production workers respectively, since the start of 2009. Overall, the average decrease for all staff was -3%<sup>4</sup>.

<sup>1</sup> Where the company had indicated either an increase or decrease in their total pay bill but had not provided details of the percentage change, the average increase or decrease calculated from those who had provided information was applied to the missing cases.

<sup>2</sup> It is worth noting that there were two very high observations in relation to expected increases in pay in 2010. These related to small companies and were included in the findings.

<sup>3</sup> Where the company had indicated they expected either an increase or decrease in their total pay bill in 2010 but had not provided details of the percentage change, the average increase or decrease calculated from those who had provided information was applied to the missing cases.

<sup>4</sup> Where the company had indicated either a pay increase or decrease but had not provided details of the percentage change, the average pay increase or decrease calculated from those who had provided information was applied to the missing cases.

Companies were asked to identify changes to pay for particular employee grades expected at their next scheduled pay review. Results are set out in the following table.

**Table 5: Company actions at next pay review date in relation to pay by job category**

	Management grades		Other salaried staff		Production workers		All staff	
	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4
Pay increase	7%	5%	6%	6%	5%	4%	9%	8%
Pay freeze to reverse previous pay cut	1%	-	1%	-	-	-	1%	-
Pay freeze (no pay increase applied)	70%	72%	71%	69%	65%	63%	76%	73%
Pay cut	10%	12%	6%	10%	6%	9%	8%	11%
Not stated	12%	11%	16%	16%	25%	24%	7%	8%
Total	508	501	508	501	508	501	508	501

The majority of respondents expected to implement pay freezes in 2010. For this reason the data in table 6 should be treated with caution due to the very few respondents who expected to have either pay increases or decreases at their next pay review, and the low number of companies who provided information on same.

**Table 6: Expected percentage change to pay at next pay review date (where data was provided)**

	Average pay increase	Median pay increase	Average pay cut	Median pay cut
Management grades	2.9%	2.0%	-12.2%	-10.0%
Other salaried staff	2.3%	2.0%	-10.7%	-10.0%
Production workers	2.1%	2.0%	-9.0%	-7.0%
All staff	2.1%	2.0%	-10.6%	-10.0%

Overall, when the expected percentage changes to pay were averaged across all respondents, (including pay freezes (0%)), an average decrease of -1.5% in pay to management was expected, with average decreases of -1% for other salaried staff and -0.9% for production workers respectively. Overall, the expected average decrease for 'all staff' was -1.1%<sup>5</sup>.

## EMPLOYEE NUMBERS

Companies were asked to identify whether employee numbers within their company had increased, decreased or stayed the same, compared with November 2008. Some 8% of respondents indicated that their employee numbers had increased. In almost one-third (31%) of companies employee numbers had stayed the same. In over half the respondent companies (54%) employee numbers had decreased since this time last year. Overall, employee numbers have decreased by -7.94%<sup>6</sup> in respondent companies since this time last year. Companies said that they expect a further decrease of -4% in employee numbers in 2010<sup>7</sup>.

Looking ahead to this time next year, almost half (48%) of companies who had experienced an increase in the last 12 months expected to experience an increase in the next year also. Of those who had experienced a decrease in employee numbers over the past year, 42% expected to see a further decrease in the next year. Almost half (49%) of companies that had experienced a decrease in

<sup>5</sup> Where the company had indicated either a pay increase or decrease but had not provided details of the percentage change, the average pay increase or decrease calculated from those who had provided information was applied to the missing cases.

<sup>6</sup> Where the company had indicated employee numbers had increased or decreased but had not provided details of the percentage change, the average employee number increase or decrease calculated from those who had provided information was applied to the missing cases.

<sup>7</sup> Where the company had indicated that employee numbers were expected to increase or decrease but had not provided details of the percentage change, the average expected employee number increase or decrease calculated from those who had provided information was applied to the missing cases. It is also worth noting that there were two very high observations in relation to expected decreases in employee numbers in 2010. These related to small companies and were included in the calculation of the average.

employee numbers in the last 12 months expected no further change in employee numbers in the next year.

Of the companies which indicated that their employee numbers had stayed the same in the past year (31%, above), just over one fifth (21%) expected to see a decrease in employee numbers over the next 12 months.

In terms of maintaining jobs over the next three months, almost two-thirds of respondent companies (62%) thought that their companies would be able to do so, with 14% indicating that they would not. The remaining 25% either did not know or did not provide a response.

### Redundancies

Some 15% of respondent companies indicated that they had implemented compulsory redundancies in the last three months, while an additional 9% had implemented voluntary redundancies. This represents a decrease on Q3 where 21% of respondents had implemented compulsory redundancies in the preceding three months, and 11% had implemented voluntary redundancies.

Over the next three months the number of companies expecting to implement compulsory redundancies remained at 16% since Q3, with an additional 10% indicating that they expected to implement voluntary redundancies. Findings in relation to potential redundancies in the three months following the survey were similar to those of Q3. Tables 7 and 8 below set out the details.

Table 7: Redundancies in last three months – all quarters

Has your company implemented redundancies in the last 3 months?	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Yes, compulsory</b>	23	26	21	15
<b>Yes, voluntary</b>	11	10	11	9
<b>No</b>	65	60	64	72
<b>Not stated</b>	1	4	5	4
<b>Total</b>	761	468	508	501

Table 8: Redundancies in next three months – all quarters

Does your company expect to implement redundancies in the next 3 months?	February Q1	May Q2	August Q3	November Q4
	Percentage of respondents			
<b>Yes, compulsory</b>	24	22	16	16
<b>Yes, voluntary</b>	10	10	9	10
<b>No</b>	64	64	70	70
<b>Not stated</b>	3	5	6	4
<b>Total</b>	761	468	508	501