

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue, and the bottom bulb is light blue. The globe is centered in the narrow neck of the hourglass. The top bulb is filled with a dark blue globe, and the bottom bulb is filled with a light blue globe. The hourglass is set against a white background.

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Report RL31250

*The Worker Adjustment and Retraining Notification Act
(WARN)*

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January 9, 2008

Abstract. Congress has passed legislation to facilitate the reemployment of workers who through no fault of their own are let go by their employers. Among these laws is the Worker Adjustment and Retraining Notification (WARN) Act, P.L. 100-379, enacted in 1988. It requires advance notice of mass layoffs and plant closings.

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The Worker Adjustment and Retraining Notification Act (WARN)

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January 9, 2008

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Summary

Congress has passed legislation to facilitate the reemployment of workers who through no fault of their own are let go by their employers. Among these laws is the Worker Adjustment and Retraining Notification (WARN) Act, P.L. 100-379, enacted in 1988. It requires advance notice of mass layoffs and plant closings.

Congressional interest in the WARN Act has renewed in the current decade due in part to growth in offshore outsourcing and perceived shortcomings of the statute. S. 1792, H.R. 3662 and H.R. 3796 would amend the Worker Adjustment and Retraining Notification Act to require more businesses to provide notice to more workers, lengthen the notice period to 90 days, increase the back pay penalty for violation of the law, and expand those to whom notice must be given (e.g., Secretary of Labor and U.S. Senators and Representatives). On October 31, 2007, the House passed H.R. 3920, which reauthorizes the Trade Adjustment Assistance programs for workers and firms and amends the WARN Act. Changes made by H.R. 3920 to the Worker Adjustment and Retraining Notification Act are similar in several respects to those made by H.R. 3796, such as authorizing the Secretary of Labor to investigate and attempt to resolve complaints of violations of the act and counting part-time employees (defined by the act to include persons employed less than six months) toward the employer size threshold.

The WARN Act now requires employers to provide written notice to displaced workers or their representatives, state dislocated worker units or entities designated by the state to carry out rapid response activities, and the chief elected official of a unit of local government at least 60 days before a plant closing or mass layoff is expected to occur. Shorter notice may be provided in three instances. A number of other exceptions to and exemptions from the notification requirement exist.

Relatively small businesses and small temporary layoffs are not subject to the WARN Act. Firms with 100 or more employees, excluding part-time employees, generally must provide advance notice if a mass layoff is expected to exceed six months. A mass layoff is an employment loss at a job site within any 30-day period affecting (a) 50-499 employees (excluding part-timers) if they make up at least one-third of an employer's workforce (excluding part-timers), *or* (b) at least 500 employees (excluding part-time employees). A plant closing is a shutdown of a work site that produces job losses for at least 50 employees (other than part-timers) within any 30-day period. (Part-time employees are entitled to notice.)

Employees, their representatives, or units of local government can bring civil actions against employers thought to have violated the act. DOL does not have any investigative or enforcement authority. The maximum liability of employers is back pay and benefits for each day that notice was not provided, although the amount of the penalty may be reduced.

This report will be updated as legislative activity occurs.

Contents

Legislative Activity: Past and Present	1
Summary of the WARN Act	2
Length and Intent of the Act's Advance Notice Requirement.....	3
Whom Does the Act Cover?.....	4
Part-Time Employees.....	4
Employees Not Entitled to Notice	4
Closings and Layoffs to Which the Act Applies	4
Exceptions to or Exemptions from P.L. 100-379	5
Transfers or Reassignments	6
Sale of a Business	6
Strikes and Lockouts.....	6
Enforcement and Penalties.....	6

Tables

Table A-1. Extended Mass Layoffs and Worker Separations Directly or Indirectly Related to the September 11 Attacks, by Time Elapsed	8
Table A-2. Extended Mass Layoff Events and Worker Separations for the Weeks Ending September 15, 2001-January 12, 2002, Directly or Indirectly Attributed to the September 11 Attacks.....	9

Appendixes

Appendix. Layoffs Due to the September 11 Attacks	8
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Contacts

Author Contact Information	10
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The Worker Adjustment and Retraining Notification (WARN) Act is one of the pieces of legislation that Congress has passed to facilitate the reemployment of workers who through no fault of their own lose their jobs. Other statutes include the Workforce Investment Act, which provides a variety of reemployment services to dislocated workers (e.g., training), and the Trade Adjustment Assistance program for workers, which provides reemployment services among other assistance to a subset of job losers (i.e., those harmed by trade).¹

Although “retraining” appears in its title, the WARN Act does not authorize training. It instead requires employers that intend to carry out plant closings or large-scale long-lasting layoffs to provide advance notice to enable affected workers to more quickly find new jobs.

Legislative Activity: Past and Present

Legislation was first introduced at the federal level in 1973 to require advance notice of plant closings and mass layoffs.² The issue proved to be contentious and more than a decade elapsed before Congress enacted the WARN Act (P.L. 100-379) in 1988 without President Reagan’s signature.³ The law became effective in February 1989. It generated fairly little interest during a period marked by a brief mild recession at the outset of the 1990s and then by the longest economic expansion in the nation’s history (120 months).

Interest has renewed in the WARN Act during the current decade for a variety of reasons. The frequency and size of layoffs increased markedly during the latest (March-November 2001) recession and after the terrorist attacks of September 11, 2001.⁴ A few years later, policymakers grappling with the issue of offshore outsourcing or offshoring of U.S. jobs to other countries introduced legislation to amend the statute.⁵ S. 2090, which was introduced in 2004, would have included under the law employer actions that had the effect of creating, shifting, or transferring positions or facilities outside the United States and in so doing cause a job loss for at least 15 employees during any 30-day period. In addition, the bill would have lengthened the notification period and lowered the firm-size threshold for mass layoffs. It also would have required the Secretary of Labor to issue statistical reports based on the written notices of plant closings, mass layoffs, and offshoring that covered employers would have had to provide the Secretary. (Under current law, employers do not provide notices to the federal government.)

¹ For information on these statutes, see CRS Report RL33687, *The Workforce Investment Act (WIA): Program-by-Program Overview and Funding of Title I Training Programs*, by Blake Alan Naughton; and CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Alternative Trade Adjustment Assistance for Older Workers (ATAA)*, by John J. Topoleski.

² The Trade Act of 1974 (Title II, Section 283 of P.L. 93-618) asked firms that planned to move operations outside the United States to provide at least 60 days advance notice to employees likely to be adversely affected by their actions as well as to the Secretaries of Labor and Commerce.

³ For more information see U.S. House of Representatives, Committee on Education and Labor, *Legislative History of S. 2527, 100th Congress, Worker Adjustment and Retraining Notification Act, P.L. 100-379, 100th Cong., 2nd sess.*, serial no. 101-K (Washington: GPO, 1990).

⁴ For information on mass layoffs related specifically to September 11, see the **Appendix** of this report. For additional information on mass layoff activity, see CRS Report RL30799, *Unemployment Through Layoffs and Offshore Outsourcing*, by Linda Levine.

⁵ For information on offshoring, see CRS Report RL32292, *Offshoring (a.k.a. Offshore Outsourcing) and Job Insecurity Among U.S. Workers*, by Linda Levine.

Three bills to amend the WARN Act have been introduced to date in the 110th Congress. S. 1792, H.R. 3662, and H.R. 3796 have several common features intended to address perceived shortcomings of the law, which has not been substantively amended since its inception some 20 years ago.⁶ The bills would revise the law to require more firms to provide notice to more workers terminated en masse (e.g., by lowering the size threshold for employer coverage under the act to 50 employees excluding part-timers in the case of S. 1792 and H.R. 3662; retaining the firm-size threshold of 100 employees but including part-timers in the case of H.R. 3796; covering plant closings of at least 25 employees, excluding part-timers, under S. 1792 and H.R. 3662, and of at least 25 employees, including part-timers, in the case of H.R. 3796). The bills also would lengthen the notice period to 90 days before the event, increase the back pay penalty for violation of the statute, and authorize the Secretary of Labor to bring civil action on behalf of workers. While S. 1792 would require employers to notify the Secretary of Labor after a covered event had occurred, H.R. 3662 and H.R. 3796 would require notice be given in advance of a covered plant closing or mass layoff to the Secretary of Labor and to U.S. Senators and Representatives in the areas in which plants are located. H.R. 3662 would require advance notice be provided to appropriate state senators, representatives, and governors as well. On October 18, 2007, the House Committee on Education and Labor marked up and ordered to be reported H.R. 3796 (amended).

On October 31, 2007, the House passed H.R. 3920, which reauthorizes the Trade Adjustment Assistance (TAA) programs for workers and firms and amends the WARN Act. Changes made by H.R. 3920 to the advance notice statute are similar in many respects to those made by H.R. 3796 (e.g., provide 90-day advance notice, increase back pay penalty, authorize the Secretary of Labor to investigate and attempt to resolve complaints of violations of the act, count part-time employees (defined by the act to include persons employed less than six months) toward the employer size threshold, and have employers notify the Secretary of Labor who in turn notifies the appropriate Members of Congress). Differences between S. 3796 and the TAA bill's amendment of the WARN Act include H.R. 3920 defining covered plant closings and mass layoffs as employment losses of at least 50 employees; prohibiting the rights and remedies under the WARN Act, including the right to bring a civil action, from being waived or lost pursuant to an agreement or settlement reached outside the act; and exempting employers from the advance notice requirement if the closing or layoff is directly or indirectly due to a terrorist attack on the United States.

Summary of the WARN Act

The key provisions of the act are described below and at 29 USC Chapter 23. Additional information is available on the U.S. Department of Labor's website: <http://www.dol.gov/compliance/laws/comp-warn.htm>.

⁶ For information on the act's perceived shortcomings, see U.S. Government Accountability Office, *The Worker Adjustment and Retraining Notification Act: Revising the Act and Educational Materials Could Clarify Employer Responsibilities and Employee Rights*, GAO-03-1003, September 2003.

Length and Intent of the Act's Advance Notice Requirement

Generally, the WARN Act requires employers to provide written notice to affected workers or their representatives at least *60 days* before a plant closing or mass layoff is expected to occur. Workers affected by a mass layoff would include those who might be “bumped” from their jobs by more senior workers whose positions had been eliminated.

State dislocated worker units or entities designated by the state to carry out rapid response activities must be forewarned as well so they may provide assistance under the Workforce Investment Act for example. The chief elected official of a unit of local government also must receive notice 60 days before a plant closing or mass layoff is initiated. (See the box, “Three Reasons for a Notice Period of Less Than 60 Days,” for the three instances in which the advance notice period can be of shorter duration.)

The WARN Act does not supersede collective bargaining agreements or other laws whose terms concerning advance notice or related employee rights are superior to those of the statute (e.g., the provision of severance payments). If a state plant closing law requires employers to provide more than 60 days advance notice, the federal law’s notice period runs concurrently with the state’s requirement.

P.L. 100-379’s advance notice period is intended to afford employees time to find other jobs, obtain retraining or otherwise adjust to their soon-to-be-changed employment situation. As opposed to the termination of a few employees, large numbers of workers released into a local labor market at approximately the same time would produce keen competition for job vacancies. The job-seeking efforts of displaced workers could be particularly difficult if they are released from a declining industry in which nearby firms producing similar goods or services can offer few employment opportunities. Similarly, a geographic area with a shrinking or stagnant job base could have much more trouble absorbing many workers laid off at once as opposed to a few employees let go from time to time.

Three Reasons for a Notice Period of Less Than 60 Days

The faltering company exception: Employers can provide reduced notice for plant closings but not for mass layoffs, if they had been seeking financing or business for their faltering enterprises, thought they had a realistic chance of obtaining funds or new business sufficient to allow the facilities to remain open, and believed in good faith that giving notice would have prevented them from getting the capital or business necessary to continue their operations.

The unforeseeable business circumstances exception: Employers can provide reduced notice if they could not reasonably foresee the business circumstances that provoked the plant closings or mass layoffs. Dire circumstances that occurred without warning and that were outside the employer’s control could include (1) a major client terminating a large contract with the employer, (2) a strike at a supplier of key parts to the employer or (3) the swift onset of a deep economic downturn or a non-natural disaster (e.g., a terrorist attack).

The natural disaster exception: The occurrence of floods, earthquakes, droughts, storms, and similar effects of nature fulfill this exception to the 60-day advance notice requirement for plant closings or mass layoffs. If closings or layoffs are indirectly due to natural disasters, the exception would not apply; however, the unforeseen business circumstances exception might.

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Whom Does the Act Cover?

Relatively small employers are not subject to the WARN Act. Private for-profit and non-profit employers with *100 or more employees* (excluding part-time employees or the hourly equivalent⁷) must provide notice of impending plant closings or mass layoffs. Neither federal, state, nor local governments are covered by P.L. 100-379, but public and quasi-public entities that engage in business and that function independently of those governments are covered if they meet the employer-size threshold.

Workers covered by the statute include hourly and salaried employees, managers, and supervisors on the employer's payroll. Persons who are temporarily laid off or are on leave but have a reasonable expectation of being recalled also are covered and counted toward the employer-size threshold. The law does not apply to an employer's business partners, contract employees who have an employment relationship with and are paid by another employer, and self-employed individuals.

Part-Time Employees

Part-time employees are defined as persons who on average work under 20 hours per week *or* who have been employed fewer than six of the 12 months preceding the date on which notice is required. Part-timers thus include recently hired employees working full-time hours and seasonal (part-year) workers. Although part-time employees are not counted toward the threshold for determining employer coverage under the law, they nonetheless are due advance notice from covered employers.

Employees Not Entitled to Notice

Workers who are counted toward the firm-size threshold but are not entitled to advance notice include U.S. workers who are located at an employer's facility in a foreign country and individuals who are clearly told upon being hired that their employment would be temporary (e.g., limited to the time it takes to complete a specific project). For information on other exemptions see the section in this report entitled "Exceptions to or Exemptions from P.L. 100-379."

Closings and Layoffs to Which the Act Applies

A *plant closing* is defined as a permanent or temporary shutdown of one or more distinct sites of employment (e.g., an auto plant) or facilities or operating units within a single site (e.g., a photocopying department) that produces an "employment loss" for at least 50 employees, other than part-timers, at the site within any 30-day period. An action is considered a plant closing if it effectively stops the work of a unit within the site, although a few employees may remain in the facility.

⁷ At least 100 full-time and part-time employees who in the aggregate work at least 4,000 hours per week exclusive of overtime hours (i.e., 4,000 hours/100 employees = 40 hours per week on average).

A *mass layoff* is defined as an “employment loss”—regardless of whether any units are shut down—at a single site within any 30-day period for

- 50-499 employees (excluding part-timers) if they make up at least 33% of an employer’s active workforce (excluding part-timers),⁸ *or*
- at least 500 employees (excluding part-timers).

P.L. 100-379 thus does not cover small layoffs.

An employer may have to provide advance notice if multiple groups of workers are laid off over time but each group is smaller during any 30-day period than the employee-size thresholds. If taken together the number of terminated workers exceeds one of the thresholds during any 90-day period, the action is considered a plant closing or mass layoff unless the employer proves that the employment losses are due to “separate and distinct actions and causes and are not an attempt by the employer to evade the requirements of” the act.

In order for the above-described plant closings or mass layoffs to trigger the advance notice requirement, the *employment loss* must involve

- a termination other than a discharge for cause, voluntary departure, or retirement,
- a layoff exceeding six months, *or*
- a more than 50% reduction in the work hours (excluding overtime hours) of individual employees during each month of any six-month period.

If an employer calls a layoff that is not expected to meet the statute’s six-month threshold for providing advance notice and the employer subsequently extends the layoff beyond six months, an employment loss will have occurred unless the extension was due to “business circumstances not reasonably foreseeable at the time of the initial layoff.” The employer must give employees advance notice when it becomes foreseeable that an extension of a short-term layoff is necessary. As in the case of multiple layoffs of small groups of employees, this provision is intended to prevent employers from evading the act’s notice requirement by prolonging a layoff that initially was too brief to meet the law’s definition of employment loss.

Exceptions to or Exemptions from P.L. 100-379

The WARN Act contains several exceptions to or exemptions from its requirement that employers provide affected parties with 60 days notice of an impending mass layoff or plant closing. For example, the legislation specifies three instances in which a shorter period of notice is allowed (see box above). The exemption from the notice requirement of workers employed at temporary facilities or on temporary projects was mentioned previously in the discussion about who is counted toward the act’s employer-size threshold. Three other cases are taken up below.

⁸ Actively working employees are persons currently on the employer’s payroll and in pay status at the time of the mass layoff.

Transfers or Reassignments

The extent of employment loss can be reduced—and hence, the need to provide notice can be minimized—under certain circumstances. If a closing or layoff takes place due to the relocation or consolidation of all or part of an employer’s business it is not considered an employment loss if before the action:

- (1) the employer offers to transfer an employee to another site within reasonable commuting distance and no more than a six-month break in employment occurs (regardless of whether the employee accepts or rejects the offer), *or*
- (2) the employee accepts a transfer to another site—regardless of distance—with no more than a six-month break in employment, within 30 days of the employer’s offer or of the closing/layoff, whichever is later.

Sale of a Business

The sale of all or part of a business does not in itself produce an employment loss because individuals who were employees of the seller through the sale’s effective date are thereafter considered employees of the buyer. If a covered plant closing or mass layoff takes place up to and including the effective date of the sale, it is the responsibility of the seller to provide notice. If the seller knows the buyer has definite plans to initiate a covered plant closing or mass layoff within 60 days of the purchase, the seller may give notice to affected employees as an agent of the buyer if so empowered by the buyer. If not, the buyer becomes responsible for providing the requisite advance notice.

Strikes and Lockouts

Plant closings or mass layoffs that are the result of a strike or lockout are exempt from the notice requirement unless employers lockout employees to evade compliance with the act. “Economic strikers” whom employers permanently replace do not count toward the employee-size thresholds necessary to trigger the notice requirement.⁹ Non-striking employees who experience an employment loss directly or indirectly associated with a strike and employees who are not members of the bargaining unit involved in the contract negotiations that prompted a lockout are entitled to advance notice.

Enforcement and Penalties

Employees, their representatives or units of local government can bring civil actions in federal district court against employers thought to have violated the WARN Act. A court does not have the authority to stop a plant closing or mass layoff.

The U.S. Department of Labor does not have any investigative or enforcement authority under the law. It is authorized to write regulations and to provide assistance understanding them.

⁹ Economic strikers are those employees who go on strike over wages, hours, or other working conditions during contract negotiations.

Employers who violate P.L. 100-379 are liable for back pay and benefits (e.g., the cost of medical expenses that would have been covered had the employment loss not occurred) to each aggrieved employee. The penalty is calculated for each working day that notice was not provided up to a maximum of 60 days. In other words, the 60-day liability is reduced for each day that notice was provided. Maximum liability may be less than 60 days for those employees who had worked for the employer less than 120 days.

If any employer made “voluntary and unconditional payments” to terminated employees for failure to provide timely notice, the amount of the penalty may be reduced.¹⁰ A court also may decrease the back-pay liability if an employer’s failure to comply with the act was in “good faith” with “reasonable grounds for believing” that its closure or layoff action did not violate the law. In addition, a court may reduce the \$500 a day civil fine to which a unit of local government is entitled for an employer’s violation of the statute. An employer can avoid the civil penalty entirely if each aggrieved employee is paid the full amount owed within three weeks from the date of the plant closing or mass layoff.

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¹⁰ In contrast, severance payments that the employer was legally obligated to make because of the employment loss do not diminish the employer’s liability. Similarly, payments made by third parties to terminated employees (e.g., unemployment insurance benefits) do not limit the size of the employer’s penalty.

Appendix. Layoffs Due to the September 11 Attacks

The U.S. Bureau of Labor Statistics (BLS) collects data on mass layoffs and extended mass layoffs. A mass layoff is defined as an event involving at least 50 workers from a single establishment who file initial claims for unemployment insurance (UI) benefits during a consecutive five-week period. Although mass layoff data are released monthly, limited information is collected on these potentially brief events. The BLS subsequently obtains additional data—including the reason that prompted the action—for those mass layoffs that last longer than 30 days. The detailed information on extended mass layoffs is released on a quarterly basis.

To develop a statistical portrait of the impact on layoff activity of the September 11 terrorist attacks, the BLS began asking employers whether their decision to call a layoff was directly or indirectly prompted by the events of that day. In the interest of timeliness, these results were released each month. Although the series does not cover employees let go individually or in small groups or who were just briefly laid off, it was the only federal statistical program that tracked worker displacement linked to the terrorist actions of September 2001.

For the 18-week period between mid-September 2001 and mid-January 2002, employers reported that they called 430 extended mass layoffs that were directly or indirectly attributable to the attacks. The actions involved 125,637 employees. As shown in **Table A-1**, the number of layoffs and workers displaced generally trended downward as time elapsed since the terrorists' actions.

Table A-1. Extended Mass Layoffs and Worker Separations Directly or Indirectly Related to the September 11 Attacks, by Time Elapsed

Weeks Ending	Number of Layoff Events	Number of Separated Workers
September 15-October 13, 2001	283	87,257
October 20-November 17, 2001	96	24,345
November 24-December 15, 2001	23	2,574
December 22, 2001-January 12, 2002	28	11,461
Total	430	125,637

Source: U.S. Bureau of Labor Statistics. Mass Layoff Statistics series.

Although employers in 33 states said they released at least 50 employees for longer than 30 days as a direct or indirect result of the attacks, 72% of the layoffs and 63% of the worker separations took place in fairly few states. (See **Table A-2**.) The seven states were California (98 layoffs and 23,516 workers), Florida (56 layoffs and 6,896 workers), Hawaii (25 layoffs and 3,495 workers), Illinois (21 layoffs and 11,320 workers), Nevada (42 layoffs and 14,943 workers), New York (47 layoffs and 10,765 workers), and Texas (21 layoffs and 8,839 workers).

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Table A-2. Extended Mass Layoff Events and Worker Separations for the Weeks Ending September 15, 2001-January 12, 2002, Directly or Indirectly Attributed to the September 11 Attacks

State	Number of Layoff Events	Number of Separated Workers
Total	430	125,637
Arizona	5	505
California	98	23,516
Colorado	5	1,624
Connecticut	4	726
Florida	56	6,896
Georgia	5	4,141
Hawaii	25	3,495
Illinois	21	11,320
Indiana	a	a
Iowa	a	a
Kansas	a	a
Kentucky	3	268
Louisiana	8	1,888
Maine	a	a
Maryland	5	1,579
Massachusetts	14	3,679
Michigan	a	a
Minnesota	5	5,979
Missouri	a	a
Nevada	42	14,943
New Jersey	9	1,660
New York	47	10,765
North Carolina	8	5,318
North Dakota	a	a
Ohio	5	711
Oklahoma	4	367
Oregon	a	a
Pennsylvania	4	962
Tennessee	6	1,256
Texas	21	8,839
Utah	4	870

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State	Number of Layoff Events	Number of Separated Workers
Virginia	6	1,584
Washington	8	7,225

Source: U.S. Bureau of Labor Statistics. Unpublished data from the Mass Layoff Statistics series.

- a. Although extended mass layoffs attributable, directly or indirectly, to the September 11, 2001, terrorist attacks occurred in these states, the actions were too few in number to meet BLS or state agency disclosure standards (i.e., fewer than three events).

Most extended mass layoffs due to the terrorist attacks were concentrated in two industry groups: (1) accommodation and foods services and (2) transportation and warehousing. Together they accounted for 268 (or 62%) of the large, long-lasting terrorist-related layoffs and 92,224 (or 73%) of the employees displaced by those events. In particular, 100 (or 23%) of the layoffs took place at hotels and motels, excluding casino hotels, within the broader accommodation and food services industry group. Non-casino hotels/motels let go 18,703 employees in the actions, or 15% of all separated workers. Another 37 layoffs (or 9% of the total) were at casino hotels, and 14,100 workers (or 11% of all separated workers) were let go in the actions. The 30 remaining layoffs in the accommodation and food services industry group (or 7% of all layoffs) that led to the termination of 7,544 workers (or 6% of all separated employees) involved such firms as restaurants, cafeterias, fast-food establishments, and caterers that felt the effect of reduced tourism brought about by travelers' fears over the events of September 11, 2001. Thus, the accommodation and food services industry group as a whole experienced 39% of all large, long-lasting layoffs (167 events) directly or indirectly connected with the terrorist actions and released 32% (40,347) of all separated workers. In comparison, the scheduled air transportation industry called many fewer actions (69 or 16% of the terrorist-related layoffs), but it terminated a somewhat larger number of employees (44,861 or 36% of the total). The other 32 extended mass layoffs in the transportation and warehousing industry group (or 7% of the total) likely involved nonscheduled air carriers and sightseeing or charter bus operators. An additional 7,016 workers were displaced by these employers (or 6% of all separated workers). The entire transportation and warehousing industry group thus accounted for 101 (or 23%) of the terrorist-related layoffs and 51,877 (or 41%) of all separated workers.

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