CATALLAXY
Volume 9 Issue 2 December 2024
e-ISSN 2544-090X
www.catallaxy.pl

Original article
received: 12.06.2024 / accepted: 23.12.2024 / published online: 31.12.2024

Formella, M. (2024). What drives large companies to cut jobs? Analysis of group layoffs in Poland in the period 2016–2024. *Catallaxy*, 9(2), 55–65. https://doi.org/10.24136/cxy.2024.005.

What drives large companies to cut jobs? Analysis of group layoffs in Poland in the period 2016–2024

MARTYNA FORMELLA

Poznań University of Economics and Business, al. Niepodległości 10, 61-875 Poznań, Poland
martyna.formella.ue@gmail.com
orcid.org/0009-0007-3564-7030

Abstract

Motivation: Since the beginning of 2024, much information has been regarding waves of mass layoffs in Poland. Some media in early 2024 reported that the number of collective redundancies was alarming. Such information may make one wonder whether this state of affairs is different from the data from previous years (the study includes the period from 2016).
Aim: This article presents the number of collective redundancies in the post-pandemic period compared to previous years and the reasons that induce employers to reduce employment through collective redundancies.
Materials and methods: The study was carried out by analysing selected large companies that made, or reported, a plan to carry out collective redundancies in the post-pandemic period. In addition, the scale of the number of such redundancies in Poland over 2016–2024 was compared. The analysed companies were also compared in terms of the PKD section to which they belong, which allowed to conclude as to what were the main reasons for the collective dismissals. The materials for the study were taken from the EMIS database and collected through direct contact with provincial labour offices.
Results: The analysis confirms that the number of collective redundancies carried out varies from 2016 to 2024, but remains at a similar level. Furthermore, it is possible to distinguish the sections of the economy where this situation occurs most frequently. The most significant number of collective redundancies during the analysed period were made in the sections related to industry and trade. This makes it possible to conclude that the most frequent reasons for redundancies are restructuring, poor financial situation, or broadly defined exogenous causes, which have been described in more detail in this article.

Keywords: *mass layoffs; downsizing; COVID-19 pandemic*
JEL: *J260; J400; J640*

1. Introduction

Collective redundancies can hurt the labour market and unemployment rates in many countries worldwide. Mass redundancies, especially in small towns, place a heavy burden on the local labour market, leading to difficulties in finding new employment due to weak labour market demand. This situation may lead to a slowdown in wage growth or even pressure to reduce wage growth.

The motivation for writing this article was media reports from sites such as Infor.pl (Król, 2024) and Business Insider (Madejski, 2024), in early 2024 about waves of mass layoffs in Poland. The article's primary purpose is to compare the scale of group layoffs in 2021–2024 to previous years. In addition, the scale of group dismissals in Poland will be analysed regarding PKD section belonging.

The period 2021–2024 was chosen for the analysis, due to the availability of empirical data and the extent of the problem occurring in the post-pandemic period, which is still very current. The study of the number of group layoffs covered not only the specific sizes but also the division of selected companies from across the country by belonging to each section of the PKD, as well as the reasons that may have guided employers in deciding to carry out group layoffs.

In the literature on the subject, studies concentrate mainly on the principles of carrying out group dismissals. However, Poland's latest data on group redundancies and their causes is not analysed, especially during the COVID-19 pandemic. This article fills this research gap by examining the number of group dismissals in Poland based on the declarations of selected large companies.

The paper is structured as follows. Section 2 provides an analysis of the subject literature in the thematic section on group dismissals. Chapter 3 presents data on the number of reported dismissals in Poland from 2016 to 2024 and the research method. Section 4 presents the results of the analysis and conclusions. Chapter 5 is a summary.

2. Group redundancies: literature review

The reasons for collective redundancies are broad and include all circumstances unrelated to the employee, including termination of the employer's business (Krysińska-Wnuk, 2021, p. 79).

The reason for group redundancies is often the need to restructure employment for economic, technical, organisational or social reasons. The most common cause is the recession in the economy, forcing employers to change how they do business (Krzyszkowska, 2015, pp. 101–110).

In 2006, a study was carried out on the causes of collective redundancies in the European Union. It was shown that the most frequent of these were internal restructurings, which covered almost 77% of all group redundancies. Other reasons include company bankruptcy, mergers, and acquisitions (Stuart et al., 2007). They also include offshoring, which transfers production and service processes abroad. It allows reducing the cost of operations and access to foreign resources that improve the quality of the offered products and services (Oczkowska, 2012, pp. 180–188).

In 2020, there was a massive wave of mass layoffs due to the outbreak of the COVID-19 pandemic — the most layoffs were carried out in June 2020 (Krzyścin & Socha, 2022). During this period, the most frequent reasons for layoffs were the rising costs of doing business combined with reduced profits due to restrictions introduced to combat the adverse effects of the pandemic. To allow companies to continue to operate, entrepreneurs had to minimize costs, which was associated with increased layoffs during this period.

The rules for collective redundancies are regulated by the Act of 13 March 2003 on special rules for resolving employment relations with employees for reasons not affecting employees (Act, 2003). A mass layoff is a process in which many people lose their jobs within 30 days. This number depends on the size of the company. In companies employing fewer than 100 people — at least 10 employees are required for group dismissal. In companies employing between 100 and 300 individuals — this must be at least 10% of all employees. On the other hand, in companies employing 300 or more people — at least 30 individuals are required for group redundancies. It should also be noted that such dismissal can also be called a situation where at least five employees lose their jobs if the employment relationship is resolved by agreement of the parties. Only those employed under an employment contract are eligible for group dismissal. Dismissed employees are entitled to a 3-month notice period (Act, 2003).

One of the most essential elements in the collective dismissal process is the protection of dismissed employees. This is a severance payment due to the termination of the employment contract. It should compensate for job losses to some extent (Boguska & Pisarczyk, 2021 pp. 1–22). The amount of the severance payment depends on the salary and the length of work, but it cannot exceed 15 times the minimum wage (Act, 2003).

When making a group layoff, the employer has several obligations to do. One of them is to report to the district labour office the number of people dismissed and the reason for such a decision, as well as to agree with trade unions operating in the company or, if there are none, with the employees themselves and to report the conclusion of an agreement to the district labour office (Act, 2003).

The number of group redundancies and the number of people made redundant under such redundancies are presented in Chart 1. The data was collected by direct contact with provincial labour offices. The bar chart shows the number of group redundancies since 2016, while the line chart shows the number of redundancies each year[1].

When analysing the data presented, it can be seen that the number of group dismissals and the number of dismissed people varied over the years, but remained at a similar level. Only in 2020 can a deviation from the trend be noticed. This was due to the onset of the COVID-19 pandemic when all sectors of the economy were severely affected by its impact. The government decided to introduce economic restrictions, which affected the activities of manufacturing and commercial and service companies. On a microeconomic scale, this translated into lower profits and increased costs. As a result, macroeconomic indicators such as GDP, inflation, the budget deficit, and the unemployment rate suffered.

Since June 2020, there has been an increase in group redundancies, with the most in the following sectors: manufacturing, wholesale and retail trade, and financial and insurance activities (Krzyścin & Socha, 2022).

After 2020, it can be seen that the state of layoffs and laid-off workers began to return to the pre-pandemic trend. This may point to the success of government support shields[2] intended to protect workers from being laid off. Companies had to meet certain conditions to receive the financial aid, and in the case of unjustified aid, there was even a risk of criminal liability (Militz et al., 2021). However, it is highly likely that, thanks to the anti-crisis shields put in place, many businesses have survived a difficult time during the COVID-19 pandemic and indeed, job cuts had not been necessary (Kubiczek & Derej, 2022, pp. 33–58).

The data for 2024 presented in Chart 1 includes information on the number of group redundancies and the number of laid-off people for the first 3–4 months of this year. If this trend continues, the full-year statistics should not significantly exceed those of previous years. This points to the unfounded spread of fear in the media about the number of redundancies currently being carried out.

3. Data and research methods

In order to illustrate the reasons leading entrepreneurs in the framework of group layoffs, a study was conducted of selected companies that have recently made, or have reported, a desire to make group layoffs. An analysis of net profits or, in some cases, net losses and costs of wages or administrative costs, depending on how they were presented in the financial statements was carried out. All data used are taken from the EMIS database. Only companies that decided to reduce employment in the years 2021–2024 were selected, due to the timeliness of the data at the time of preparation of the study and the desire to assess the situation on the market, as well as — the behavior of companies in the post-pandemic period. The

[1] The data presented in the Chart 1 are incomplete, because direct contact with 4 provincial labour offices (opolskie, podkarpackie, podlaskie, świętokrzyskie) was difficult. The analysis does not include any data from those provinces.

[2] The support shields were introduced on the basis of the Act of 2 March 2020 on special solutions related to the prevention and control of COVID-19, other infectious diseases and crisis situations caused by them.

study group included 60 companies of different sizes from all over Poland and different sectors of the economy.

The chosen companies were divided into three groups. The first includes companies that have decided to make collective redundancies in spite of continued profits. Chart 2 shows net profits and salary costs from the last few years for LM Wind Power Blades Polska Sp. z o. o. , which belongs to the group of companies that decided to reduce employment despite a good financial situation. It is noteworthy that in this representative company there were constantly increasing profits and decreasing wage costs. It can, therefore, be concluded that the group redundancies carried out in these companies are not related to a bad financial situation but perhaps — to a change of business plan or restructuring.

In the second group are companies that have generated declining profits or losses. Chart 3 shows the net losses and costs of wages for the period 2019–2022 at Proteon Pharmaceuticals Polska SA. The chart shows how the finances of companies belonging to the second separated group were presented. The analysis concludes that group redundancies are dictated by the poor financial situation of these companies.

In the third group, on the other hand, there were companies that were characterized by an unstable financial situation, which means that they recorded alternating profits and losses. Chart 4 shows the net profits and losses and the administrative costs incurred before the group layoff in the selected company Helios Polska SA. It can be seen that the financial situation was unstable, as in all companies belonging to the separated third group. The company's management informed that there were several reasons for the decision to reduce employment, which may also have occurred in the other companies that decided to make collective redundancies. These include rising employment costs linked to a rise in the minimum wage, rising energy costs and the start of repaying loans taken out during the pandemic.

In the second part of the study, an analysis of the same companies in terms of their affiliation to individual sections of the PKD, according to the scheme of PKD groupings, was carried out. (Regulation, 2020). Chart 5 shows how these data are presented. It can be noted that most of the companies that have decided to carry out the collective redundancies belong to Section C where the industrial companies belong. The second largest group are companies in Section G which are broadly understood trading companies. Due to the fact that the companies surveyed made collective redundancies in the post-pandemic period, such a breakdown may indicate an increased reduction in employment in the sectors that were indeed most affected during the COVID-19 pandemic.

There were production downtimes in the industry, which could postpone increased operating costs while, at the same time, no revenue. 16 production areas recorded declines — mainly car and trailer production, coal mining and furniture production (Brezdeń, 2022, pp. 46–65).

On the other hand, commercial enterprises may have seen lower profits due to the reduced propensity to consume by citizens, as there was an increased propensity to save due to the pervasive uncertainty about the future during the pandemic. Another reason for financial difficulties could be restrictions or prohibitions on the operation of shopping centres with an area of more than 2000 m2 (Staniszewski, 2022, pp. 58–86).

4. Study results

The presented analysis allows general conclusions about the causes of group dismissals. Collective statistics were given on how the number of redundancies was formed in each group, considering the sections of PKD to which the analyzed companies belong.

Table 1 shows the number of companies in each previously mentioned group. The statistics may be surprising because there is a belief that job cuts are generally carried out because of a poor financial situation. Indeed, this situation occurs in most of the companies surveyed, as they account for 47% of the surveyed. However, not much less because as many as 40% of companies carry out group layoffs despite high annual profits. At least 13% of companies have a precarious financial situation that does not fit into the other two groups. Group redundancies usually include the need to restructure employment for economic, technical, organisational or social reasons (Krzyszkowska, 2015, pp. 101–110). It could be that during and immediately after the pandemic, companies were forced to limit their operations to reduce costs when profits were shrinking. This could also have been due to internal projections showing that maintaining employment at current levels would result in losses or declining profits. In such a situation, the best course of action was to reduce employment, which reduced spending on wages.

There was also a division of the companies belonging to the individual groups mentioned above about the PKD section. Table 2 shows how these statistics are presented. Looking at the most common sections, see section C. To this PKD section belongs LM Wind Power Blades Polska Sp. z o.o., which was analysed and did not face any financial problems, so this company belongs to 29% of analysed companies, which did not have any financial issues in the mentioned PKD section. On the other hand, the largest group (57% of the analyzed companies) are those struggling with financial problems (group 2). This indicates financial issues related to production stoppages during the pandemic due to reduced demand for certain manufactured products.

A similar situation occurred in section B related to construction, where a worsening financial situation characterized 100% of the surveyed companies. During the pandemic, few people decided to build a house or even renovate to reduce unnecessary expenses.

On the other hand, the situation was different in section G, where the most significant number of companies belonged to group 1 (70%), which included companies with a good financial situation. Such a result could indicate that the propensity to consume did not fall much during the pandemic, and the group layoffs could be related to rising business costs or, increasingly popular automation, or the use of artificial intelligence and the development of online stores. The same situation occurred in section J — which are the information and communication companies (67%), where it was possible to transform the activity into online services and reduce costs by introducing artificial intelligence, which caused less demand in the labour market. Helios Polska SA, which was previously mentioned and suffered from some financial problems, also belongs to this group of companies.

Proteon Pharmaceuticals Polska SA is an example of companies from PKD section M. In this group, companies mostly faced declining profits or losses as well as Proteon Pharmaceuticals Polska SA. This could have been caused by declining demand for particular products or services because the scientific sector was focused on the COVID-19 pandemic and the virus.

5. Conclusion

The presented analysis shows that many reasons can lead entrepreneurs to reduce employment — especially in the form of mass layoffs. The most important of these does not have to be the company's dire financial situation, which has been presented. Of course, most companies have faced such problems during the pandemic, which is common knowledge. However, there may also be other reasons why companies that generate constant profits decide to carry out collective redundancies. These are primarily exogenous causes. They are characterized by high complexity and are, to a small extent, related to the organization's internal activities (Potyrańska, 2022, pp. 100–114). These may include, but are not limited to: increased costs of doing business, increasing costs of maintaining employees linked to the increase in the minimum wage, rising energy costs that may be related to the conflict in Ukraine, reduced demand for specific products or services, as well as restructuring, automation and the use of artificial intelligence.

Considering the sections of the PKD in which group dismissals were most often carried out, that means sections related to industrial production and broad trade — the most frequent reasons for dismissals were also exogenous acts. The most important of these were the economic restrictions (lockdowns) introduced during the COVID-19 pandemic, which led to the suspension or limitation of the activities of such companies during this period. This has sometimes caused reduced or no profit, particularly in the early stage of the pandemic. Despite the shutdown in trade or production, businesses face fixed costs related to their operations, which include energy costs, loan payments, rent for premises or land, and insurance costs. As a result, the best solution may have been to reduce employment to shift payroll costs to cover fixed business costs.

Based on this analysis, it is possible to formulate recommendations for economic policy. Public authorities could provide assistance to stem the rising number of mass layoffs. One idea could be to introduce various types of financial aid, similar to the relief shields implemented during the pandemic. These would support employers financially as part of the post-pandemic recovery of businesses. Such a solution would not help companies that are planning to restructure, although it would be effective in companies that are struggling with the financial problems that have been caused by the COVID-19 pandemic. However, automation and the use of artificial intelligence in companies will be increasingly popular. It is to be expected, therefore, that in companies where it is possible to reduce payroll costs in exchange for the use of new technologies, layoffs will be common and more frequent. Unfortunately, this cannot be prevented.

The presented study focused on the number of group dismissals in Poland and their probable causes. However, the study did not include data from other European countries, where a similar analysis could draw completely different conclusions. The suggested directions of the study, therefore, include an analysis of the number of group redundancies and their causes in other European countries and a comparison of the study to Poland.

References

Boguska, A., & Pisarczyk, Ł. (2021). Zwolnienia z przyczyn niedotyczących pracowników wobec pandemii COVID-19. *Z Problematyki Prawa Pracy i Polityki Socjalnej*, 2(19), 1–22. http://dx.doi.org/10.31261/zpppips.2021.19.08.

Brezdeń P. (2022). Działalność przemysłowa w Polsce i zmiana jej struktury przestrzennej w czasie pandemii SARS-CoV-2. *Prace Komisji Geografii Przemysłu Polskiego Towarzystwa Geograficznego*, 36(2), 47–65. http://dx.doi.org/10.24917/20801653.362.3.

Emis Database, Access: 20.04.2024 https://www.emis.com/pl.

Król, T. (2024). *Mapa zwolnień grupowych pracowników w 2024 r.* Retrieved 20.04.2024 from https://www.infor.pl/prawo/bezrobotny/6584107,mapa-zwolnien-grupowych-pracownikow-w-2024-r-wykaz-firm.html.

Krysińska-Wnuk, L. (2021). *Regulacja zwolnień grupowych pracowników*. Wolters Kluwer.

Krzyszkowska, P. (2015). Zwolnienia pracowników jako nieuchronny proces zachodzący w działalności każdej organizacji. *Zeszyty Naukowe Politechniki Śląskiej: Organizacja i Zarządzanie*, 82, 101–110.

Krzyścin, M., & Socha, D. (2022). Pandemia COVID-19 jako „czarny łabędź" rynku pracy. *Społeczeństwo i Polityka*, 2(71), 29–57. http://dx.doi.org/10.34765/sp.0222.a02.

Kubiczek, J., & Derej, W. (2022). Tarcze antykryzysowe jako źródło wsparcia działalności MŚP w dobie pandemii COVID-19. *Przegląd Prawno-Ekonomiczny*, 1, 33–58. http://dx.doi.org/10.31743/ppe.12953.

Madejski, M. (2024). *Masowe zwolnienia w całej Polsce: oto gdzie tną etaty*. Retrieved 20.04.2024 from https://businessinsider.com.pl/gospodarka/masowe-zwolnienia-w-calej-polsce-oto-gdzie-tna-etaty/w15eg6n.

Militz, M., Karwatowicz, G., Borkowska, I., Dahms, A., Lubelczyk, S., Surmacz, M., & Świstak, P. (2021). *Wsparcie udzielane przedsiębiorcom w związku z pandemią COVID-19: rozliczenia i kontrola*. Wolters Kluwer.

Oczkowska, R. (2012). Offshoring jako szansa wykorzystania globalnych zasobów kapitału ludzkiego. *Nierówności społeczne a wzrost gospodarczy*, 26, 180–188.

Potyrańska, P. (2022). Zakłócenie w otoczeniu przedsiębiorstwa, ze szczególnym uwzględnieniem pandemii COVID-19, jako czynnik oddziałujący na sytuację finansową. *Zeszyty Naukowe ZPSB Firma i Rynek*, 1(61), 100–114.

Rozporządzenia Rady Ministrów z dnia 24 czerwca 2020 r. zmieniające rozporządzenie w sprawie Polskiej Klasyfikacji Działalności (PKD) [Regulation of the Council of Ministers of 24 June 2020 amending the regulation on the Polish Classification of Activities (PKD)], (Dz.U. 2020 poz. 1249, Poland).

Staniszewski, R.M. (2022). Gospodarka polska w czasie pandemii COVID-19: spowolnienie czy regres? *Studia Politologiczne*, 65, 58–86. http://dx.doi.org/10.33896/SPolit.2022.65.3.

Stuart, M., Forde, C., Mackenzie, R., & Wallis, E. (2007). *An Impact Study on Relocation, Restructuring and the Viability of the European Globalisation Adjustment Fund: The Impact on Employment, Working Conditions and Regional Development*. Policy Department Economic and Scientific Policy Study.

Ustawa z dnia 13 marca 2003r., o szczególnych zasadach rozwiązywania z pracownikami stosunków pracy z przyczyn niedotyczących pracowników [Act of 13 March 2003 on special rules for terminating employment relationships with employees for reasons not attributable to employees], (Dz.U. 2003 nr 90 poz. 844).

Acknowledgements

Author contributions: author has given approval to the final version of the article.

Funding: this research was fully funded by the author's own sources.

Note: the results of this study were presented at the scientific conference *Problems of the World Economy* (24.05.2024, Toruń, Poland).

Appendix

Table 1.
The result of the study of net profits (losses) and costs of wages (administrative costs) in the analyzed companies

Study group: 60 companies	Continued profits	Declining profits or losses	Mixed: unstable situation
number of companies	24	28	8
percentage of companies in the study group	40	47	13

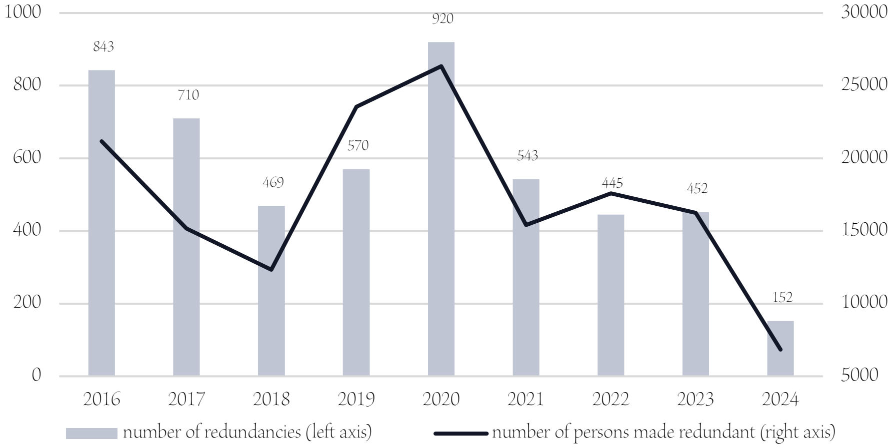
Source: Own preparation based on data from the EMIS database and provincial labour offices.

Table 2.
Analysis of companies that in 2021–2024 made collective redundancies according to affiliation to the PKD section (%)

Study group: 60 companies	Continued profits	Declining profits or losses	Mixed: unstable situation
B — mining and quarrying	–	100	–
C — manufacturing	29	57	14
F — construction	–	100	–
G — wholesale and retail trade, repair of motor vehicles and motorcycles	70	20	10
H — transportation and storage	33	50	17
J — information and communication	67	17	17
K — financial and insurance activities	–	–	100
M — professional, scientific and technical activities	20	80	–
N — administrative and support service activities	100	–	–

Source: Own preparation based on data from the EMIS database and provincial labour offices.

Chart 1.
Number of collective redundancies and persons made redundant under collective redundancies in 2016–2024



Notes:

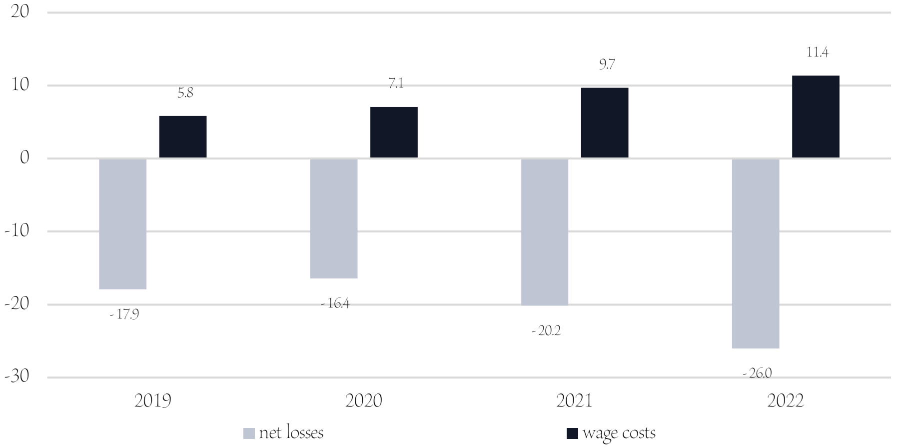
The data presented in the Chart 1 are incomplete, because direct contact with 4 provincial labour offices (opolskie, podkarpackie, podlaskie, świętokrzyskie) was difficult.

Source: Own preparation based on data received from provincial labour offices.

Chart 2.
Net profits and wage costs at LM Wind Power Blades Polska Sp. z o. o. (display of the financial situation in group 1, PLN mn)

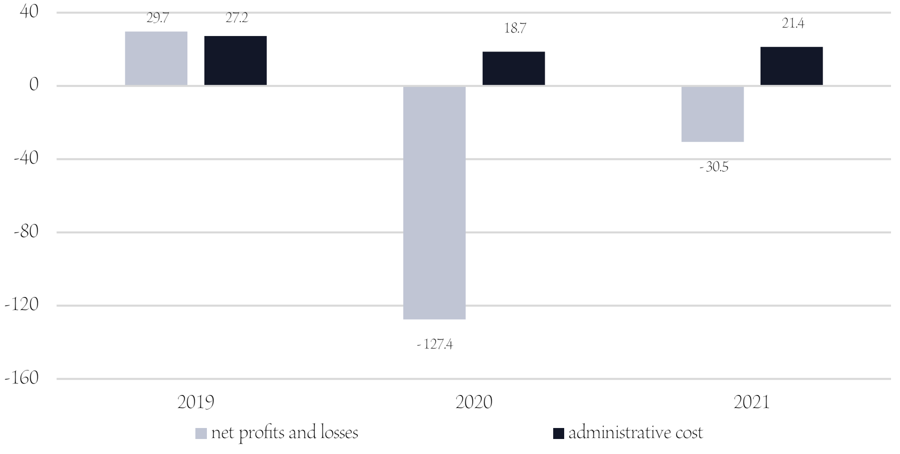
Source: Own preparation based on data from the EMIS database.

Chart 3.
Net losses and wage costs at Proteon Pharmaceuticals Polska SA (display of the financial situation in group 2, PLN mn)



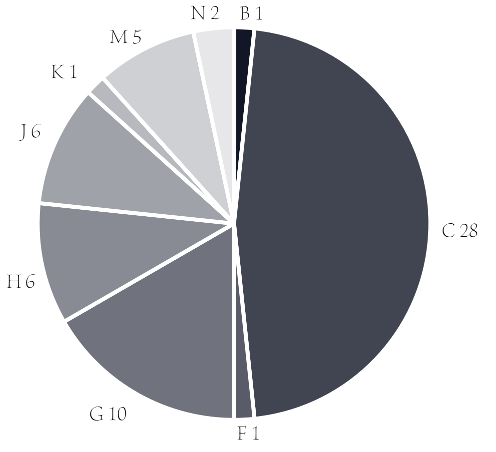
Source: Own preparation based on data from the EMIS database.

Chart 4.
Net profits and losses and administrative costs at Helios Polska SA (display of the financial situation in group 3, PLN mn)



Source: Own preparation based on data from the EMIS database.

Chart 5.
Analysis of companies that made group layoffs in 2021–2024 according to PKD section



Notes:

B — mining and quarrying; C — manufacturing; F — construction; G — wholesale and retail trade, repair of motor vehicles and motorcycles; H — transportation and storage; J — information and communication; K — financial and insurance activities; M — professional, scientific and technical activities; N — administrative and support service activities.

Source: Own preparation based on data from the EMIS database and provincial labour offices.