

## Results

### IMA Survey on the Business Impact of COVID-19

#### Second Weekly Survey

#### March 25, 2020

**Q1:** The IMA asked if companies were facing supply chain disruptions due to the coronavirus outbreak. The number of respondents who said they were experiencing supply chain disruptions rose slightly this week with 38 percent saying disruptions either began this week or increased over last week's disruptions. Fifty-seven percent reported they are still not experiencing disruptions.

Most of the comments mirrored last week, however there were exceptions for companies whose suppliers were out of state, and those companies were now shutdown, and those with suppliers in China noted that disruptions that began months ago continue.

**Q2:** We asked if companies were already facing a negative financial impact because of the coronavirus. Last week fifty percent responded that they were experiencing a negative impact. This week that number has jumped to 69 percent. Another 27 percent reported no impact.

Comments this week focused on slowing of new orders and labor shortages – particularly for employees who are home to care for school-age children.

**Q3:** IMA asked if companies were already experiencing a reduction in orders. Last week, more than fifty percent (51.9) responded they had not seen a reduction. This week, 43 percent report that new orders remained the same as last week or had decreased (13 percent). Fifty percent of respondents report increases in new orders.

Commenters noted that orders for capital equipment have essentially stopped, and many believe reductions in orders are due to Governor JB Pritzker's "Stay at Home" order and are slowing as the public becomes more concerned with the spread of the COVID-19 virus.

**Q4:** As an adjunct question to Q3, we asked companies to quantify their level of reduction. Last week, two-thirds of respondents told us they were experiencing reductions of 25 percent or less. This week, the numbers are changing; 32 percent say < 10 percent, 30.2 say 11 to 25 percent down, and nearly 15 percent say reductions of 26 to 50 percent. We did see a jump in the number of companies seeing reductions in excess of 50 percent over last week (11.5 percent)

Commenters on this question reflected the statistical breakdown. Most comments indicate the expectation that reductions, except in COVID-19 response products, will likely continue to fall for the foreseeable future.

**Q5:** We asked whether companies were changing operations. This week, nearly 75 percent of companies responded they are changing operations. Last week, the number of companies changing operations was in the mid-60 percent range.

Comments this week continued to reflect the ability of companies to be flexible with how they are responding to the situation. Most comments reflect options widely in use including using working from home, increased plant sanitation activities, notifying employees and keeping them informed of current conditions facing the company, and emphasizing basic hygiene and preventative actions.

**Q6:** IMA asked if companies have an Emergency Response Plan. This week, 84 percent reported having a plan in place. This is up 14 percentage points over last week

Comments on this question mainly came from the 15 percent of companies that do not currently have an Emergency Response Plan. Most still say they are working on plans, while one commenter said that for their company, it was something they worked on day-by-day.

**Q7:** We asked if manufacturers were allowing clerical or front-line workers to work remotely. Almost 50 percent said yes last week. This week that number jumped to 75 percent.

Comments were about the same as last week and noted that front-line production employees would be unable to perform their duties, but all commenters noted a willingness to engage in remote work as conditions warrant. Two companies reported that remote working wasn't possible for their particular situation.

**Q8:** IMA asked if companies were experiencing logistics disruptions. Last week, more than two-thirds reported no problems affecting operations. This week, the number of companies reporting no logistics issues dropped five percent to just under 63 percent while those experiencing issues rose from 25 to 34 percent.

There were no real differences in the comments this week, although one commenter reported an increase in (truck) driver no-shows.

**Q9:** We asked whether companies had imposed restrictions on business travel. This measure saw some interesting changes. Last week, 37 percent reported a complete travel ban. This week that number shot up to 67 percent. Last week, essential travel was at 53 percent, while this week 30 percent.

There were no added comments this week.

**Q10:** We asked about reductions in workforce. Last week, 85 percent reported no reductions due to coronavirus. This week that number stands at 54 percent. The number of responses indicating reductions in workforce or hours jumped from 10 percent to 42 percent.

Comments this week were relatively unchanged from last week, but a number of respondents noted that more employees are either choosing to remain off work or are compelled to miss work due to caring for school-aged children. There seems to be a general “plan on it” feeling among many.

**Q11:** IMA asked what actions employers were contemplating with respect to their workforce. There was very little overall change in the responses, although the number of respondents that replied “Other” decreased from 48 percent last week to just 21 percent this week.

Most commenters seem to be implementing temporary layoffs or reduced hours, especially scheduled overtime. Several comments cited problems in supply chain as another cause of forcing RIFs or reduced scheduling, although one company reported they were adding overtime hours.

**Q12:** We asked how companies are handling compensation and benefits for workers if the situation resulted in reduced hours, layoffs or shutdowns. This week, 27 percent said they will continue to pay employees their full salary – up 1 percent over last week; 16 percent say they will pay a reduced rate of pay, more than double over last week; and, the number of companies providing expanded sick or PTO remained virtually unchanged since last week at 20 percent.

Most companies say they expect their current pay and benefit policies will be sufficient to cover contingencies. Several other commenters said they were instructing workers to file for Unemployment Insurance Benefits. One commenter noted their company was “paying 2 full weeks of mandatory closure by pulling forward paid holidays and vacation pay.” Still, there are a number of companies that are reporting they will “wait and see” while a few others report they are in process of updating their HR policies. One respondent simply stated, “salaried paid, hourly laid off.”

**Q13:** IMA asked how long companies would be able to withstand loss of revenues due to a temporary cessation of operations. Responses this week were nearly identical in every response category from last week. This week, 47 percent say they can withstand losses for less than 60 days, 30 percent 60-90 days, 8.7 percent 120-180 days and three percent more than 180 days.

Comments on this question were unchanged from last week.

**Q14:** Next, we asked about operations changes being contemplated or already implemented. Responses were fairly spread between reducing hours, changing schedules, and using skeletal crews to maintain production. However, this week, the number of companies reporting schedule changes jumped from 27 percent to 40 percent.

Many comments reported the company had been subject to imposing reductions or had temporarily shut down, but a good number reported no changes over last week and most differentiated reductions by whether affected workers were in production or some other function.

**Q15:** IMA asked if companies productivity had been affected by the coronavirus. This week, the number reporting productivity levels exceeding 100 percent dropped from 21 percent to 13 percent. Just over 39 percent report 80-100 percent levels. The number of those producing at 60 to 79 percent jumped from 12 percent to 21.5 percent this week, and 12 percent now say they are under 60 percent.

One commenter reflected most of the comments, "Demand was greater than capacity and is still strong, be we are eliminating OT to keep costs in check as much as possible."

**Q16:** We then asked companies to tell us what types of sanitation practices were being used. Results indicated increases in the number of companies mandating sanitation times for all employees (37 percent), and complete sanitization of the facility (35 percent). While the number of companies reporting increases in sanitation stations dropped from last week (66 percent), the drop is assumed to be due to the overwhelming number of companies who had already taken that step.

Commenters added anecdotal information that included more frequent cleaning of surfaces, door handles, and common areas. There is also an increase in the number of companies using techniques such as "Do the Five" and reminding employees of good hygiene practices.

**Q17:** Our next question focused on business interruption insurance.

Last week, the overwhelming majority (92 percent) reported the company did have a business interruption policy in effect. That number is identical this week. Comments received were universal in noting that their policy does not cover pandemics.

**Q18:** We then asked if the company's insurance policy considered the coronavirus a force majeure and therefore not covered by its carrier. This week, the number of respondents reporting their insurance company viewed the Coronavirus as a force majeure jumped from 26 percent to nearly 49 percent.

Of the 23 comments received, every single comment could be categorized as "don't know...need to ask...not clear at the moment...waiting for a response from my agent...etc." There appears to be great uncertainty in this area and manufacturers are awaiting answers.

**Q19:** IMA asked manufacturers to identify steps the state or federal government could or should take to help with economic recovery. Last week the question resulted in more than 60 suggestions – this week, 78 and is again the most of any question asked in the survey. The comments represented a wide array of opinions, but we have characterized them as best we can:

- Comments from 25 individuals discussed the need for expanded unemployment insurance, tax credits for employers paying mandatory family leave and/or sick time, or a reimbursement scheme for smaller employers paying these added costs. Among these comments was one that suggested the employer UI tax contributions rates not be increased for benefits paid during this time.
- Fifteen comments discussed the need for low-interest or "forgivable" federal loans for employers
- Six commenters stressed the need to expand testing and get medical equipment to where it's needed.
- Five indicated the need to keep supply lines open to avoid shutdowns.
- Another five support lifting the Stay at Home order noting that adults know how to avoid getting sick.
- Five more took the opportunity to hope that elected officials would put aside party differences to get to a solution to help companies and their employees.
- Three respondents noted a need for clearer communications from government and try to avoid mixed messages from different levels of government. Two additional commenters hope for further clarifying messages to keep manufacturing in operation.
- There were seven other single subject thoughts.

**Q20:** The IMA asked manufacturers if the new federal Paid Sick Leave and expanded Family and Medical Leave Act for employer with less than 500 employees would be used by a significant number of current workers. Fifty percent said they would...while 40 percent did not believe their employees would.

We note that the comments indicated that most of the No responses were from companies with more than 500 employees, so the new law would not affect them.

**Q21:** Finally, we asked what information the IMA could provide to help companies with addressing the outbreak of coronavirus. As with the previous open-ended question, responses represented a fairly wide array of issues.

- The vast majority of comments (41) were complimentary of IMA's daily updates from Mark Denzler and urged their uninterrupted continuation
- Thirteen commenters recommended a regular update and summary of state and federal policies as they affect workers – six more asked for ongoing information on how workers were going to be compensated due to any shutdown (including schools or necessary family leave, etc.)
- other comments focused on continuing our weekly survey, holding subject matter webinars and highlighting best practices, providing statistics at the county level so companies can better communicate with employees in context, start including statistics of recovery rates and estimates of when the outbreak is thought to start subsiding, and provide an online platform for OEMs to reach component parts companies.

The comment of the week told us, "The IMA currently is my main source of information."

We thank you!