

Large companies will consider layoffs if crisis continues



People learning on applying for unemployment benefits at a job welfare center in Seoul on May 15. Last month saw the biggest job loss in two decades. [YONHAP]

One-third of large companies in Korea say they may have to start laying off workers if the coronavirus outbreak continues to threaten the economy for another six months, breaking with their current strategy of looking for other ways to shore up their businesses short of lowering headcount.

According to the Korea Economic Research Institute on Sunday, the top 500 companies by revenue said they were securing liquidity (22.5 percent), suspending operations as well as encouraging employees to take time off (19.4 percent) and reducing wages (17.5 percent) to offset the effects of the coronavirus outbreak.

Laying off employees was the last option, with only 8.8 percent saying that this was on the table.

"Despite the serious crisis, it shows that big companies are at best trying to avoid downsizing their workforce," said Choo Kwang-ho, head of the institute's economic policy department.

The survey found that, on average, companies were suspending business or forcing employees to take leave for a month or two, with 48.4 percent saying they are shutting their door for less than two weeks and sending workers home, and 12.9 percent saying they were doing the same and furloughing employees for two weeks to a month.

Those shutting their doors for between a month and two were 19.4 percent of the respondents, for two to three months 12.9 percent, and for more than four months 6.5 percent.

On average, companies had to reduce paychecks by 7.9 percent. Those who cut wages by less than 10 percent were 78.6 percent of the total, while those cutting them 10 and 20 percent were 17.9 percent. Those cutting paychecks between 30 and 40 percent were 3.6 percent.

While many have been trying to keep employees, even big companies say that they are now being pushed to the edge. The survey has found 32.5 percent saying they will have no other choice but to let go of their employees if the coronavirus crisis continues for another six months.

Of the respondents, 67.5 percent said they would not be able to hold on to their employees if the situation continues for more than six months, while 9.2 percent said they will only be able to hold out for four to six months. A total of 23.3 percent said they won't be able to last for four months.

Among the big companies, 37.5 percent have requested that the government lower the conditions for applying for wage subsidies, while 19.2 percent requested that the government freeze the minimum wage. The survey found that 80 percent of the big companies were not eligible for a government subsidy to keep the employees on payroll.

Companies can only apply for the government subsidy when business suspensions exceed 20 percent of total employee working hours in a month. Another condition is when the employee has been on leave for at least a month. The company has to prove that average revenue and production has declined 15 percent or more over the last three months while inventory has increased 50 percent or more.

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