WHAT SUPPORT IS NEEDED FOR WORKERS WHO ARE DISPLACED?

AN OVERVIEW OF OECD PRACTICES
OECD review on displaced workers

- **Phase 1**: Analytical report focusing on comparable statistics on job displacement and its consequences (chapter in the Employment Outlook 2013)

- **Phase 2**: 9 country policy case studies: Australia, Canada, Denmark, Finland, Japan, Korea, New Zealand, Sweden and the United States

- **Phase 3**: Policy synthesis (chapter in the Employment Outlook 2018)

**Definition of job displacement**: Workers with at least one year of job tenure dismissed from their jobs for economic reasons such as plant closures, business downturns and changes in production technology.
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Percentage of workers aged 20-64 displaced from one year to the next, averages 2000-10

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Percentage of workers aged 20-64 displaced from one year to the next, averages 2000-10

Source: OECD (2013), Employment Outlook, Chapter 4
Large differences in re-employment rates

Percentage of displaced workers reemployed within one year, averages 2000-2010

Source: OECD (2013), Employment Outlook, Chapter 4
Some struggle to find a new job and job quality tends to worsen

- Older, casual and part-time workers have much lower chances to find a new job
- Many displaced workers switch from permanent to casual contract and some from full-time to part-time work
- Lower levels of occupational status and job autonomy
- Large wage cuts when re-employed
  - especially among older workers
  - low skilled
Key policy messages for assisting DWs

- Avoid excessive displacement
- Respond early when jobs are no longer economically viable
- Make sure ALMPs are well adapted to meet the needs of displaced workers
- Ensure adequate income support for DWs, while not discouraging re-employment
Early intervention measures

- **Aim is to provide re-employment support as soon as workers are notified of dismissals or as soon as workers are laid-off**

  - **Ontario:** Job-search support; career counselling services and psychological support offered via Rapid Response Services to workers affected by mass-layoffs

  - **Quebec:** Re-employment services further extended to individual dismissals through *Comités d’aide au reclassement à entrées continues* (CREC)

  - **Sweden:** Generous notice periods combined with extensive re-employment support before dismissal takes through Job Security Councils
2. Ensure adequate income support for DWs, while not discouraging re-employment

Severance payments

- **Aim is to provide employment protection but also compensation to workers affected by job loss**

  - Severance payments largely remain a passive tool and may discourage job-search, especially when they delay access to UI benefits

- **Some countries extend obligations to dismissed workers to offset disincentive effects and establish contact with PES.**
  - **Germany:** Mandatory requirement to register with PES as soon as a worker notified of a dismissal
  - **Switzerland:** Proof of job-search activities between dismissal notification and first interview at PES to receive unemployment benefits
  - **Canada:** Career Transition Allowance fosters earlier access to UI to displaced workers using all or part of their severance package to invest in their own training
Wage insurance as useful supplement to unemployment benefits?

**Potential benefits**
- More equitable sharing of the gains from restructuring
- Diminish political opposition to trade liberalisation
- Improve incentives for speedy re-employment

**Potential costs**
- High fiscal costs and inequities between DWs and similar workers.
- Large deadweight costs
- Shorter unemployment at expense of entry into low-quality jobs
Helping DWs within a broader strategy to facilitate LM adjustment

- Anticipating skill needs
- Adequate income support
- Local development policies
- Better framework policies for mobility
- Fostering innovation
- More “social” trade policies
- Life Long Learning

10
For further information:

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OECD Directorate for Employment, Labour and Social Affairs: www.oecd.org/els
OECD work on displaced workers: http://www.oecd.org/els/emp/displaced-workers.htm
OECD Employment Outlook: www.oecd.org/employment/outlook

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