

# Consequences of Job Displacement

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Workshop

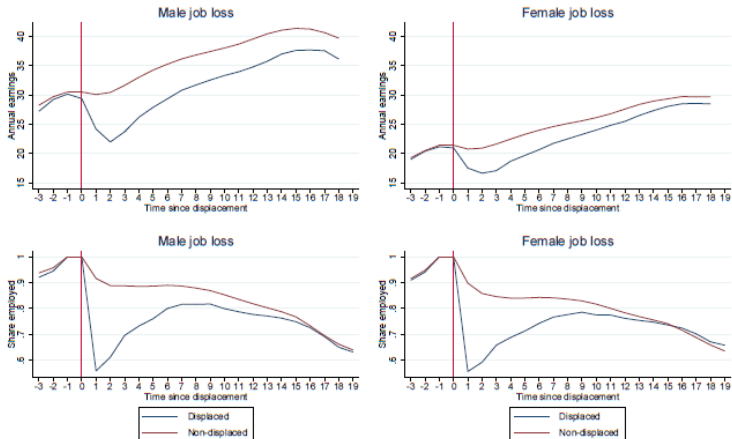
“Facilitating Structural Adjustment in the Steel Sector”

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- Several studies have documented that workers losing a job in mass layoffs suffer severe and long-lasting income and employment reductions (as well as consequences on health, marriage and fertility)
- The magnitude of the losses vary between industries, workers and time periods
- The losses can be especially long-lasting for workers displaced during recessions

# Figure 1: The consequences of job loss during a deep recession can be very long-lasting



Data: workers in private sector plants in the years 1991-1993 in Finland

# What explains the negative consequences of job loss ?

Workers who suffer largest employment and earning losses...

- have long-tenure
- are older: many of them move outside labor force (Huttunen, Moen and Salvanes, 2011)
- have low level of schooling
- loose their jobs in deep recessions
- do not manage to be re-employed in the same industry or occupation (if employed)

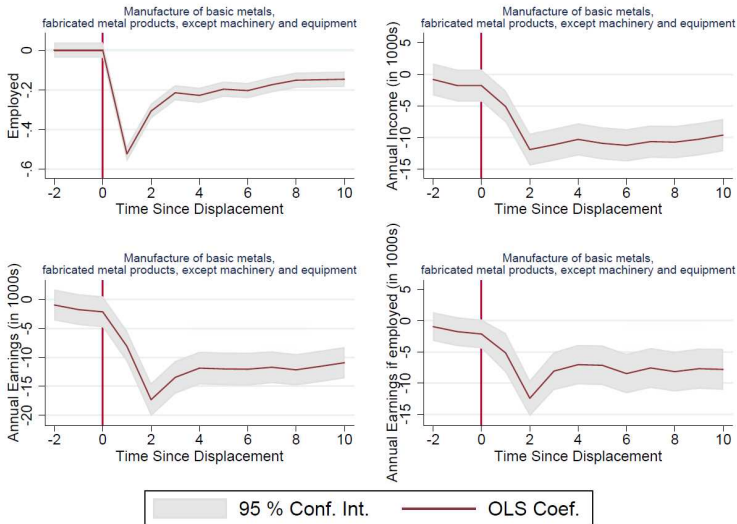
# What helps?

- We still know little about what type policies could help displaced workers to find re-employment?
- Moving?
  - No significant differences in losses of displaced movers and non-movers in the long-run. Challenge: movers are different from non-movers and move for different reasons (Huttunen, Moen and Salvanes, 2018).
- Active labor market policies?
  - Larger and more long-lasting gains for programs that emphasize human capital accumulation (Card, Kluge and Weber, 2017)

# Are steel workers different?

- High tenured, older, low education, industry specific skills?
- Displacements more concentrated in recessions?
- Re-employment prospects in own sector limited?
- Larger employment and earnings losses:

# Figure 2: Earnings and employment losses for steel workers



Data: workers in steel sector plants in Finland, 2004-2005

- Large literature has established that workers losing their jobs in plant closures or mass layoff events suffer long-lasting employment and earnings reductions
- We still have little evidence on the effectiveness of policies targeted to displaced workers
- Steel workers seem to suffer clear earnings and employment reductions