

SUMMARY



The banner features the OECD Local Development Forum logo (three stylized human figures in blue and orange) and the text "OECD LEED@40" with a globe icon. Below this, it says "OECD Local Development Forum Webinar" with a video camera icon. To the right is a stylized illustration of a diverse crowd of people in business attire. A white curved arrow points from the left towards the central text area. The main title reads "Mass layoffs and local impacts: what we know and what can be done". Below the title, the date "27 Sept" and time "15h00 - 16h30" are listed.

OECD Local Development Forum Webinar

Mass layoffs and local impacts:
what we know
and what can be done

27 Sept
15h00 - 16h30

Mass layoffs and local impacts: What we know and what can be done

■ What's the issue?

Mass layoffs at factories and offices often capture headlines because of the implications for individual workers, their families and the local community more generally. Dismissed workers face income loss and unemployment spells, potentially culminating in further social issues and poor health. Mass layoffs may also have longer-term detrimental effects on local communities in terms of employment, well-being and vitality. Policy makers face a balance between promoting economic dynamism with protecting workers from long-term unemployment and mitigating spillovers to local economies more generally.

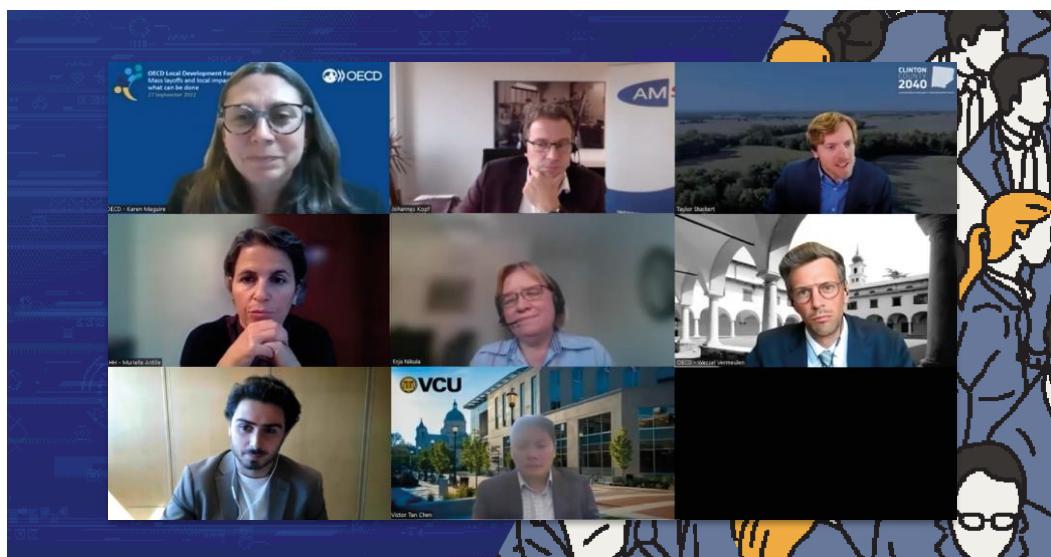
■ About the workshop

This [OECD Local Development Forum](#) workshop brought together policy makers, practitioners and academics to discuss what is known about the local impacts of mass layoffs on workers and communities and the policy responses that can be put in place in response.

Speakers:

- **Wessel Vermeulen**, Economist, OECD Centre for Entrepreneurship, SMEs, Regions and Cities
- **Victor Tan Chen**, Associate Professor of Sociology, Virginia Commonwealth University, United States
- **Johannes Kopf**, Head of the Austrian Public Employment Service, Austria
- **Murielle Antille**, Senior Vice President, Government and Industry Affairs, Lee Hecht Harrison (Adecco Group)
- **Julián Martínez Bejarano**, Technical Advisor, Just Transition Institute, Ministry of the Ecological Transition and the Demographic Challenge (MITECO), Spain
- **Taylor Stuckert**, Executive Director, Clinton County Regional Planning Commission, Ohio, United States
- **Erja Nikula**, Senior Specialist, Department of Regions and Growth Services, Ministry of Economic Affairs and Employment, Finland

Moderated by **Karen Maguire**, Head of Division, Local Employment, Skills and Social Innovation / LEED Programme, OECD Centre for Entrepreneurship, SMEs, Regions and Cities



■ Main take-aways

Analysis from a forthcoming OECD paper shows that since 2002 in Europe, there have been over 100 mass layoffs (i.e. those affecting more than 250 people) per year on average, touching 50 European regions annually, and on average affecting more than 500 workers in each region. Such events have been more common during times of economic downturns, such as the 2008 global financial crisis, but also occur during times of growth. Analysis indicated that, across European countries, mass layoffs tend to have persistent negative effect on local employment, which points to the difficulties for regions to recover from such labour market shocks.

Mass layoffs can occur in different regional economic contexts, and not all of them mean that there is something inherently bad about the local economy. For example, a poorly performing company defaults, its workers might find jobs, potentially with better companies in the same region, resulting in improved job outcomes for workers and the region. However, a mass layoff may also be a symptom of a broader regional malaise. People affected by a mass layoff in a region that offers little alternative employment will likely face greater challenges in finding new stable jobs. In this case, a focus that only looks at the individual plant and affected workers may be too narrow, since a broader and long-term regional economic strategy is needed.

Wessel Vermeulen, Economist, OECD Centre for Entrepreneurship, SMEs, Regions and Cities

The impacts of mass layoffs can radiate out, from individual workers to the broader community

The impacts on individuals . . .

Work is a central element in people's lives. It often gives people a sense of their social contribution and provides structure and meaning to daily life. The loss of employment can have devastating effects, especially if the duration of unemployment increases. Victor Tan Chen described it as "a psychological and social blow that is comparable to divorce or the death of a loved one."

Many of my interviewees expressed shame and self-blame about being unemployed for so long. This wasn't usually an issue right after they lost their jobs, but as weeks dragged into months and months, even into years, interviewees expressed a sense of failure and despair. Take as example Gary, an American worker who lost his job at a car parts factory. Afterward, Gary and his wife started arguing often about money. At times, the stress became so much that Gary wanted to disappear. He said he probably should be seeing a therapist. But, given the patchwork healthcare system, Gary could not afford insurance for himself and his wife and his two children, and they were left to fend for themselves.

Victor Tan Chen, Associate Professor of Sociology, Virginia Commonwealth University, United States

The time it takes workers to find suitable employment depends on both the individual and the community. Regional economies vary in their ability to absorb the workers, and as well as their resilience to a single firm closing or downscaling. It also depends on the workers themselves. In some communities, for example, young workers have been able to get a decent factory job without much formal education. Yet, when the factory closes, their lack of formal education can be a barrier to other opportunities. Highly-educated people tend to be seen as more insulated from mass layoffs. Yet, the experience of Finnish regions with the closure of advanced technology companies such as Nokia shows that they are not immune either.

It is not only the dismissed workers who are affected by mass layoffs. The impacts can radiate out to their families, as well as their former colleagues, as layoffs may sever workplace ties and leave even remaining workers unsure about their own future.

... and communities

Many places have difficulties recovering from a mass lay-off, impacting both employment levels and unemployment rates. OECD research suggests that persistent effects can be more clearly observed in rural areas with more shallow labour markets to absorb affected workers as well as in regions going through deep sectoral transitions. When a mass lay-off is due to a plant closure, other local firms that supplied the plant can also be affected.

Mass layoffs can also have more general cascading effects on communities. Joblessness also means decreased clientele for local services, such as local restaurants, as well as decreased support for community organisations that rely on donations and volunteers to help other vulnerable citizens. Other research points to links between local job losses and higher rates of mortality, including drug overdoses, as well as child poverty rates.

Policy responses can target people, places and even firms . . .

People

Several panellists spoke to policies and programmes that directly support laid off workers, from coaching to retraining. In Austria, labour foundations (*Arbeitsstiftung*) were first set up decades ago to respond to structural changes in the labour market. These instruments are established when a large group of people will be affected by layoffs, whether within a single company (i.e. insolvency or restructuring), sector or region. Labour foundations are collaborations between the firm that lays offs workers, regional representatives of workers and employers, and the public employment service. The foundation assists affected workers with job search and training, as well as via income support. As a training programme to support the transition to a completely new profession may take several years, the labour foundation allows people to receive unemployment benefits for the duration of their training.

Labour foundations can also mitigate the sense of insecurity that workers experience during the upheaval. They offer workers a clear path to new employment with assurances on continuous income through unemployment benefits. Where possible, the down-sizing firm finances the costs of training for affected workers, potentially in collaboration with other regional partners, while the public employment services pays for the unemployment benefits.

Let me give you an example when we had a huge construction firm called Alpine [close], and about 6 000 workers were affected. The construction industry was not so bad at the time so a lot of other companies showed interest in hiring these people, but there was fear and uncertainty. We planned an insolvency foundation. We always tend to plan more than is necessary, because you don't know how many people will be able to move to another job, another company, and so on. We had planned to contribute about EUR 2.9 million, of which EUR 1.7 [million] is for training. Most of the money is always spent on training, the rest on other measures such as job search support or some benefits. According to our criteria, 70% of the participants should be hired after three months. We had [space] for about 700 participants, and in the end there were just about 60 participants . . . and about 66% of them were back in employment three months after exiting the training. This was a huge success because we gave hundreds or even thousands of people a sense of security that there is someone there to help.

Johannes Kopf, Head of the Austrian Public Employment Service, Austria

In Finland, funding from the European Globalisation Adjustment Fund helped to support the response to a series of layoffs in the high-tech sector between 2007 and 2012 when a total of about 10 000 people were laid off from Nokia and Microsoft. This was a unique situation for the public employment service, which was more accustomed to working with blue collar workers, rather than these types of IT

professionals. However, many of the issues were the same. Supports were also provided to help laid off workers start their own businesses. In the end, 75-90% of laid off workers were able to find new jobs.

In getting new jobs, the basic problems are the same for blue and white collar workers. Possibilities are different, but both need help. What we learned is don't leave the white collar workers without help. Tailor-made trainings and individual coaching were essential. Be aware that you may need special training and coaching tools for specialised white collar redundancies. This means individual coaching where the competencies are traced and matched with the qualifications of jobs in different companies. We also noticed that if there are a lot of redundancies in one company, it's very good to be organised into these types of 'projects'. In the end, about 75-90% of [laid-off] workers got new jobs.

Erja Nikula, Senior Specialist, Department of Regions and Growth Services, Ministry of Economic Affairs and Employment, Finland

Places

Other panellists spoke to place-based responses or combining place-based and people-based responses. For example, Spain is going through a rapid energy transition. Only five years ago, coal represented around 15% of its electricity and now, nearly all coal mines have been closed and all coal power plants have been shut down or are in the process of being shut down, impacting nearly 5 000 workers. Via the Just Transition Institute at the Ministry of the Ecological Transition and the Demographic Challenge and a series of Just Transition agreements, the government has taken a proactive response to managing this transition.

These Just Transition agreements are defined at the territorial level with a variety of stakeholders including employers and unions. Measures vary depending on the context, including employment transition support, a specific job bank and opportunities for affected workers as well as those working in auxiliary companies that provide services to the plant. Such employment may be in dismantling activities or in other local sectors that may be growing, such as such as renewable energies. For the transition of coal miners, a stronger government has been needed, as most affected companies were going through bankruptcy. In such cases, measures included financing early retirement schemes for older workers while helping others to transition to new jobs.

To complement these people-focused supports, the Institute has also financed a robust set of activities to support economic development in the impacted territories more generally, such as support for entrepreneurs, municipal and infrastructure projects, renewable energy schemes, and even cultural projects.

Governance is absolutely important. We have the Just Transition Strategy, a Directorate General solely dedicated to it [in the Ministry]. We have agreements with trade unions and companies. We have the Just transition Agreements which is a co-governance mechanism with regional and local governments to really promote solutions and policies in these areas. . . So [one lesson learned] is really thinking about your governance structure and what you want to do, and not solely reacting to a scenario of mass layoffs.

Julián Martínez Bejarano, Technical Advisor, Just Transition Institute, Ministry of the Ecological Transition and the Demographic Challenge (MITECO), Spain

Clinton County, Ohio, United States is another example. It experienced a mass lay-off at the start of the great recession when a single large employer in the region closed its local operations. This exemplifies the challenge seen in many rural areas, wherein one or two employers dominate the local labour market. In good economic times, such employers are valued for their contribution to the community, but if the business downsizes or closes its doors, it leaves a large hole in the local economy. Indeed, the mass

lay-off opened a window to have a conversation within the community about the economic development of the Clinton County more generally.

Resilience to such large employment shocks require a broader economic development strategy to diversify a local economy while leveraging its local strengths. It also requires more attention paid to local economic resilience before such a shock happens. Early warning signs, for example, may be decreasing rates of local entrepreneurship and presence of small and medium size enterprises, and the decline of educational attainment. While in times of growth such side effects may not raise immediate alarms, they could function as early warnings.

In 2003, the company DHL moved its national shipping operations to Willington Airpark. The Airpark created so many jobs, 10,000 at the peak, that workers had to be transported from all over the region to Airpark. It accounted for more than a third of the jobs in our county. It was the largest source of employment for a 6-county region.

In the fall of 2008, DHL announced that it was going to quickly close its operations in Wilimngton. 10,000 people lost their jobs. Our work focused on identifying ways in which the community could adopt an economic redevelopment strategy that addressed not only the need for jobs, but also areas of economic vulnerability that had been neglected for many years.

In a nutshell, our efforts focused on curing leakage and the local economy rather than just economic inflow, trying to provide a response that was locally driven, more bottom-up, rather than relying solely on top-down.

Taylor Stuckert, Executive Director, Clinton County Regional Planning Commission, Ohio, United States

In France, the “obligation of territorial revitalisation” (*obligation de revitalisation du territoire*) requires large employers that are undertaking mass layoffs under certain conditions to finance measures to support local development and job creation. Similar practices also exist in Spain and Italy.

This relates to other practices of LHH. LHH is a division of the Adecco Group that provides advisory, career transition and mobility, learning and development and recruitment solutions services. Beyond its core work supporting individuals and firms, it also takes a territorial perspective in some of its projects. This includes support to communities – considering both people and real estate – by working with employers and the public authorities in a more prospective way. This can include, for example looking for a new buyer for the facilities and employer for the workforce, helping to mitigate industrial waste while also limiting the number of unemployed people looking for jobs.

We see ourselves in a position to encourage companies to think about alternatives to layoffs. This is something that is really crucial for us as we fight for individuals and their families.

I am happy to share an example, in the automotive industry, where we were able to have a dialogue, starting with a situation of five to six thousand people to be laid off. The reason for this mass layoff was a massive cost-cutting and restructuring scenario. The company had skill transformation needs. It was a retraining scenario. The company ended up moving from a mass layoff to a large-scale retraining scenario, thanks to our dialogue and the intervention of the whole ecosystem with public funding opportunities.

Murielle Antille, Senior Vice President, Government and Industry Affairs, Lee Hecht Harrison (Adecco Group)

Firms

LHH also gave the example of how in some cases, mass layoffs can be avoided entirely. For instance, manufacturing upgrading may require workers with a different skills-set. Instead of replacing workers, a company may be encouraged, for instance through strategic consultancy around work force needs, to retrain its current employees to be ready for new jobs in a new plant. With the requirement to pay

redundancy to workers, mass layoffs can be costly for employers. Such payments can instead be invested into mass retraining of workers for new jobs that are created elsewhere in the same company.

Cross-cutting lessons

- **Are the broader socio- and psychological impacts on individuals and communities being measured and addressed?** Workers affected by mass layoffs not only lose income but may also be affected more deeply in their sense of value to their family and community. Such an experience can affect workers' ability to see a solution to unemployment and have ripple effects throughout communities. Often, these broader impacts, notably the spillovers for local economic, social and health outcomes, are not well measured or taken into account in the policy debate about the costs and benefits of interventions.
- **Is there a way to prevent the layoffs from happening in the first place?** More can be done to prevent mass layoff scenarios with large local spillovers by promoting more resilient models of development. For example, stimulating a more diversified local employer base can help increase the resilience of places to economic upheaval, and potentially avoid mass layoffs from occurring. Prior to mass layoffs, employers can be encouraged to explore alternative solutions, such as reskilling workers to help them move into other occupations within the same company.
- **How are the underlying reasons for layoffs accounted for in the response?** From layoffs resulting from cost-cutting measures to those related to global mega trends such as automation and the green transition, mass layoffs can occur across many types of places and sectors. The consequences these layoffs have on workers and communities may vary based on individual characteristics, such as transferrable skills, as well as the broader local economic context. Sometimes, mass layoffs may be transformed into mass reskilling for new opportunities at the same employer. When layoffs are linked to underlying local economic structural weaknesses, the response can also be designed in a way to not only address the immediate impacts, but also help build local resilience more generally.
- **Is the timing and scale of interventions appropriate?** When mass layoffs are unavoidable, early intervention by public employment services and other regional stakeholders can help workers transition potentially prior to joblessness, or otherwise shortening the unemployment period. Structures such as community groups, unions and public employment services can help workers by providing perspectives on new job opportunities including when this requires new training. Support to imagine and train for new opportunities and to provide financial security through the transition often need to be paired. The Austrian experience also shows the psychological importance of having these structures in place as a safety net, even if ultimately not all laid off workers need to take advantage of the services.
- **Are the right stakeholders around the table?** Workers should not feel like they are left to fend for themselves in a mass lay-off scenario. The employer, social partners, regional and local authorities, and public employment services can collaborate to give workers perspectives on new jobs and income security during the transition. Clear frameworks and facilities, such as Austria's labour foundations, allow for rapid intervention with clear allocation of responsibilities across stakeholders. Spain's Just Transition Institute serves as an example of how a national focal point can help to organise activities. In the case of Clinton County, local economic development planning with community involvement helped to provide a basis for increasing local economic resilience more generally.

■ Contact

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The OECD Local Development Forum is a network of thousands of individuals worldwide, united by their shared commitment to making their communities more resilient, inclusive and sustainable. It counts members from over 70 countries, representing city, regional and national governments, education, employment and training agencies, chambers of commerce, social innovators, start-ups, businesses and NGOs in the fields of local economic development, employment, skills, entrepreneurship and social innovation. It is a unique setting for the private and public sector to challenge assumptions, learn from each, and work together to forge practical solutions to today's economic and social challenges.

The Local Development Forum is part of the OECD's Local Employment and Economic Development programme (LEED). LEED provides practical solutions for how to create good jobs in great places. It was launched in 1982, when OECD governments were struggling to provide solutions to the jobs crisis of the day and saw a need for an international forum to share innovative approaches to local job creation, social inclusion and economic development. Since then, it has continued to bring together policy makers and practitioners from around the world to identify, evaluate and disseminate promising approaches to local development.

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