

IAB-Colloquium zur Arbeitsmarkt- und Berufsforschung

Job Displacement from Young Plants

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Many observers claim that the lack of firm dynamics and structural change is the reason for the increasing productivity gap between the US and EU countries and advocate accelerated firm turnover and a start-up culture. It is clear, however, that firm closure or rapid downsizing can generate adjustment costs at the worker side. In particular, the literature shows that workers displaced from stable jobs in large mature plants due to mass layoff or plant closure suffer severe long-run earnings losses (Jacobsen et al. 1993, Schmieder et al. 2009) and that young and small plants have a disproportionately high failure risk (Fackler et al. 2013; Mueller/Stegmaier 2015). It is widely assumed that displacement from young and small plants generates no or small adjustment costs for workers but, in fact, we know little about it.

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11:00 Uhr

Sitzungssaal 126a

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

We use novel administrative data on bankruptcies for Germany combined with administrative linked employer-employee data to estimate short- and long-run losses of workers displaced from young plants. We compare this with losses after being displaced from incumbent plants to relate the costs of structural change and trial and error.

We confirm the result that structural change, i.e. the failure of mature plants, yields high and persistent earnings losses. Interestingly, we also document substantial earnings losses after the failure of young plants, which shows that accelerated firm turnover generates high adjustment costs even if it's concentrated among startups. However, earnings losses are somewhat smaller for young plants and we show that the wedge in losses by plant age can to a considerable extent be explained by differences in tenure. We further disentangle earnings losses into its components to say more about the mechanisms causing displacement-related earnings losses.

Our results provide new insights into the consequences of job displacement and fuel the discussion about the justification of both rescue programs for failing mature firms and transfer companies focusing on workers displaced from such firms.