

Losing Work, Moving On: International Perspectives on Worker Displacement

P. Kuhn, editor

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Foreword

The inspiration for this project dates to a number of conversations I had with colleagues in the U.K, Australia, and Germany in the early and mid-1990's. Typically, after I would discuss some of my own research on displaced workers, these colleagues pointed out how little was known about displaced workers anywhere *except* North America. One reason for this, it turned out, was the availability of data: Until recently, the kinds of panel data needed for an analysis of labor market transitions were simply not available in countries outside the US. Another reason was an absence of policy interest: with Japanese and many European unemployment rates below US levels, and with very high levels of jobs security among older workers in those countries, not many non-US economists were interested in the effects of displacement on workers.

By the mid-90's, however, both these things had changed dramatically. Panel data sets in countries like Germany, the Netherlands and U.K. had reached a level of maturity where analysis of transitions was feasible; important longitudinal administrative data bases were being made available for research purposes for the first time. European and Japanese unemployment rose while the US began dropping to levels not seen in decades. Thus, a research project was born.

From the beginning this research project had two key questions at its heart. First, are the experiences of US displaced workers, and the patterns of experiences across workers, typical of other developed countries too? Second, what can we learn, both from the similarities and from the differences across countries? Do commonalities in displaced workers' experiences across all countries reveal fundamental features of modern industrialized economies? Are international differences informative about the efficacy of different public policy approaches to worker displacement across countries? These are "big" questions, and while the prospect of shedding even a little light on them was tantalizing, the prospect of coming away with very little of general value from such an untouched area of research was distressingly real as well.

From the beginning it was obvious that this project could not be a one-person task. While the world-wide web has greatly facilitated access to microdata and policy information in many countries other than one's own, there remains no substitute for a lifetime of expertise in understanding how a country's laws and institutions really work, and to having a working knowledge of the details and pitfalls of its labor market microdata. Ultimately, therefore, the ten countries examined in this volume consist of those industrialized countries where I was able to identify a combination of adequate panel data and the human expertise required to analyse it. All authors involved in the project either live in, or have spent much of their lives in the countries they are writing about, and all are accomplished labor economists with whom I have been honored to work. While it would be interesting to consider worker displacement in less-developed countries as well, our attention is focused in this volume on developed countries, whose similarity on at least this dimension maximizes the amount they might be able to learn from each others' experiences.

Collaborative work on the project began in October 1997, with a planning meeting in the

woods of Ancaster, Ontario, where authors met to discuss data comparability, definitions of displacement, and research methodologies. Preliminary drafts of research papers were produced, and then circulated among the research group between March 1998 and the following summer. Semi-final versions of all five “comparative” chapters were presented at a conference in Burlington, Ontario in September 1998. Participating authors acted as formal discussants for each others’ papers, then all participated in a round-table discussion on the overall meaning of the results. Based on the discussion and comments in this meeting, the authors prepared final drafts by mid-1999. Based on these final drafts, I then attempted to summarize and synthesize the results of the various chapters. The hard-won results of this exercise constitute Chapter 1 of this volume.

The US and the Netherlands? Canada and Japan? Why these odd couples? Certainly a much easier volume to write, and to edit, would have contained ten chapters, each covering a single country, each written by an expert in that country’s data and institutions. At our planning meeting in October 1997, however, two decisions were made which, for better or worse, determined the structure of this volume. First, given the long list of sampling and data decisions involved in doing careful labor market analysis, and given the different methods of data collection used in different countries, it soon became clear that a “one-chapter-per-country” volume ran a high risk of generating no internationally-comparable results. To guarantee that at least some comparisons could be made, we decided to “pair” countries, yielding five chapters on two countries each. Second, while it was appealing to base these pairings on intrinsic research interest, the very limited comparative knowledge about displaced workers that was available at the outset of this project meant that it was not at all clear just what these matches should be. Thus, again to maximize the prospect of producing genuinely comparable results, these “arranged marriages” were based largely, but not exclusively, on *similarity of the underlying data sources* used to identify displaced workers. While this similarity is far from complete in the pairings ultimately chosen, it dictated, for example, that analyses based on administrative data be placed with like (for example Belgium and Denmark), and likewise for analyses based on survey data (the U.K. and Australia).

In the end, Belgium was paired with Denmark because both use administrative data on employers, the countries are of similar size, and mainly trade with Germany. They provide an informative comparison because of the differences between their employment protection laws. France and Germany also use administrative employer-based data, and are similar in size. Canada and Japan both collect data on displaced workers using a flow sample of job separations. The US is the only country in the volume that primarily collects data on displaced workers using a retrospective survey; we decided to pair it with the Netherlands (which exploits three different data sets) and to use the opportunity to focus on the effects of displacement on early retirement decisions. This is an issue of considerable policy interest in the Netherlands, and a surprisingly underresearched issue in the US. Finally the UK and Australia have similar survey-based data, and afford an interesting contrast of systems similar in many dimensions, but where wages were highly regulated in one (Australia) and essentially unregulated in the other.

While pairwise comparisons are interesting, broader ones are of course better. To maximize a reader’s ability to make broader comparisons, the authors also agreed, at the organizational meeting, on

a common basic structure, and a common set of topics to cover for each country. Roughly, each chapter begins with a description of the institutions likely to affect displacement in the countries under study; these institutions include employment protection law, unemployment insurance and other forms of income support for unemployed workers, and institutions affecting the country's overall wage structure. After describing the data used and the general economic conditions prevailing in the countries at the time the data was collected, each chapter then analyses, in turn, the frequency of displacement, the effects of displacement on employment and unemployment, and the effects of displacement on wages.

After some discussion, one thing we quite consciously decided *not* to agree on was a common definition of displacement. Primarily, this was ruled out by differences in the underlying methods of data collection across countries. Typically, data based on administrative records provide large sample sizes and match workers to firms, but supply little or no information on why any given firm-worker separation occurred. In countries whose main data source is administrative, displaced workers are thus defined as all workers who separate from a dying, or shrinking employer in a certain window period around the closure or shrinkage. Household surveys, on the other hand, tend to have smaller samples but more detail on (reported) separation reasons. The small samples typically make it impractical to focus only on workers involved in plant closures or mass layoffs, but these data do allow the analyst to restrict attention to separations that the worker saw as involuntary. Thus two main, but distinct, definitions of displacement pervade the papers in this volume.

A second issue in the definition of displaced workers was whether to restrict attention only to workers with relatively high levels of tenure on the lost job. Workers with very short tenures typically lose very little from displacement, to the point where some studies (e.g Jacobson, Lalonde and Sullivan 1993) exclude them from their analysis altogether. While some chapters in this volume restrict most of their analysis to workers with more than three or four years of tenure, most adopt a broader definition that does not automatically exclude short-tenure workers. Those chapters which use a broader definition, however, provide separate results for high- and low-tenure workers wherever possible.

With a total of 22 authors (an average of 4.4 per chapter), a rather unusual issue arises in this volume: how (compactly) to refer to each chapter, while continuing to recognize each author's contribution? In chapter one, where I attempt to summarize the main lessons learned from this entire project, I adopt the following convention: The first time I mention a set of authors, I list all the authors' names. After that, initials are used. Thus, somewhat unattractively, our five comparative chapters become: **ABGLOR** (US-Netherlands); **AHKNS** (Canada-Japan); **BGKW** (UK-Australia); **BDMM** (France-Germany); and **AAB** (Belgium-Denmark).

Many people and organizations deserve thanks for their help in making this project happen. Foremost are the contributing authors themselves, who put up with several long flights, e-mailed questions, and several requests for revisions, some of which involved substantial changes to the analysis. Thank you all! Malik Ljutic did a splendid job of organizing both the initial meeting of authors and the major conference in October 1998 at which the five comparative chapters were presented. My wife, Barbara, and sons Michael and Jonathan did without their husband and dad for too many evenings. Both the authors and Randy Eberts of Upjohn have been particularly understanding about

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Peter Kuhn, Santa Barbara CA, July 2000.