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Long-Tenured Displaced Workers

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Abstract

[Excerpt] Job separations are a part of most workers' careers. Some workers leave jobs to pursue other opportunities; others are fired for poor performance or because they are otherwise not a good fit. In some cases, workers experience *job displacement* (i.e., involuntary job separations that occur when businesses shut down, move, or cut back shifts). Job displacement is of particular interest to policymakers because the separations tend to be caused by worsening economic conditions or changing production patterns (as opposed to worker performance), and can permanently alter local job prospects. Costs of such job loss can be particularly high for long-tenured workers, whose investments in job-specific skills do not transfer completely to, and do not result in higher wages in, new jobs.

The Bureau of Labor Statistics (BLS) defines *long-tenured displaced workers* as workers age 20 or older who held their job for at least three years before separating due to the closure or relocation of a company or worksite, insufficient work, or the elimination of a position or shift. BLS reports that in the three-year interval from 2015 to 2017, 3 million long-tenured workers and 3.8 million short-tenured (less than three years of tenure) workers were displaced. While these losses were significant, most job loss is not a result of displacement. Using broader estimates of job loss, BLS estimates that there were 57.8 million layoffs or discharges over the same period. (Different from long-tenured displaced workers, layoffs and discharges include workers fired for cause and workers with fewer than three years of job tenure, and are not limited to one observation per worker). An additional 113.2 million workers willingly left their jobs (e.g., quit, retired), illustrating that job separations are frequent and largely voluntary.

Keywords

job separation, job displacement, tenure, employment

Comments

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Job separations are a part of most workers' careers. Some workers leave jobs to pursue other opportunities; others are fired for poor performance or because they are otherwise not a good fit. In some cases, workers experience *job displacement* (i.e., involuntary job separations that occur when businesses shut down, move, or cut back shifts). Job displacement is of particular interest to policymakers because the separations tend to be caused by worsening economic conditions or changing production patterns (as opposed to worker performance), and can permanently alter local job prospects. Costs of such job loss can be particularly high for long-tenured workers, whose investments in job-specific skills do not transfer completely to, and do not result in higher wages in, new jobs.

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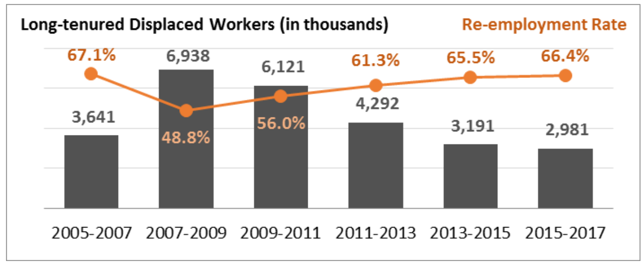
Displacement and Re-employment

Figure 1 shows the number of long-tenured workers who were displaced from their jobs at some point over a three-year period and the re-employment rates of those groups of workers. Re-employment rates of displaced workers moved in an inverse pattern to job loss (i.e., re-employment rates declined when displacement rose, and vice versa).

Clearly, workers experience job displacement throughout the business cycle (i.e., not just during recession), as illustrated by the several million displaced workers over the 2005-2007 period and other periods of expansion. However, the more than 3 million worker increase between the 2005-2007 period and 2007-2009 period illustrates the impact of recession (in this case, the Great Recession of 2007-2009) on displacement. The elevated numbers through 2013 suggest the effect of the Great Recession lasted into the recovery, at least for seasoned workers. Displacement subsided after that—by 2015-2017, there were fewer long-tenured displaced workers than during the previous expansion (2005-2007).

Figure 1. Number and Re-employment Rates of Long-Tenured Displaced Workers



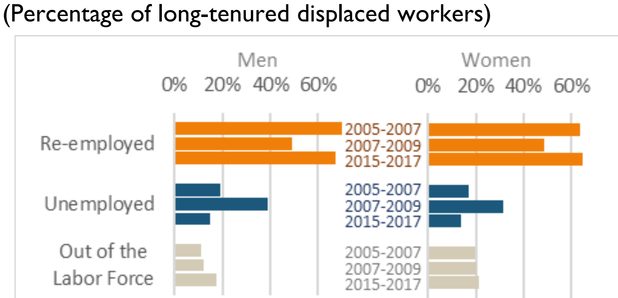
Source: BLS *Worker Displacement*, news release, various years.
Notes: Displacement is measured over a three-year period (i.e., workers are classified as displaced if they indicate that they were displaced from a job at some point over the three years preceding the survey interview). Re-employment is assessed in the January that follows the end of the period (e.g., re-employment for workers displaced over the 2005-2007 period is assessed in January 2008).

Despite finding replacement employment, displacement had lasting financial effects for substantial shares of workers. In each period shown in **Figure 1**, more than 34% of workers displaced from full-time jobs and re-employed in full-time jobs reported lower earnings in their new jobs. This occurs when workers are re-employed at lower work hours, lower wage rates, or both. Earnings losses were particularly large for some workers; more than 21% of all workers displaced from and re-employed in full-time jobs reported earnings losses of 20% or more.

Worker Characteristics

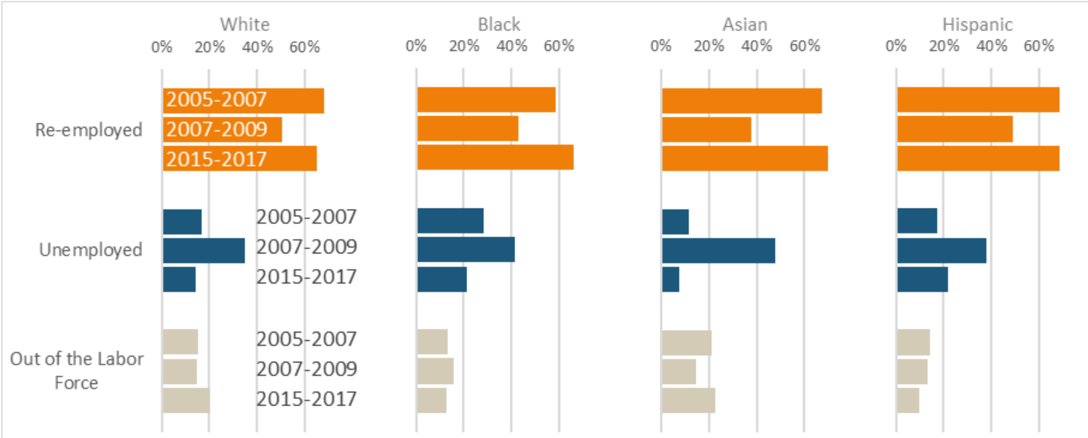
Men were somewhat disproportionately displaced from their jobs, particularly around the Great Recession. For example, men made up 53.4% of employed workers over 2007-2009, and 60.3% of displaced workers over that same period. More recently, men made up 53.3% of employed workers and 56.4% of displaced workers over 2015-2017. This trend is driven in part by high representation of men in manufacturing, an industry that accounted for large but declining shares of displacement over 2005-2017.

Figure 2. Labor Force Status after Displacement
(Percentage of long-tenured displaced workers)



Source: BLS *Worker Displacement*, news release, various years.
Notes: Post-displacement labor force status is assessed in the January that follows the end of the period; see **Figure 1** notes.

Figure 3. Labor Force Status after Displacement (Percentage of Long-Tenured Displaced Workers)



Source: BLS, *Worker Displacement*, news release, various years.
Notes: See **Figure 2** Notes. Hispanic workers may be of any race.

Despite a higher number of separations, displaced men were more successful at regaining employment than displaced women in each period (**Figure 2**). For some periods, men were also more likely than women to be unemployed. These instances of higher re-employment and higher unemployment shares are reconciled by a greater tendency for displaced women to exit the labor force (i.e., stop looking for work). For each period, about 20% of displaced women were out of the labor force when surveyed 0-3 years after job loss; for men, the rate ranged from 11.2% (January 2008) to 17.8% (January 2018).

White, black, Asian, and Hispanic workers' shares of displacement were more or less proportionate to their shares of employment in each period. **Figure 3** shows that until the 2015-2017 period, white and Hispanic displaced workers had higher re-employment rates than their black and Asian counterparts. Group differences in re-employment rates narrowed by 2015-2017; when evaluated in January 2018, the re-employment rate was 65.3% for white workers, 65.9% for black workers, and 68.6% and 69.9% for Hispanic and Asian workers, respectively.

Analysis of BLS data reveals higher displacement rates and lower re-employment rates among less-educated workers; see Henry S. Farber, *Job Loss in the Great Recession and its Aftermath: U.S. Evidence from the Displaced Workers Survey*, National Bureau of Economic Research, 2015.

Policy Considerations

Policymakers debate whether displaced workers (long-term or short-term) merit any special government assistance or whether they should be treated the same as all unemployed workers. On the one hand, job loss is detrimental to all workers, whether it is due to displacement or for other reasons. On the other hand, displaced workers might find re-employment more difficult than other job losers. Job loss due to the closure of a worksite or reduced shifts, for example, may indicate depressed local economic conditions, and a general lack of work. It could also indicate production shifts away from the specific skills held by displaced workers (e.g., a shift from production to service jobs). Further, displacement that results from company closure may flood local labor markets with job seekers, making re-employment or finding comparable pay more challenging.

Generally, displaced workers—as defined by BLS—are not provided targeted relief under current policies. However, some programs provide targeted support to certain job losers. The Workforce Innovation and Opportunity Act authorizes Dislocated Worker Activities Grants, for example, that fund state-provided job training and career services to laid-off workers and those facing layoff. To qualify for certain services, a worker must lose his or her job due to worksite closure or a "substantial layoff" and meet other requirements. (For more information, see CRS Report R44252, *The Workforce Innovation and Opportunity Act and the One-Stop Delivery System*, by David H. Bradley.) Trade Adjustment Assistance (TAA) offers career services, training benefits, a health care tax credit, and extended unemployment insurance to qualifying workers displaced by international trade; older workers may qualify for wage insurance under TAA. (For more information, see CRS In Focus IF10570, *Trade Adjustment Assistance for Workers (TAA)*, by Benjamin Collins.)

Some observers have argued that the government should provide more expansive wage insurance to all displaced workers. Wage insurance protects workers against risks that their income would fall by providing compensation when a new job pays less than their old job. (Wage insurance can be contrasted to unemployment insurance, which provides temporary income to qualified workers without a job.) Private wage insurance is generally unavailable because of adverse selection problems (i.e., it would be most desirable to workers most at risk of job loss, pushing up premiums) that the government could potentially neutralize by making such insurance mandatory. Wage insurance could also cause moral-hazard problems (e.g., insured workers might behave in a way that increases the risk of job loss, because wage insurance reduces job separation costs) unless it is limited to causes of job loss beyond the worker's control. The premiums required to finance federal wage insurance might also be deemed unaffordable, whether borne by the recipient, the government, or both.

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