



BACK TO WORK: POLICIES TO IMPROVE RE-EMPLOYMENT PROSPECTS OF DISPLACED WORKERS

Evidence from selected OECD countries

Shruti Singh, Labour Market Economist, OECD



Outline of the presentation

- Background: OECD review on displaced workers
- Incidence of displacement
- Consequences of displacement
- Policy responses and examples with a focus on 3 areas:
 - Promoting early activation and rapid return to work when dismissals are announced
 - How can severance payments be put to their most productive use?
 - Policies to promote job-to-job transitions for those in employment



OECD policy reviews on displaced workers



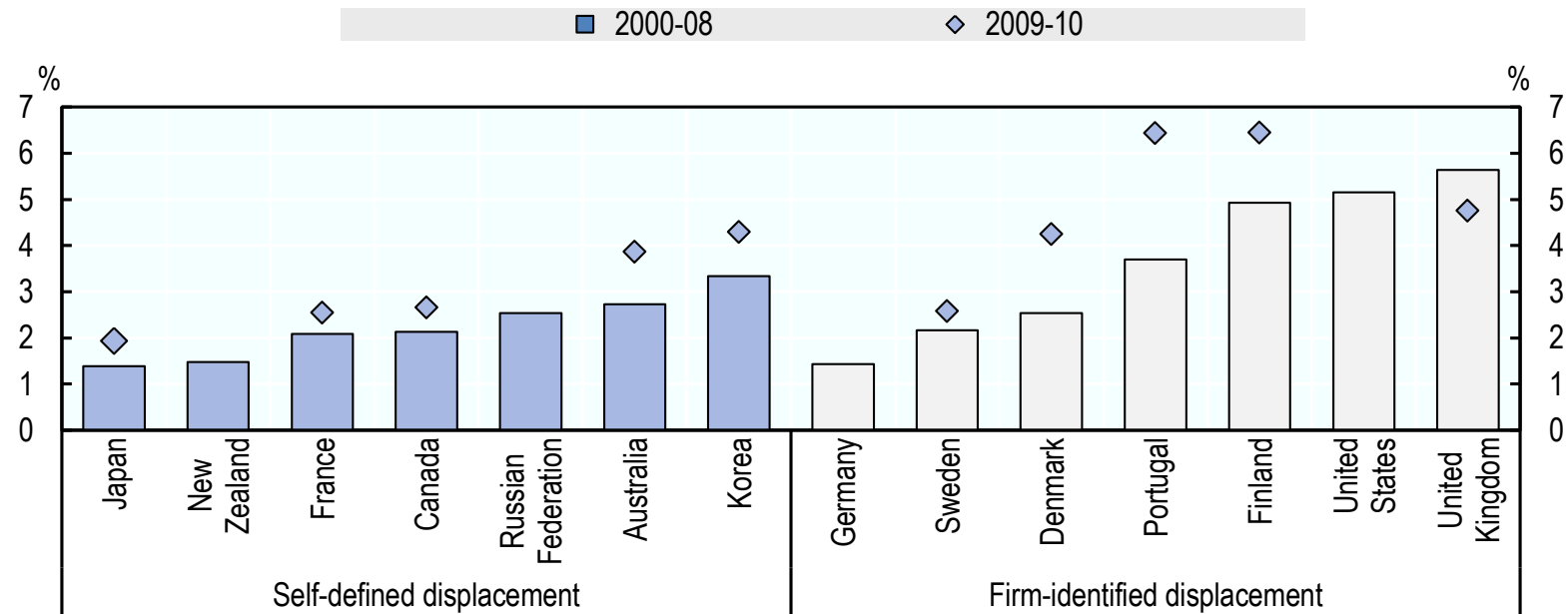
- **Phase 1:** Analytical report focussing on comparable statistics on job displacement and its consequences
- **Phase 2 (cont.):** 9 country case studies: –Korea, Canada and Japan. – Still to come: Australia, Denmark, Finland, New Zealand, Sweden and the United States
- **Phase 3:** A policy synthesis report is anticipated in 2017

Definition of displacement: Workers are defined as displaced if they are dismissed from jobs where they have one or more years of tenure due to economic reasons such as plant closings, business downturns and changes in technology



Displacement is higher during recessions, but it also a problem during good economic times

Percentage of employees aged 20-64 who are displaced from one year to the next, averages, 2000-10

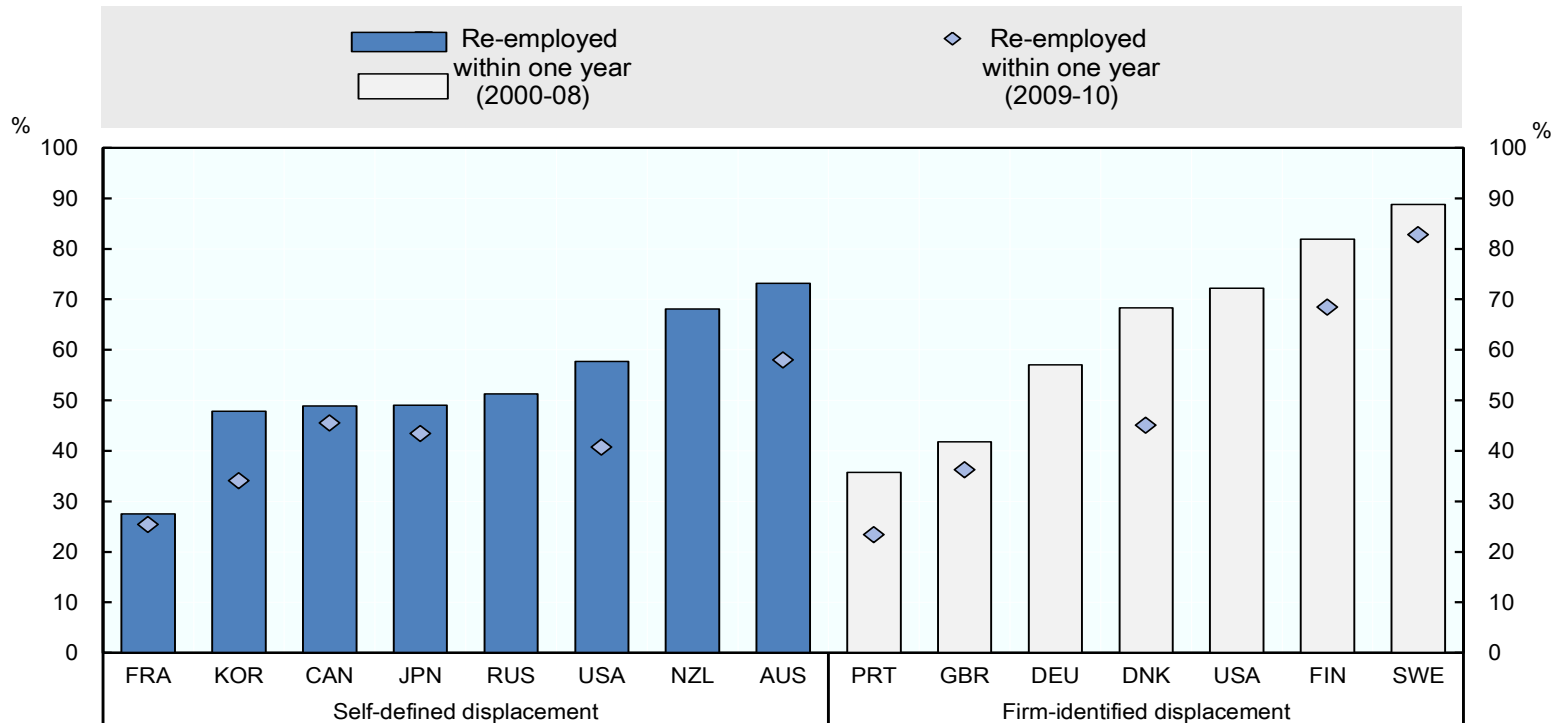


Source: OECD (2013), Employment Outlook, Chapter 4



Large variations in re-employment rates

Re-employment rate for displaced workers within one year, percentages

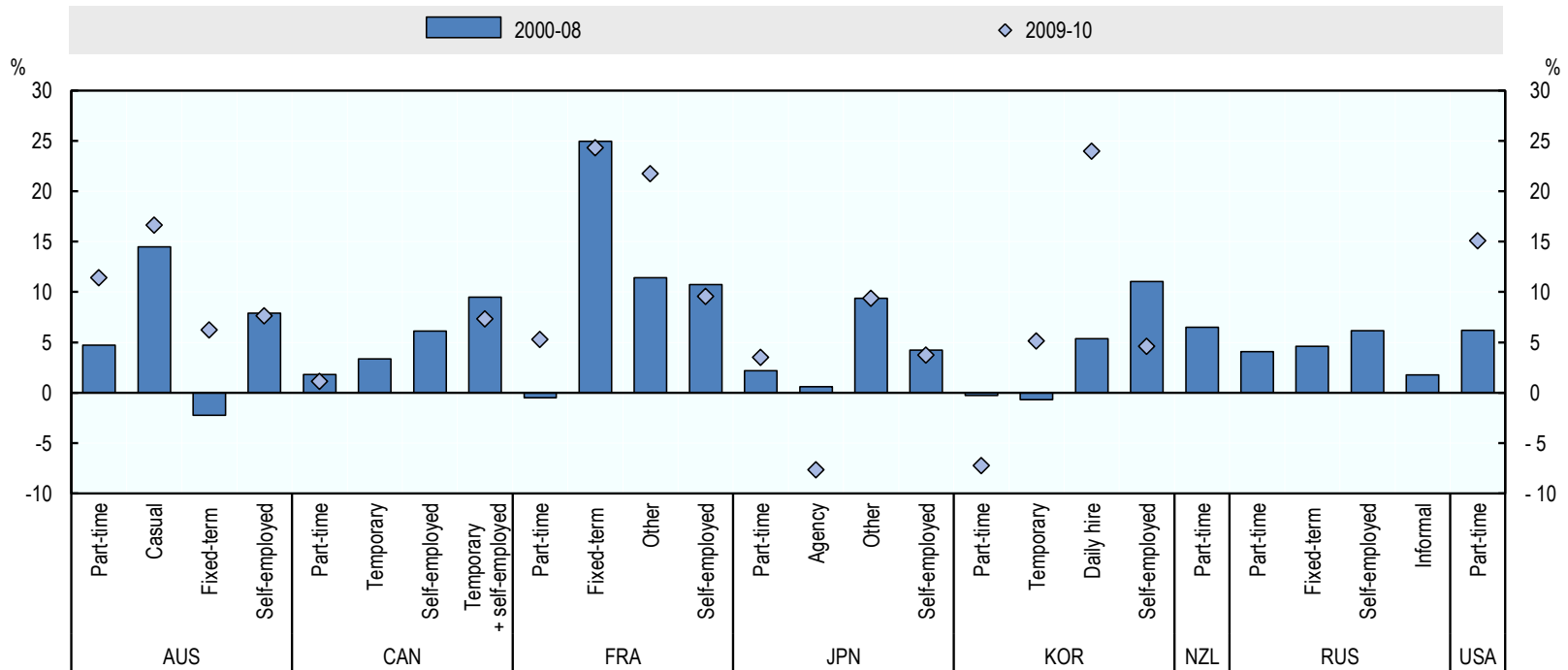


Source: OECD (2013), Employment Outlook, Chapter 4



Job quality worsens after displacement

Percentage point changes in employment shares between the pre-and-post-displacement jobs



Source: OECD (2013), Employment Outlook, Chapter 4



A taxonomy of measures for reducing labour-market adjustment costs

Types of measures	Direct	Indirect
General	<p>Unemployment insurance and other income-replacement benefits available to all unemployed workers under common rules</p> <p>Active labour market programmes available to all unemployed workers under common rules</p>	<p>Macroeconomic policies conducive to strong growth and high employment</p> <p>Framework conditions for efficient reallocation of labour in response to structural change (e.g. adjustment-friendly EPL and wage-setting institutions)</p> <p>Education and life-long learning programmes to up-skill the work force</p>
Targeted	<p>Special adjustment assistance or supplementary income-replacement benefits to all displaced workers</p> <p>Special adjustment assistance to specific subgroups of displaced workers (e.g. job losers in specific firms or sectors which face intense import competition)</p>	<p>Industry redevelopment or rationalisation programmes (e.g. tax subsidies, public-private partnerships to develop new sources of comparative advantage)</p> <p>Local economic development</p> <p>Trade policy measures to restrict imports (“protectionism”), such as tariffs and industry-specific trade safeguards or anti-dumping measures under WTO rules (potentially high efficiency costs)</p>



1. Policy approaches to promote early activation and rapid return to work

Early intervention measures

- **Aim is to provide re-employment support as soon as workers are notified of dismissals or as soon as workers are laid-off**
 - **Ontario:** Job-search support; career counselling services and psychological support offered via Rapid Response Services to workers affected by mass-layoffs
 - **Quebec:** Re-employment services further extended to individual dismissals through *Comités d'aide au reclassement à entrées continues* (CREC)
 - **Sweden:** Generous notice periods combined with extensive re-employment support before dismissal takes through Job Security Councils
- **Rigorous evaluations on programmes largely missing**
 - Advance notice and employer cooperation appear to be crucial ingredients for effective early intervention
 - Sweden: On average, 80%-90% of dismissed workers find new jobs within 7-8 months
 - Overall strong rationale for intervening early but need consideration for deadweight costs (e.g. false alarms)



2. Making severance payments an enabler to employment?

Severance payments

- **Aim is to provide employment protection but also compensation to workers affected by job loss especially older workers bearing largest earning-losses**
 - In some countries severance payments defer access to UI and thus related reemployment services
 - Severance payments largely remain a passive tool and may discourage job-search, especially when they delay access to UI benefits
- **Some countries extend obligations to dismissed workers to offset disincentive effects and establish contact with PES.**
 - **Germany**: Mandatory requirement to register with PES as soon as a worker notified of a dismissal
 - **Switzerland**: Proof of job-search activities between dismissal notification and first interview at PES to receive unemployment benefits
 - **Canada**: Career Transition Allowance fosters earlier access to UI to displaced workers using all or part of their severance package to invest in their own training



3. Promoting job-to-job transitions

Job-to-Job transitions

- **Aim is to transfer workers from companies downsizing or restructuring to firms that are hiring without an intervening period of unemployment**
 - **Japan:** Transfers of workers between related businesses are common and take form of *Shukko* (temporary transfer) and *Tenseki* (permanent transfer)
 - Industrial Employment Stabilization Center (IESC) extends inter-company transfers to cover non-affiliated firms.
- **Impact of measures is ambiguous**
 - Tenseki offers less advantageous terms of employment e.g. lower wages
 - IESC has better outcomes than PES (Hello Work) but is a small-scale measure with focus on mid-career regular workers in large co-operations.
 - Transferability to other countries difficult. Measures operates in lifetime employment system; requires close co-operation between affiliated companies



THANK YOU

**For further details and OECD's work on
Displaced Workers:**

www.oecd.org/els/emp

**[www.oecd.org/employment/displaced-
workers.htm](http://www.oecd.org/employment/displaced-workers.htm)**

email: shruti.singh@oecd.org