Industry Churning, the Labor Market and Workers’ Welfare

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Background

- Globalization has hastened industry churning—higher labor turnover
- Factors that raise labor turnover rate:
  - Increasingly contingent nature of employment
  - Layoffs due to shutdowns, restructuring, etc
- Objective of study: examine impact of job loss on displaced workers’ welfare
Labor turnover, 2008

- **Mining**
  - 1st Qtr: Hiring 5, Quits/firing 2
  - 2nd Qtr: Hiring 10, Quits/firing 15
  - 3rd Qtr: Hiring 15, Quits/firing 20
  - 4th Qtr: Hiring 10, Quits/firing 15

- **Construction**
  - 1st Qtr: Hiring 20, Quits/firing 15
  - 2nd Qtr: Hiring 20, Quits/firing 15
  - 3rd Qtr: Hiring 15, Quits/firing 10
  - 4th Qtr: Hiring 10, Quits/firing 5

- **Manufacturing**
  - 1st Qtr: Hiring 10, Quits/firing 5
  - 2nd Qtr: Hiring 15, Quits/firing 10
  - 3rd Qtr: Hiring 20, Quits/firing 15
  - 4th Qtr: Hiring 25, Quits/firing 20

- **Hotels and Restaurants**
  - 1st Qtr: Hiring 5, Quits/firing 2
  - 2nd Qtr: Hiring 10, Quits/firing 5
  - 3rd Qtr: Hiring 15, Quits/firing 10
  - 4th Qtr: Hiring 20, Quits/firing 15

*Source: BLES Quarterly Labor Turnover Survey, 2008*
Job losses in 2 crises

- Mfg employment down to 2.8 M in Jan 2009 from 3 M in Oct 2007 or net job loss of 280,000
- Net losses of 40,000 in construction and 30,000 in finance in Jan 2009

Source: NSO, LFS various quarters
Past research—developed countries

- Incidence of displacement is counter-cyclical, concentrated in declining industries or disadvantaged regions
- Unemployment spells in the short-term; large and persistent earnings losses
- More benign impact of job loss in Europe and Japan with their highly regulated labor markets, compressed wage structure
- Men, unskilled more likely to be displaced; older displaced workers fare worse than younger workers
Past research—developing countries

- Low rates of re-employment as most significant cost of layoff
- Long spells of non-employment and significant wage losses
- Non-employment and earnings loss persist over time
Methodology—non-random survey

- Non-random survey of displaced workers from 2 garment firms
  - Novelty Phils, Inc (n=148)
    - Sucat, Paranaque; garments
    - Closed shop Sep 2003
    - 3,265 regular workers displaced
    - Unsettled financial claims
  - Pilgrim Fashion, Inc (n=47)
    - Dasmariñas, Cavite; garments
    - Closed shop Nov 2007
    - 55 regulars, >100 contractuals displaced
    - Unsettled financial claims
Methodology—interviews, FGD

- Interviews, and FGD with workers from 3 other companies
  - Hidden Spring ($n>20$)
    - Nagcarlan, Laguna; water bottling
    - Plant relocated in 1997
    - 130 regulars displaced, benefits paid
  - Soriano Multi-Purpose Fiber Corp ($n>10$)
    - San Pablo, Laguna; coco fiber processing
    - Downsizing in 2002
    - 20 regulars displaced, benefits paid
## Worker characteristics

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<thead>
<tr>
<th></th>
<th>Pilgrim</th>
<th>Novelty</th>
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<tbody>
<tr>
<td></td>
<td>Regular</td>
<td>Casuals</td>
</tr>
<tr>
<td>Observations</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td>Age</td>
<td>42</td>
<td>34</td>
</tr>
<tr>
<td>Married</td>
<td>52%</td>
<td>55%</td>
</tr>
<tr>
<td>High school education</td>
<td>85%</td>
<td>95%</td>
</tr>
<tr>
<td>Earners in family</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Dependents</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>18 &amp; below</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>over 18</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Tenure in lost job</td>
<td>10</td>
<td>2</td>
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## Employment-related outcomes

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Regular</td>
<td>Casual</td>
</tr>
<tr>
<td>Found wage job since layoff</td>
<td>37%</td>
<td>50%</td>
</tr>
<tr>
<td>Months to find first job</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>With wage job at survey date</td>
<td>37%</td>
<td>10%</td>
</tr>
<tr>
<td>Daily wage in present job</td>
<td>150</td>
<td>284</td>
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<tr>
<td>% of wage in lost job</td>
<td>46%</td>
<td>108%</td>
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<tr>
<td>Self-employment rate</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>37%</td>
<td>65%</td>
</tr>
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Non-employment and wage loss

- Low re-employment rates in the short-term
  - Contingent work
  - Significant wage loss
- Self-employment not sustainable; overseas work for a few
- Long-term unemployment or early exit from LF for the majority
Heightened economic insecurity

- Temporary and contingent employment spells irregular hours and earnings
- Self-employment: irregular work and earnings
- Exit from labor force: dependence on other earners in household
- Loss of social protection, access to credit
Multi-faceted welfare effects

- Significant pre-displacement losses
- Non trivial cost of job search, relative to daily earnings of workers
- Decline in health status—chronic, catastrophic illness, death
- Loss of access to credit, children dropping out of school
- Loss of skills, inability to meet personal needs, undermining of self-esteem
Conclusion

- Labor *reallocation* is costly to workers
- Measures to ease the plight of displaced workers
- Better understanding of the nature and quality of work in the new labor market
- Strategic focus on full employment