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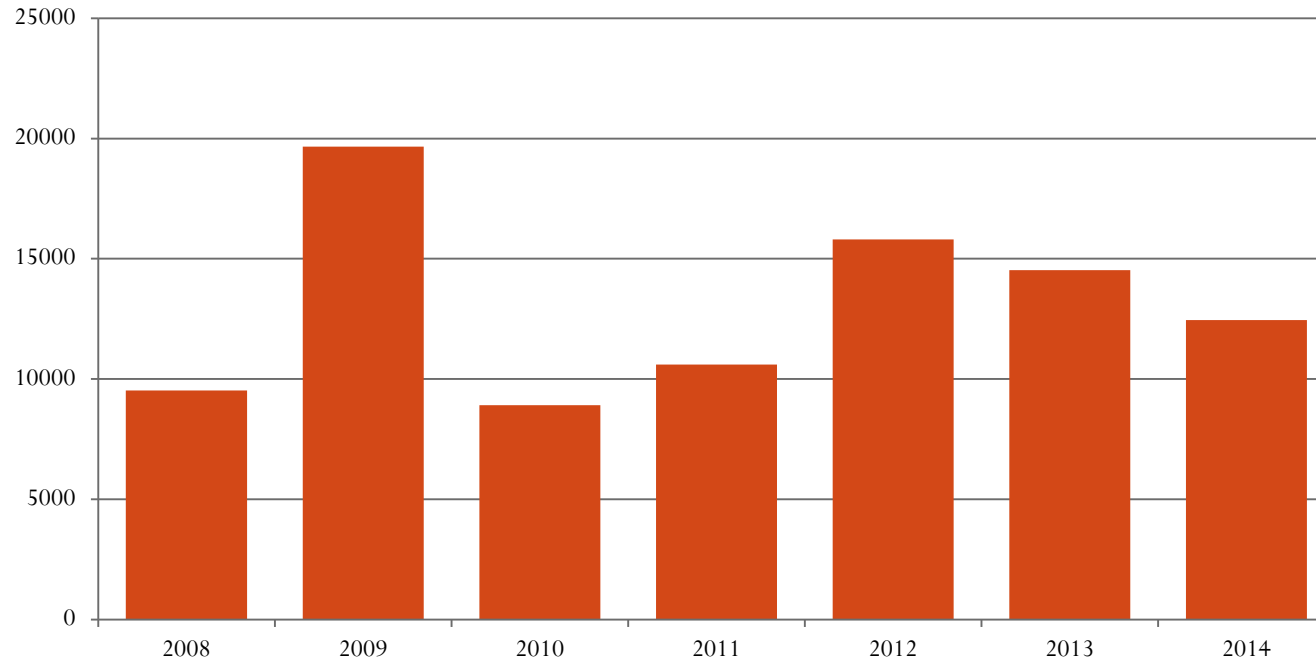
# Towards understanding of restructuring and displaced workers employment

A view based on representative longitudinal studies  
(Finnish Longitudinal Employer-Employee Data)

# Introduction

- As an open and export-oriented economy, Finland is sensitive to external shocks and labor market restructurings that lead to major lay-offs and necessitate employment policy reforms.
- The social security institutions and employment protection systems channel the behavior of employers and employees and the re-employment options of displaced workers.
- However, the examples of the last years have raised sceptical questions about the sustainability of the restructuring policy:
  - Are the old forms of social protection and employment protection efficient and sustainable in the long run?
  - What can we learn from restructuring and recent policies?
  - How the employment trajectories of displaced workers develop in long run?

# Laid-off workers in 2008-2014 in Finland



Totally 91 500 workers were laid off during 2008-2014

(source: SAK, irtisanomistilastot: <http://www.sak.fi/aineistot/tilastot/yt-ja-irtisanomistilastot> )

# Policy interest

- At the European and national levels, there are growing interest to develop comprehensive and coordinated policies to buffer the social outcomes of risks of restructuring.
- At national we find various measures:
  - The support measures for the ‘abrupt’ structural change areas (about 260 million euro in 2007-2012)
  - Active labour market policy measures and social packages
  - Implementation of proactive forms of employment protection (change security etc.)
- The policy objectives of restructuring policies are difficult to reach because of the diverging interest, limited resources and commitments of the various actors involved.
  - European Globalisation Adjustment Fund (EFG) provides one-off, targeted support for workers who have lost their jobs because of trade globalisation or the financial and economic crisis
  - Comparative policy analysis and recommendations

# European Globalisation Adjustment Fund (EGF) – Contributions granted for Finland

Year	Company	Industry	Contributions granted		
			National amount (€ mio)	EGF amount (€ milo)	Total (€ milo)
2007	Perlos	Mobile phon	2	2	4
2012	Nokia Salo	Mobile phon	5,3	5,3	10,6
2013	Nokia	Mobile phon	9,8	9,8	19,6
2014	STX Finland Rauma	Shipbuilding	1	1,4	2,4
2015	Broadcom Communications Finland	ITC sector	0,9	1,3	2,2
			19	19,8	38,8

# Research tradition

- Since the industrialisation and capitalist system of work the restructuring of economy, labour market and work, became a growing area of sociological research and theory building.
  - Theories of technological revolution (automation, CAD, ITC)
  - Theories of restructuring, theories of production process and control, and capitalist production systems
  - Institutional theories and comparative theories of the welfare state
- Big times & big names:
  - Production process (Burawoy)
  - Spaces of global capitalism/crises of capitalism (Harvey)
  - Sectoral restructuring (Osterland)
  - Economic restructuring and gender (Massey)
  - Displaced workers survey and LEED (Farber; Jacobsen)

# Research tradition in Finland 1

- Besides a long and extensive history of external shocks and restructuring, Finland has a strong research tradition in plant closures. Three research waves can be identified:
  - **First wave** - case studies at sectoral level:
    - 1. Forest sector rationalisation (forestry, saws, wood processing industry), mine closures , shipyard mergers and closures, rationalisation of the textile industry in 1980's
    - 2. Reorganisation of the banking sector: mergers and fundamental downsizings in 1990's
    - 3. Global structural change - Moving production to low-cost countries in 2000's (plant closures and downsizings)
  - **Second wave**
    - Re-employment and income development of displaced workers in the long run. Studies based on representative register based longitudinal employer-employee data. (Since the end of the 2000's)
  - **Third wave**
    - Comprehensive policy analysis with longitudinal perspective?
    - The impact of the globalisation of markets on institutions (relocation, flexicurity)

# Research tradition in Finland 2

- Already the case studies, conducted in different times, contributed well a better understanding of the complexities of the restructuring at local level. However the longitudinal register based data enabled us to study systematically the time effects of re-employment after plant closures:
  - Among those displaced during the recession of 1992, weak attachment due to unemployment was more common than among those displaced in 1997 and 2003.
  - This indicates that in 1992 there was a major change in Finland's industrial structure, resulting in a substantial portion of the workforce becoming permanently redundant.
  - Those displaced in 1997 and 2003 mostly attained trajectories of strong employment, and the rest were mostly channeled out of the labor market through pension schemes. Associated with this, there was a significant interaction between age and year of displacement, whereas the gender- and education-related risks turned out to be time-independent.



# Open questions

- Based on previous studies **we know well** that both the displacement and re-employment after displacement are socially selective where
  - individuals characteristics ( age, gender, education level etc.),
  - organisation level factors (firm size, sector etc. ) and
  - macroeconomic factors (economic cycle and competitiveness) explain who is most at the risk for losing their job.
- **But we don't know – 4 critical issues**
  - How do individual characteristics influence over the time and on various economic preconditions (good times vs. bad times of displacement)?
  - Are the early leavers the lucky ones? (heterogeneity, social selection, high risk for careers?)
  - How the labour market attachment of displaced and retaining workers differs from each other in the long run?
  - How do the institutions and changing precondition of the welfare society influence on labour market attachment?

# Displaced vs. Retained workers re-employment

- First, we utilise trajectory analyses to discern among the workers different paths of labour market attachment - as measured by the **number of months** being employed annually - during the following seven year period.
- Next, we set out to test the hypothesis that the **displaced** more commonly than the **retained** are found from the trajectories indicating weak labour market attachment.
- Finally, we perform within the trajectory groups sequence analyses of the annual **main activity statuses**, asking if the displaced and the retained differ with respect to patterns of status transitions to unemployment or out of labour market through pension schemes.

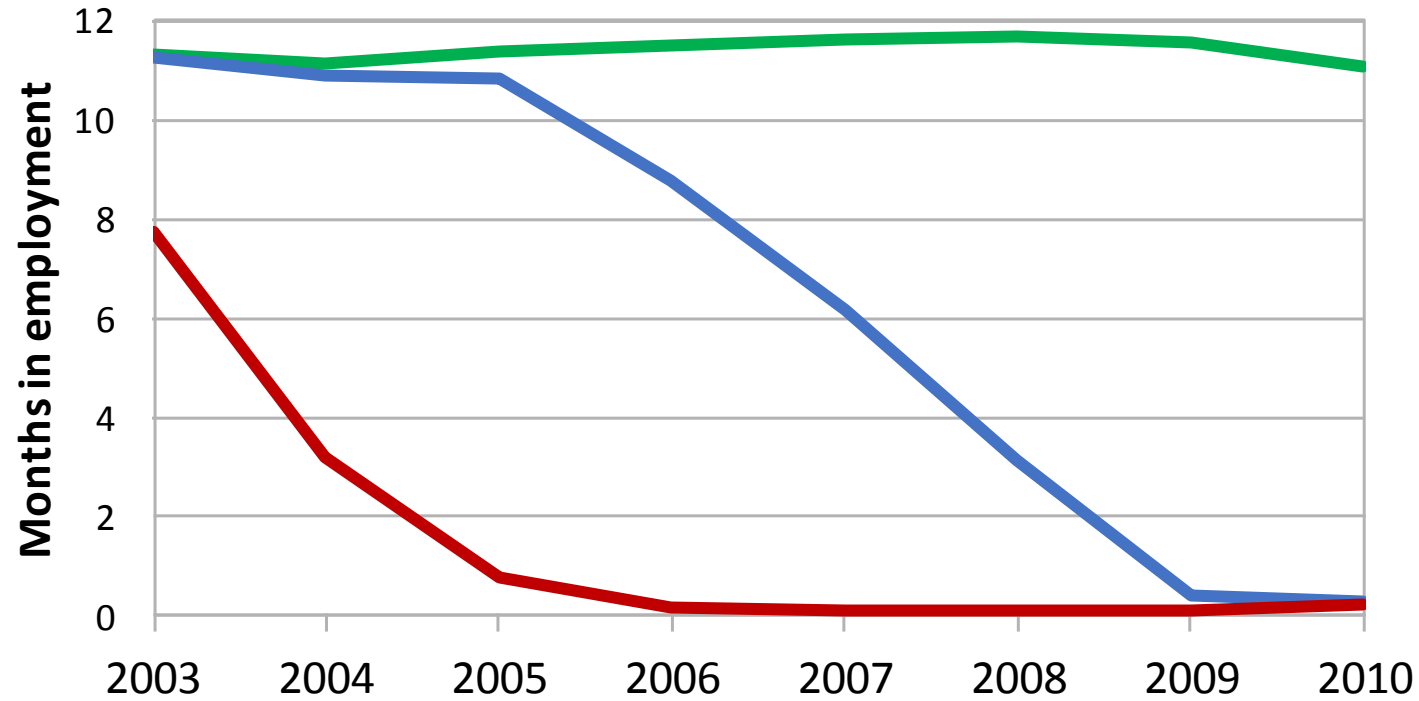
# Data

- The Finnish Longitudinal Employer–Employee Data (FLEED, Statistics Finland) consists of a random sample of every third individual aged 15 to 70 living in Finland between 1988 and 2011.
- There is also a variable indicating their main activity during each year, and for those who are employed identity code of the plant.
- Through the code, it is possible to identify from the sample the employees of a given plant, and the plants that had reduced their personnel to check how many years prior to the downsizing an employee had worked in the plant.
- Baseline year is 2003
- We included in the sample only those who had been employed for at least three years in the same plant and had had no records of unemployment during 2000–2002

# Methods – three statistical solutions

- *Trajectory analysis* was used to define groups with different levels and developments of the employment.
- After producing the trajectory groups, we took the retained as the reference group and used *multinomial logistic regression* analyses to assess if the displaced differed from them with respect to distribution of individuals to the trajectory groups.
- To analyse the reasons of weak labour market attachment, we finally investigated in each trajectory group the transitions of individuals between the early main activity using *sequence analyses*.

# Trajectory analysis

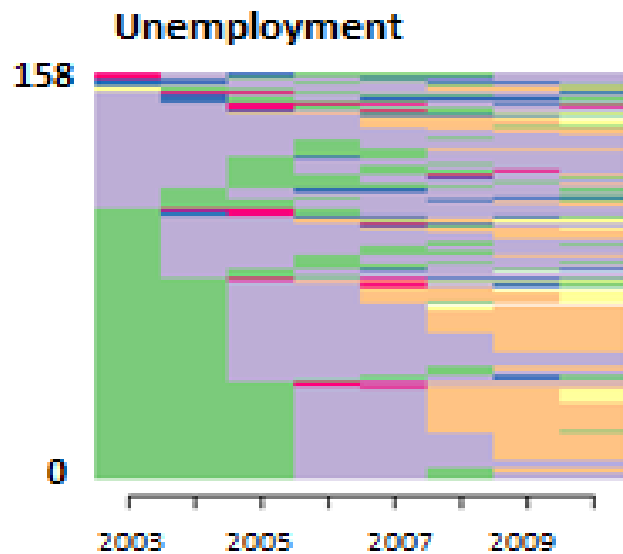
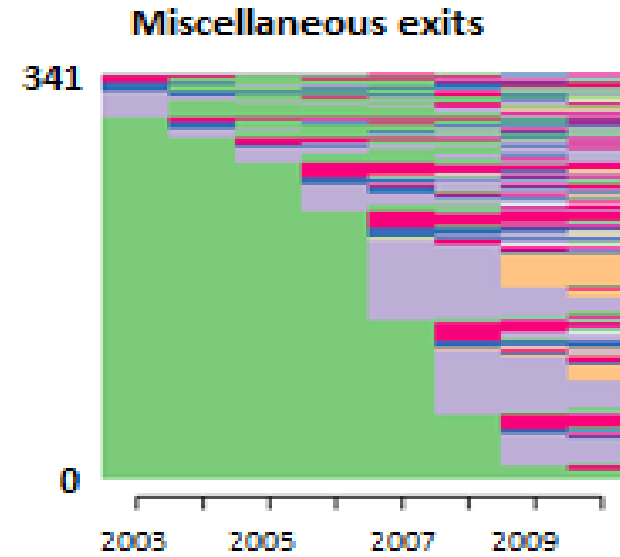
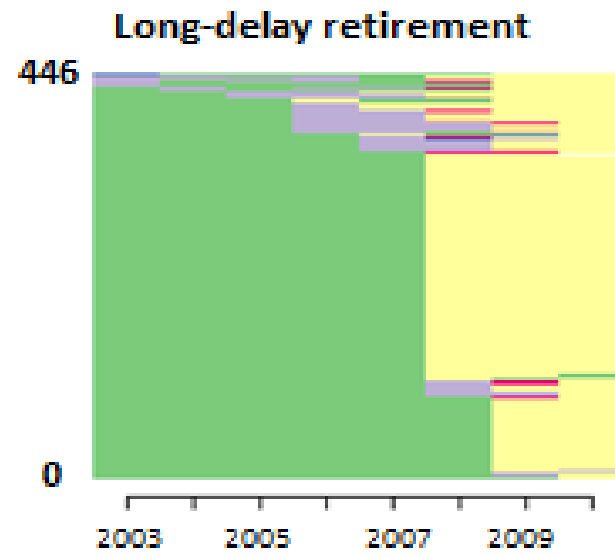
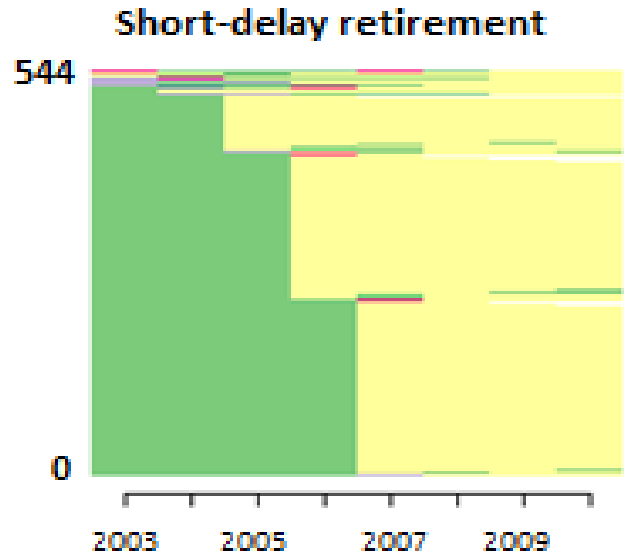


— Strong labour market attachment (n=14 184, 84 %)

— Slowly weakening labour market attachment (n=1 489, 9 %)

— Rapidly weakening labour market attachment (n=1 179, 7 %)

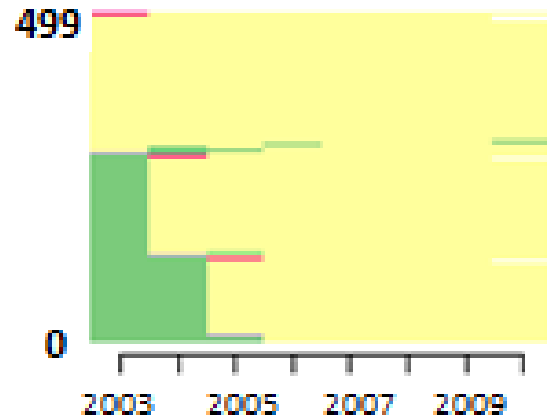
# Sequence analysis



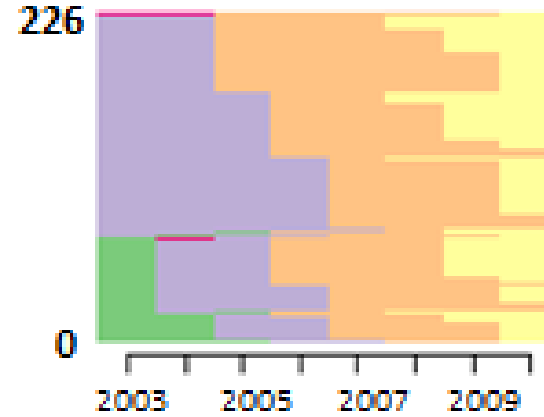
Sequence clusters of the main activity within the trajectory group of **later on weakening** employment.

# Sequence analysis

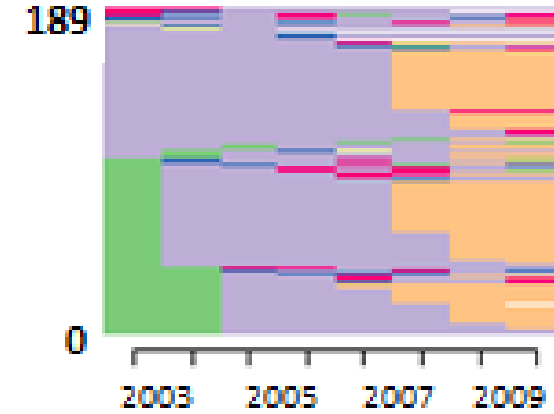
## Direct retirement



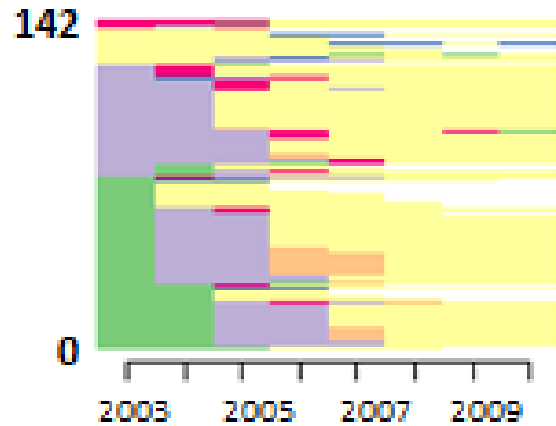
## Early unemployment pension



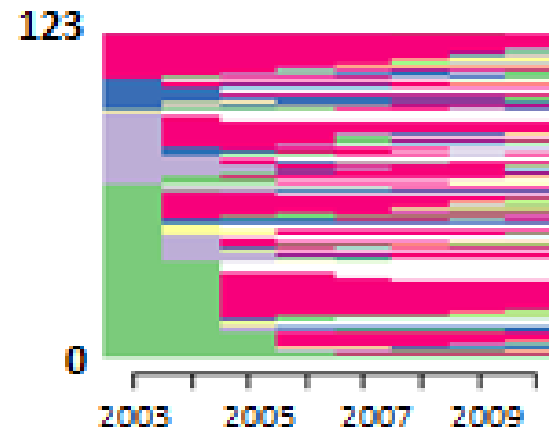
## Late unemployment pension



## Retirement after unemployment



## Miscellaneous exits



Sequence clusters of the main activity within the trajectory group of **immediately weakening** employment.

# Multinomial logistic regression

	Strong	Later on weakening	Immediately weakening
Displaced	82%	8%	10%
Retained	87%	9%	4%
Retained	Ref	Ref	Ref
- RRR (95% CI) (Unadjusted)	Ref	0.95 (0.85-1.04)	<b>2.51 (2.20-2.85)</b>
- RRR (95% CI) (1)	Ref	0.93 (0.84-1.04)	<b>2.50 (2.20-2.84)</b>
- RRR (95% CI) (2)	Ref	1.00 (0.89-1.12)	<b>2.63 (2.29-3.01)</b>
- RRR (95% CI) (3)	Ref	0.97 (0.87-1.08)	<b>2.64 (2.32-3.01)</b>
- RRR (95% CI) (4)	Ref	1.02 (0.91-1.15)	<b>2.79 (2.43-3.21)</b>

Multinomial logistic regression analysis adjusted for:

1: gender

2: age

3: education

4: gender, age and education



# Results

- Applying **trajectory analysis**, we identified three groups characterized by an immediately weakening, a later on weakening and a strong employment. **The displaced had a significantly higher risk of immediately weakening employment** (10 per cent vs. 4 per cent of the retained).
- The **sequence analysis** of those on the immediately weakening employment trajectory showed that the exit from the labour market through the pathway unemployment – unemployment pension – old age pension was relatively common among the displaced
- Overall, the study indicates that, in major downsizings, **the retained are maybe more fortunate**, but the displaced, fortunately, may trust in that the institutions of the welfare state save them from long-term unemployment

# Discussion

- The main objective was to compare the displaced and retained workers with respect to their attachment in the long term.
- The results lend support to the hypothesis: **the displaced had over twofold risk of assuming the trajectory of immediately and permanently weak employment.**
- **It must be pointed out that the sample consisted of workers who had been employed by the plant throughout the three year period preceding the downsizing**
- The results may have to do with this strong selection criteria. However, the study produces special information about how the employment of those working in the same plants becomes differentiated in structural changes.

# Policies

- At the EU and national levels, there is an increased interest to develop comprehensive and coordinated policy packages to buffer the social risks of economic, yet often these objectives have turned out to a ‘mission impossible’ because of the diverging interest, resources and commitments of the various actors involved.
- The case of Finland well demonstrates that the time has come to rethink the commonalities of the capitalism and functions and legacies of the welfare state.
  - Legitimacy of policies
  - Policies for whom (elites – middle class – working poor)

# Institutions

- In normal times the institutions and policies of welfare states have been developing towards growing independence, leading to a loss of central control, segmentation and competitive pluralism (Thelen 2004; Streeck 2009).
- In times of crises and the major restructurings of economies, the institutions and policies of the welfare states are requested:
  - The institutional capabilities are requested and the institutional change of the welfare states is obvious and a more crucial question appears: How the systems of capitalism and welfare states are developing?
  - How the separate policies of the welfare state, such as collective bargaining systems and corporate governance, social policies and social security systems, employment protection and employment policies, restructuring policies and local-global responses, are functioning together or separately?

# Research

- Longitudinal research brings interesting, and to some extent, surprising results on the selectivity of displacements, the integrative capacity of the labour market and significance of institutions in buffering the employment risks.
- Despite the importance of the question, **little systematic information is available on the incidence and the cost of job loss**, especially in European countries. **This has been partly due to a lack of required data.** Partly it is due to the **inherent difficulty in studying the complex phenomenon** of job loss and its causes and consequences.
- Yet it is also partially due to a **lack of focus and coordinated effort to follow a more systematic approach** yielding more comparable results between studies, over time, and between countries. (Bryson, Forth & Barber 2006)
- Do we need a return of politics to understand the importance of policies and institutions?