



Industrial and geographical mobility of workers during industry decline: The Swedish and German shipbuilding industries 1970–2000



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ABSTRACT

This article follows the industry employment histories of all individuals who at some point have been affiliated with the declining German or the dismantling Swedish shipbuilding industry during 1970–2000. We analyse the situation of the individual workers leaving shipbuilding, investigating the extent to which they were employed at all, tended to move to related sectors within or outside the region, and whether such moves were beneficial for the individuals. Combining insights from labour geography and redundancy studies with evolutionary economic geography, we find remarkably similar results for the West German and Swedish cases. Our findings indicate a notable impact of the regional industry structure on the labour market outcomes for workers leaving shipbuilding. This suggests that more attention should be devoted to the specific structures of the absorptive capacity of regional labour markets. The findings are discussed within the context of a mature industry.

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1. Introduction

This article analyses the labour market outcomes of all workers who at some point have been affiliated with the Swedish or West German shipbuilding industry during the period 1970–2000. In the early 1970s, Sweden and West Germany were among the most important shipbuilding nations in the world. In West Germany, the shipbuilding industry employed about 58,000 persons (1975), and in Sweden about 37,000.¹ After 1970, a cascade of closures in relation to intensified global competition drastically reduced the number of employees. Fragments of these industries do still remain, most importantly so in West Germany with roughly 12,000 employees (2000). The downturn of shipbuilding posed enormous challenges to many industrial cities such as Göteborg and Hamburg, as industrial dismantling sets off processes whereby redundant

workers need to be shifted to jobs in other industries in the regional economy.

The encompassing literature on plant close-downs and worker displacement has conventionally focused on identifying the individual characteristics affecting the probability of workers facing unemployment or wage loss (Fallick, 1996). But the impact of the regional economic environment on the re-employment of displaced workers has of course not gone unnoticed (Pinch and Mason, 1991; Bailey et al., 2012). In quantitative studies, unemployment rates in the local economy have repeatedly been found to affect the outcomes of displacement (Fallick, 1996). More generally, Bluestone (1984) argued that the 'absorptive capacity' of the regional labour market was instrumental in creating opportunities for workers who lost their jobs as a consequence of de-industrialization. A similar line of argument was pursued by Shuttleworth et al. (2005), who showed the importance of regional demand side factors affecting the employability of workers exiting the shipbuilding industry in Northern Ireland.

There are important qualitative aspects to the absorptive capacity of regional labour markets. For example, recent arguments within evolutionary economic geography suggest that labour mobility between related industries allows workers to at least partially re-use previously acquired skills (Neffke and Henning, 2013). Thus, the successful re-allocation of workers from displacement

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¹ To derive comparable data between the two countries, all apprentices (<18 years) are excluded from the West German data. In total (including all apprentices), the West German shipbuilding industry comprised 66,700 in 1975 and 16,980 in 2000.

may be especially alleviated in regions which host many of such related industries. This article brings together arguments from the labour geography, displacement and evolutionary economic geography bodies of literature to study the propensity of individuals to leave the shipbuilding industry, take up new work, or become non-employed. We are especially interested in how the regional industry structure affected the outcomes for the individuals.

As a complement to the traditional way of relying on occupations and formal skill levels between former shipyard jobs and new workplaces to assess the matching quality, we use information on human capital similarities between industries to empirically verify whether the regional presence of related industries matters for the propensity of an individual to move, and for his or her success when doing so. In comparison to most previous work, this study expands the time frame and sample, and considers all employees affiliated with shipbuilding at some point during a 30-year period. While most previous work in this field has focused on the discrete event of closure (Pike, 2005), the dismantling process of shipbuilding in Sweden and West Germany was a process that ranged over many years. Additionally, few quantitative studies have compared the dismantling of industries and outcomes of redundancy processes in different countries. Comparing the outcomes between Sweden and West Germany allows us to initiate a discussion about the impacts of institutional differences.

2. Previous literature

The analysis of labour market outcomes after plant closures is a longstanding issue in the literature. The variation of theoretical and empirical approaches to examining the topic can be exemplified by a set of more general studies (Davis and Haltiwanger, 1999; Fredriksen and Westergaard-Nielsen, 2007), numerous investigations on plant closures in mature industries (e.g. Pinch and Mason, 1991; Bailey et al., 2012; Oesch and Baumann, 2015), and studies of modern services (Dawley et al., 2014; Pike, 2005). Especially interesting for this investigation are the case studies on the effects of the decline of the shipbuilding industry for Germany (e.g. Eich-Born and Hassink, 2005) and other countries (e.g. van Klink and de Langen, 2001; Karlsen, 2005; Shin and Hassink, 2011). In addition, scholars have conducted more in-depth studies investigating the nature of shipyard closures, or the impact of such closures on workers' labour market transitions, for example Storrie (1993) and Ohlsson and Storrie (2012) in Sweden, Heseler and Osterland (1986) and Hien et al. (2007) in Germany, Tomaney et al. (1999) in Great Britain, Shuttleworth et al. (2005) in Northern Ireland, and Holm et al. (2012) in Denmark.

The objective of many case studies on plant closures has been to investigate the characteristics and success of matching the process of redundant workers' transition to other economic activities using indicators such as re-employment rates or early retirement quotes (for shipbuilding, see for example Storrie, 1993; Tomaney et al., 1999; Ohlsson and Storrie, 2012). In the literature particularly concerned with displaced workers, individual factors such as tenure, age, education and occupation have repeatedly been found to affect the likelihood of being displaced, while non-employment after displacement is primarily experienced by workers with longer tenures and higher wages (Fallick, 1996). Moreover, the displacement process itself is often found to come with earning losses. For mature industries, the interacting specialization and age effects among redundant workers are particularly interesting. Previous studies highlight that an aging workforce is a typical feature of declining industries (e.g. Andersson and Lindmark, 2008). The fact that longer tenured workers are less likely to leave their job may partly be explained by the legal structures of some labour markets,

and by the fact that older workers have accumulated sector-specific human capital that becomes a sunk cost if they exit (Eriksson et al., 2008).

Some scholars have emphasized the gender perspective in displacements (Pinch and Mason, 1991), for example noting that women have a greater risk of withdrawing from the labour market in cases of lay-offs and are more inclined to take up just any job due to the gender relations in the household (Hanson and Pratt, 1991). Institutional arrangements underlying industrial downsizing and plant closures, and how mature industries are regarded in policy, will differ between countries and regions. This can also be expected to affect the labour market outcomes of large-scale displacements and the pace of structural change. Indeed, Tomaney et al. (1999), Bailey et al. (2012) and Holm et al. (2012) argue that the organization of the redundancy process itself is highly important for the labour market outcomes of redundant workers.

Tomaney et al. (1999, pp. 406–407) summarize previous surveys on the effects of the close-downs of shipyards in particular. A large part of the workers who become redundant exit unemployment after a short time and are re-employed in other industries, while those who remain unemployed after this initial period run a high risk of long-term unemployment. Low-skilled workers are typically hit hard by redundancies. Furthermore, many redundant workers are likely to accept a lower initial pay in their new employment. Moreover, the majority of ex-shipyard workers do not migrate to other regions after displacement, but rather start commuting longer daily distances to work.

In the displacement literature, conditions in the surrounding regional economic environment, such as employment rates, have long been acknowledged as important factors determining the outcomes of worker displacements (Fallick, 1996). Primarily in the labour geography literature, more detailed accounts of the role of the regional economic environments have been developed, especially in studies dealing with displacements from particular plants (Pinch and Mason, 1991; Pike, 2005; Shuttleworth et al., 2005; Bailey et al., 2012; Holm et al., 2012) and the regional impacts of large-scale closures (Chapain and Murie, 2008).

However, recent developments in the literature within evolutionary economic geography allow us to further qualify the notion of the 'absorptive capacity' of the regional labour market (Bluestone, 1984). The absorptive capacity of the local labour market is highly important to the outcome of redundancy processes, because the geographical movement of individuals on the labour market and during industrial restructuring processes is constrained by place (regional) concerns due to economic, social and institutional reasons. It is well established that searching for and finding a new job in other regions is time-consuming, and carries monetary and social costs (van den Berg, 1992; Sjaastad, 1962). Moreover, Rigby and Essletzbichler (2006) demonstrated that the same industry may have significant and persistent differences in production techniques across regions. When an individual thus moves and becomes detached from the regional knowledge structure and routines, parts of the human capital may be lost, and will have to be built up again in a costly process (Fischer et al., 1998).

Given this constrained mobility of individuals in geographical space, the qualitative dimensions of the regional industry structure can be assumed to have a decisive influence on the processes of labour re-allocation. A highly specialized regional economy runs the risk of limiting the number of potential employers (Krugman, 1993), although within-industry moves are often beneficial to the individual (Fallick, 1996). In fact, Frenken et al. (2007) found that regional industrial diversity is shock-absorbing and protects from unemployment due to portfolio effects. Similarly, thick urban labour markets are generally associated with an increase in the chances for workers to find new employment (Duranton and

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