ABSTRACT:

Displacement Effects in Manufacturing
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We investigate the sources of wage losses from displacement in the manufacturing sector. Manufacturing establishments traditionally employed low- and high-wage workers in similar proportions and paid substantial wage premiums to both types of workers. Structural change has led to the disappearance of manufacturing jobs, particularly for low-wage workers. Decomposing displacement wage losses, we show that low-wage workers suffer particularly large losses in establishment premiums following displacement, whereas high-wage workers tend to fall down the match quality ladder. With ongoing structural change, losses in wages and establishment premiums have increased over time, especially for low-wage workers, in part because they are increasingly forced to switch to low-knowledge service jobs where establishment premiums are low.