HOW DESTRUCTIVE IS CREATIVE DESTRUCTION? 
EFFECTS OF JOB LOSS ON JOB MOBILITY, 
WITHDRAWAL AND INCOME

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Abstract

We analyze short and long-term effects of worker displacement. Our sample consists of male workers displaced from Norwegian manufacturing plants. We find that displacement increases the probability of leaving the labor force by 31%. The drop-out rate from the labor force is particularly high in the first years following displacement. The average earnings effects for those who remain in the labor force are moderate, a 3% loss relative to non-displaced workers after seven years. Splitting displaced workers on within- and between-firm movers, we find that the estimated earnings loss is entirely driven by between-firm movers who experience a 3.6% loss. Transfers to other plants within multi-plant firms upon displacement are quite common. Our results support the view that human capital is partly firm specific and partly industry specific. We find no evidence suggesting that human capital is plant specific. (JEL: J63, J65)