

SPILLOVER EFFECTS OF MASS LAYOFFS

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Abstract

Using administrative data on firms and workers in Germany, we quantify the spillover effects of mass layoffs. Our empirical strategy combines matching with an event study approach to trace employment and wages in regions hit by a mass layoff relative to suitable control regions. We find sizable and persistent negative spillover effects on the regional economy: regions, and especially firms producing in the same broad industry as the layoff plant, lose many more jobs than in the initial layoff. In contrast, negative employment effects on workers employed in the region at the time of the mass layoff are considerably smaller. Strikingly, workers younger than 50 suffer no employment losses, as geographic mobility fully shields them from the decline in local employment opportunities. (JEL: J21, J31, J61, J63, R12)

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