

Locate Your Nearest Exit: Mass Layoffs and Local Labor Market Response

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Key Findings and Policy Implications

This paper examines the effect of mass layoffs on labor force migration, retirement and disability insurance enrollment. Multiple data sources are used in the analysis. Bureau of Labor Statistics data are used on mass layoffs by county. Data on worker migration comes from the Internal Revenue Service (IRS) Statistics of Income files, which calculate inflows and outflows based on address changes of individual tax filers. SSA data are used to determine application for and enrollment in Social Security's disability and retirement programs by county. County level information on the age, gender, and racial composition of county populations is drawn from the Surveillance, Epidemiology, and End Results (SEER) program of the National Cancer Institute. County-level median income data are from the Bureau of Economic Analysis (BEA). The integrated database from all of these sources covers the period from 2000 to 2010. The paper finds that:

- Using data for the entire period, a mass layoff affecting 1 percent of a county's workers leads to a reduction of 0.19 percentage points in the size of the county labor force. The majority of this change is driven by increased out-migration from the labor market region. There are positive effects on both DI claims and new retirements, but the estimates are small and not statistically significant.
- A mass layoff affecting 1 percent of a county's workers leads to an increase of about 0.09 percentage points in the number of people that remain in the area but stop participating in the labor force. However, the non-participation channel grew much larger during the Great Recession.
- The results are much different for the years before and after 2007. The labor force response to a mass layoff more than doubles after 2007. In addition, the out-migration response after 2007 is muted, with a magnitude about half as large as the response before 2007. Unlike the pre-recession years, these results show that during the Great Recession, migration was not a major channel for labor market adjustment to local shocks.

Understanding the long-term labor market impact of recessions and mass job losses has wide ranging implications for policy. Worker migration to other labor market opportunities has been an important aspect of the economic adjustment process that takes place following recessions and mass layoffs. The role of mobility in labor market adjustment has taken center stage as we emerge from the Great Recession, and this study provides additional evidence that labor mobility seems to be lower than at any time in recent history.

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This research was supported by the U.S. Social Security Administration through grant #DRC12000002-03 to the National Bureau of Economic Research as part of the SSA Disability Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.

This research was supported by the U.S. Social Security Administration through grant #RRC08098400-05-00 to the National Bureau of Economic Research as part of the SSA Retirement Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.