

Title: Displacement Effects in Manufacturing and Structural Change

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Abstract:

Manufacturing establishments historically 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 gradual disappearance of these well-paid jobs, disproportionately affecting low-wage workers. We show that displacement from manufacturing leads to considerably larger wage losses—and larger declines in establishment premiums—than displacement from services, especially for low-wage workers. Over time, displacement losses in manufacturing have worsened, particularly among low-wage workers who, amid ongoing structural change, are increasingly forced to switch to low-paying, low-knowledge service sector jobs. These patterns are similar for men and women. We then highlight that structural change and the decline in high-paid manufacturing jobs have significantly contributed to job polarization and the rise in assortative matching between workers and firms.