

Big-3 bankruptcy: Job loss less than half oft-cited figure, says study

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The impact of a Big-3 bankruptcy and restructuring would be severe, but frequently-quoted job loss figures are misleading and overstated, according to a new projection by the University of Maryland's Inforum economic research unit. In the worse case scenario, peak job dislocation from restructuring would be half of the 3 million commonly cited in the media.

"There will be plenty of economic pain from the inevitable restructuring of the U.S. auto industry, but the figures that are usually discussed are highly unrealistic," says University of Maryland economist Jeffrey Werling, Inforum executive director.

The three million job-loss figure comes from two separate studies, which are technically correct, but based on implausible assumptions, Werling says.

"If 100 percent of the manufacturing capacity of the Big Three totally disappeared in a puff of smoke, about three million jobs could indeed be eliminated," he says. "However, we think that at most 40 percent of the Detroit-3 auto manufacturing capacity would be lost, and that this would mean a peak loss of 1.5 million jobs. But we think the more likely figure is just under a million."

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Werling estimates the peak economic impact would hit in 2011. The

material comes from Inforum's 2008 annual outlook – a proprietary analysis that projects economic conditions on an industry-by-industry basis.

Economists at Inforum conducted the analysis using LIFT, the research group's dynamic, interindustry model of the U.S. economy. LIFT has been developed and used for over 40 years, and its detailed industry structure and dynamic macroeconomic framework makes it well suited to investigate issues such as restructuring in the U.S. automobile industry. It quantified direct and indirect job losses over the six-year period 2009 to 2014.

A more detailed summary is available online
www.newsdesk.umd.edu/pdf/werling-big3.pdf

Source: University of Maryland

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