



Spatial Economics Research Centre

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The mothballing of SSI: Is all lost for Teesside?

Posted by [Maria Sanchez Vidal](#), SERC and University of Barcelona

Three weeks ago, SSI Redcar decided to mothball its Teesside steel plant citing a recent drop in world steel prices. The plant is one of the last large survivors of an industry that has been declining for years. There are, understandably, big concerns about the effect of eventual closure on local employment. Many commentators worry that the job losses will extend beyond those working in the plant itself. The end result, we are told, could be the loss of 2,000 direct jobs plus thousands more from contractors and other firms in the supply chain. And these concerns aren't just limited to a fall in future orders: SSI Redcar currently owes suppliers more than £10m.

According to our [recent research](#), however, the long run consequences of SSI Redcar's plant may not be as drastic as they seem at first sight. We analyse the effects of 45 large manufacturing plant closures on local employment in Spain. To estimate the impact, we compare the areas that experienced a large closure to areas that are similar in terms of employment levels and trends prior to the closure. The results show that, for each job directly lost in the plant closure, only between 0.3 and 0.6 jobs are actually lost in the affected industry. That is, for every 10 people laid off, at least four workers return to similar jobs in other local firms. In addition, we find no employment effects of the large closure on firms in other manufacturing industries or in the services sectors within the local economy. In short, the medium to long-run effects on overall local employment are likely to be smaller than the original direct job loss.

Of course, it's bad news that a plant as large as SSI Redcar is under threat. However, at least according to our results, there is still some scope for hope. The UK steel industry is clearly facing a huge challenge and the closure will negatively affect an already weak local economy. But, once the local economy adjusts, the employment effects are unlikely to be quite as devastating as the media suggests.

Posted by [Neil Lee](#) on [Friday, October 09, 2015](#)

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