

Displacement of Older Workers: Re-employment, Hastened Retirement, Disability, or Other Destinations?¹

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Abstract

The central objective of this study is to investigate the income sources and patterns of prime-age and older workers who suffer a layoff from steady employment. We focus on a set of cohorts who are deemed to have a high degree of attachment to the labour force preceding the event of an involuntary separation. Using a unique data base that merges administrative data marking the job separation, we track all of their sources of income over an interval that spans four years prior to the separation to five years after the separation. Our empirical analysis includes an investigation of the frequency that a laid-off individual will receive income ex post from a given source, a typology analysis of the various configurations of income received, and an econometric analysis of the incidence of certain post-layoff income configurations.

We find that in any given year, approximately 2 % of our sample of workers with stable employment histories experience a 'visible' layoff. During the first three post-layoff years, 77 % of the group of laid-off workers (aged 45-64 years old) have non-trivial labour market earnings, and 56-65 % of them depend on the labour market for their primary source of income. This group of workers does experience substantial income losses. During the post-layoff period, approximately 14-19 % of them file a subsequent claim for EI benefits, but few of them depend on the EI regime as the primary source of their income. Very few of these individuals draw on other types of social insurance benefits, such as CPP disability, social assistance, and workers' compensation. The most common destination state for prime-age and older workers who have not yet reached retirement age are early retirement and continued labour market activity, albeit at much lower earnings. It is rare for them to draw on social insurance benefits, and we find little evidence that disability benefits and workers compensation are functioning as disguised unemployment benefits.

JEL Codes: J63, J65, J68, J26

Keywords : Post-layoff transitions, incidence of program usage, retirement behaviour, disability benefits, re-employment transitions.

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