

How Do Families and Unattached Individuals Respond to Layoffs? Evidence from Canada

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Abstract

Using data from a large Canadian longitudinal dataset, we examine whether earnings of wives and teenagers increase in response to layoffs experienced by husbands. We find virtually no evidence of an “added worker effect” for the earnings of teenagers. However, we find that among families with no children of working age, wives’ earnings offset about one-fifth of the earnings losses experienced by husbands five years after the layoff.

We also contrast the long-term earnings losses experienced by husbands and unattached males. Even though the former group might be less mobile geographically than the latter, we find that both groups experience roughly the same earnings losses in the long run. Furthermore, the income losses (before tax and after tax) of both groups are also very similar. However, because unattached males have much lower pre-layoff income, they experience much greater *relative* income shocks than (families of) laid-off husbands.

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