

# **Earnings Losses of Displaced Workers: Canadian Evidence from a Large Administrative Database on Firm Closures and Mass Layoffs\***

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## **Abstract**

Using Statistics Canada's Longitudinal Worker File, we document short-term and long-term earnings losses for a large (10%) sample of Canadian workers who lost their job through firm closures or mass layoffs during the late 1980s and the 1990s. Our use of a nationally representative sample allows us to examine how earnings losses vary across age groups, gender, industries and firms of different sizes. Furthermore, we conduct separate analyses for workers displaced only through firm closures and for a broader sample displaced either through firm closures or mass layoffs. Our main finding is that while the long-term earnings losses experienced on average by workers who are displaced through firm closures or mass layoffs are important, those experienced by displaced workers with considerable seniority appear to be even more substantial. Consistent with findings from the United States by Jacobson, Lalonde and Sullivan (1993), high-seniority displaced men experience long-term earnings losses that represent between 18% and 35% of their pre-displacement earnings. For their female counterparts, the corresponding estimates vary between 24% and 35%.

Keywords: Layoffs; Job Losses; Employment; Worker Displacement; Earnings Losses.

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