

Economic Change and Worker Displacement in Canada: Consequences and Policy Responses*

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Abstract

Change is an enduring feature of the economy and the labour market, even in normal times. The importance of adjusting to change, and of policies that promote adjustment, has been a recurring theme throughout David Dodge's distinguished career. This paper deals with "displaced workers," those who permanently lose their jobs because of changing economic circumstances. I examine what we know about displacement and its consequences, and assess policies designed to assist workers adversely affected by economic change.

A central finding of research on displacement is that long tenure displaced workers -- those who have held their jobs for an extended period of time -- suffer much more from losing their jobs than do others. Canada's Employment Insurance does not take into account this salient feature of the consequences of job loss. The paper discusses ways of addressing this deficiency in our primary social insurance program for job losers.

Keywords: labour market adjustment, job displacement, unemployment, unemployment insurance, adjustment assistance policies, wage insurance

JEL Codes: J60, J63, J64, J65, J68

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