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### Have Employment Patterns of Older Displaced Workers Improved Since the Late 1970s?

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# Have Employment Patterns of Older Displaced Workers Improved Since the Late 1970s?

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## *Abstract*

In this paper, we document the post-displacement employment patterns observed between 1979 and 2004 for displaced workers aged 50 to 54. We uncover four key patterns. First, we detect no upward trend in the re-employment rates of male displaced workers in the aggregate, in manufacturing or outside manufacturing. Second, we show that re-employment rates of displaced women generally increased over time. Third, we find substantial evidence that median and average earnings losses of males displaced from manufacturing in recent years (i.e. between 2000 and 2004) were higher than those of comparable cohorts displaced during the 1980s. Part of this increase is related to the lower re-employment rates observed in recent years for males displaced from manufacturing. These lower re-employment rates suggest that, following displacement, aggregate working hours likely fell for males displaced from manufacturing. Finally, we show that median and average earnings losses of women displaced from non-manufacturing firms fell over time.

## *Executive summary*

Over the next few years, a substantial number of baby boomers will approach retirement. This trend is expected to reduce the percentage of individuals aged 15 to 64 in the total population, thereby inducing downward pressures on the growth of aggregate labour supply, with potentially adverse consequences for potential output growth (Barnett, 2007). This demographic shock has received a lot of attention in recent years and, as exemplified by OECD (2006), has led to an intense search of ways to increase the labour supply of various demographic groups.

Every year, job displacement affects several thousands of Canadian workers aged 50 and over. After being laid-off, many of these older displaced workers may permanently leave the labour force or experience substantial spells of non-employment if they have difficulty finding a new job. Hence, these individuals represent a potentially important source of labour supply. In light of the demographic pressures outlined above, an important question is whether their post-displacement employment patterns have improved over the past decades.

There are several reasons why post-displacement employment patterns of older workers might have improved since the late 1970s. First, older workers (like their younger counterparts) have increased substantially their educational attainment over the past few decades. Census data shows that in 1980, only 7.8% of paid workers aged 50 to 54 had a university degree. Twenty-five years later, that proportion had almost tripled to 21.4%. Since highly educated workers have higher re-employment rates than their less educated counterparts after job loss (Kletzer, 1998), one would expect this increase in educational attainment to better the employment prospects of older displaced workers.

Second, as long as many of them are in jobs that are physically less demanding than those held by their counterparts in the late 1970s, recent cohorts of workers aged 50 and over might be healthier than their counterparts were 25 years ago. If so, their ability to remain active following job loss might have increased over time.

Finally, the labour market participation of women married to older workers rose substantially over the last two decades. In 1980, 52.6% of women married to (or living in common-law relationships with) men aged 50 to 54 had positive wages and salaries, compared to 76.1% in 2005. If spouses coordinate the timing of their retirement, this growing labour market involvement of women may provide older displaced males an additional incentive to stay in the labour market for some additional time.

Other factors may have tended to reduce the employment rates of older displaced workers, however. Following the introduction of computer-based technologies in the 1980s and the 1990s, some skills might have become less portable across industries, thereby leading some displaced workers (especially the older ones) to face greater problems finding a new job now than their counterparts did in the past. Second, recent cohorts of older workers have generally accumulated more wealth than their counterparts did in the early 1980s (Morissette and Zhang, 2006) and thus, might be more prone to retire following job loss. Furthermore, the growing labour market participation of wives might also allow some older displaced male workers to retire as the financial impact of their job loss can now be cushioned, at least to some extent, by their spouse.

Hence, whether post-displacement employment patterns of older displaced workers have improved over the last two decades is an empirical question. The goal of this paper is to answer this question for displaced workers aged 50 to 54.

Our main findings are the following. First, we detect no upward trend in the re-employment rates of male displaced workers in the aggregate, in manufacturing or outside manufacturing. This absence of improvement in the re-employment rates of male displaced workers took place in a period where the educational attainment of male workers rose substantially. Since highly educated workers have higher re-employment rates than their less educated counterparts after job loss (Kletzer, 1998), this suggests that re-employment rates of displaced men might have fallen *within some educational groups*.

Second, we show that re-employment rates of displaced women generally increased over time. While this finding might result both from changes in labour demand and labour supply, a substantial portion is likely driven by the growing attachment of women to the labour force as well as increases in their educational attainment.

Third, we find substantial evidence that median and average earnings losses of males displaced from manufacturing in recent years (i.e. between 2000 and 2004) were higher than those of comparable cohorts displaced during the 1980s. Part of this increase is related to the lower re-employment rates observed in recent years for males displaced from manufacturing. Since the data used in this study contain no information on individuals' labour force status, we cannot distinguish whether the lower re-employment rates are due to higher unemployment, higher levels of inactivity or a greater propensity of older displaced workers to retire following job loss. Nevertheless, these lower re-employment rates suggest that, following displacement, aggregate working hours likely fell for males displaced from manufacturing.

Finally, we show that median and average earnings losses of women displaced from non-manufacturing firms fell over time.

Our findings should be interpreted with considerable caution. Specifically, the high sensitivity of earnings losses and re-employment rates to the business cycle makes inferences about "structural changes" in employment patterns of older displaced workers a very difficult exercise. We refrain from conducting such exercise and simply compare the employment patterns of recent cohorts to those of previous cohorts who faced roughly comparable labour market conditions. Furthermore, our analyses focus on a very narrow sample of displaced workers, those aged 50 to 54. Different qualitative patterns might have been observed over the past two decades for younger displaced workers. The question of whether or not this is the case should be investigated in future research.