

Cohort Size and Youth Earnings: Evidence from a Quasi-Experiment*

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Abstract

In this paper, I use data from the Canadian Labour Force Surveys (LFS), and the 2001 and 2006 Canadian Censuses to estimate the impact of an important labor supply shock on the earnings of young high-school graduates. The abolition of Ontario's Grade 13 generated a 'double' cohort of high-school graduates that simultaneously entered the Ontario labor market, generating a large and sudden increase in the labor supply. This provides a rare occasion to measure the impact of cohort size on earnings without the supply shock being possibly confounded with unobserved trends—a recurring problem in the literature. The Census findings suggest that the effect of the supply shock is statistically and economically important, depressing weekly earnings by 5 to 9 percent. The findings from Census are supported by the LFS results which suggest that the immediate impact of the supply shock—measured about six months after high-school graduation—is also important.

JEL classification: J10, J20, J21

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