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**WHAT DO PEOPLE DO WHEN THEY ARE LAID OFF?**

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Stéphane Crespo, Département de sociologie, Université de Montréal

Johanne Boisjoly, Département de sciences humaines,

Université du Québec à Rimouski

Paul Bernard, Département de sociologie, Université de Montréal

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## **EXECUTIVE SUMMARY**

Being laid off is part of the experience of a good number of workers, and it is on the horizon of most workers, whether they have experienced it or not. It is therefore important to understand how they react to being laid off, either because their workplace has shut down, or because jobs have been cut, on a supposedly permanent or temporary basis. We thus ask ourselves, first, which laid off workers maintain their participation in the labor market, and which ones pull out of it, at least for some time? And second, how long does it take, for those who maintain their participation, to find a new job?



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## **1. Introduction**

Being laid off is part of the experience of a good number of workers, and it is on the horizon of most workers, whether they have experienced it or not. It is therefore important to understand how they react to being laid off, either because their workplace has shut down, or because jobs have been cut, on a supposedly permanent or temporary basis. We thus ask ourselves, first, which laid off workers maintain their participation in the labor market, and which ones pull out of it, at least for some time? And second, how long does it take, for those who maintain their participation, to find a new job?

## **2. Employment, personal characteristics and social relationships**

Holding a job implies that a worker has entered into an employment relationship with an employer. This of course involves the meeting of the supply of certain relevant characteristics by the worker, with the demand for these characteristics by the employer. But a social relationship is also created, history is being written at a micro-scale, in all but the most fleeting transactions involving work. This history may impinge, to some extent, on whether and how the worker will try and regain a foothold in the labor market once this employment relationship has been broken. Whether the laying off is temporary or permanent is a telling instance of this, but we will discuss other factors later on.

Holding a job not only involves the worker in an employment relationship; it also shapes, and it is being shaped by, other relationships that exist in the worker's life. In particular, most workers share their daily existence with other people with whom they form households, very often family-based households. This crucial connection between the domestic sphere and the market sphere in people's lives

has been pointed out by numerous authors. Males and females both depend, for their involvement in paid employment, on the obligations generated in the household, and on how the burden involved is shared; but there are important differences between the genders, as one would expect. Generational interdependencies are also important, as young people increasingly remain at their parents' home for a longer time.

We can thus throw light on whether laid off workers will pull out of the labor market or not, and on the circumstances under which those that remain will find a job, by examining not only their individual characteristics, but also the characteristics of the worlds they inhabit, the world of the domestic sphere, with its obligations as well as with the resources it offers, and the world of the lost job, which may retain explanatory power with respect to the future trajectory of the worker because it may provide a reading of one's future chances in the job market.

Of course, similar processes are at work at all times in the career of workers. But a lay off, if it happens in a job around which a certain amount of micro-level history had been built between the worker and his or her employer, is something else: it is a shock, it disrupts usual arrangements in both the market and the domestic sphere, it is an opportunity, sometimes welcome and sometimes not, to re-evaluate the set of social relationships within which the lost job was embedded.

This is what we want to analyze, using the Survey of Labor and Income Dynamics. SLID data are longitudinal, so that we can observe the strategy of workers as it unfolds through time. And it provides data on all of the adults living in the same household as our subjects, so that we have some indications about the interdependencies between the market and the domestic spheres.



### **3. The dependent variables: retreat and re-employment**

Measuring retreat from the labor market is no easy matter. SLID participants who had been laid off were asked, only once for each reference year unfortunately, a series of questions pertaining to what they did when they were out of a job: did they look for work; if not, did they want to work; and if so, why did they not look even though they wanted to work? Of the 1287 workers who were laid off sometime in 1993, 57% had been looking for work by January 1994, 6% did not look because they were waiting for answers from employers or for a recall to their former job, 3% did not look because they were discouraged, 32% did not want to work, and a further 2% wanted to work but did not look because of various obligations unrelated to work. Retreat from paid work is thus an important option, well worth studying.

But stated intentions tell us little about actual non-participation behavior, especially as the latter is measured over time; in particular, some declared retreats might actually have been short lived. Most analysts would agree that taking a few weeks off after a lay off does not mean much in terms retreat, while inactivity for a full year probably denotes an unwillingness to work; but no obvious cutting point comes to mind. For this reason, we defined a series of thresholds (2-3 consecutive months not looking for work, 4-5 months, 6-7, 8-9, and 10-11); we will use that sliding scale in our analyses, trying to pin down what categories of workers pull out of the labor market for different periods of time.

The second focus of our research is on how much time various categories of laid off workers take to get a job back. This is measured in a pretty straightforward way; however, this variable reflects not only the demand in the labor market for the characteristics of the laid off worker, but also the expectations of the workers with

respect to a job, and the intensity of his or her search behavior. The two sets of factors cannot be disentangled adequately, and all we will be able to do will be to control for whether, at any given point in time, the worker is looking for a job or not.

#### **4. The independent variables: personal, situational, and relational**

Picot and Pyper (1993) have found extraordinary heterogeneity in the trajectories of permanently laid off workers. We approach this diversity by sorting out our independent variables into three different sets, corresponding to questions that laid off workers are faced with.

- ! Who am I, with respect to labor market potential?
- ! Where do I come from, that is, what traces are left from the job I lost?
- ! What else am I involved in, besides work?

The first set of variables involves the standard personal characteristics having to do with human capital on the one hand, and on the other hand with belonging to social categories that are typically treated differently in the labor market: level of education, age, gender, and being an immigrant. We argue that the effects of these variables essentially capture labor market potential because they will be estimated net of the two other sets of independent variables (characteristics of the lost job, and of the non-job universe).

The second set of independent variables involves the characteristics of the lost job as they contribute to shaping the reaction of the laid off worker. Three subsets of factors are examined. The first one provides indicators of having belonged to closed labor markets: seniority, large-scale employers, public sector, enjoying a labor contract, and belonging to the professional/managerial categories. These may play both ways: having

had a privileged position in the labor market may lead in the direction of getting a job, because it corresponds to favorable unmeasured attributes, or in the opposite direction, because of the loss of the skills required to get a new job, or because of a lesser need to do so, or because of job expectations that take longer to fulfil.

Second, workers who were laid off temporarily will balance off the promises of their former employer with the more general prospects offered by the labor market, as indexed by the unemployment rate in the region.

And third, there should be some influence of hours of work and pay rate, that is, of how much of one's time the lost job required, and of how much it brought in, to the person and the household. Laid off workers who had long hours may tend to fill the void left in their time budget by getting a new job. Highly paid workers might react quite differently, with a balancing out of influences such as unmeasured comparative advantages in the labor market, greater selectivity in job searching, being used to a more expensive lifestyle, and enjoying a greater accumulation of wealth.

The third set of independent variables involves activities and social structures the worker was and is involved in, besides his lost job. Pursuing studies and receiving Employment Insurance payments should have relatively obvious consequences; we will also examine whether retreating from the labor market for an extended period severs links and changes habits to such an extent that jobs are found less easily.

We will also consider the worker's position in his or her household, since families, in particular, entail obligations. We will pay attention to benefits and costs that accrue to one generation because of the presence of another generation, and also to differences between males and females as to how they fulfil these obligations.

Families can also provide financial resources and draw directly on time resources. On the latter score, adjustments may be made by the laid off worker to take into account the intensity of other members' involvement in paid work. As far as pay rate is concerned, the results might go either way: the presence of another high income in the family makes a retreat more conceivable for the laid off worker; but it might also spur the latter to keep on looking, so as not to assume a dominated position in the household system of social relationships.

The effects of all these independent variables could very well be different for males and females, whose positions in the market and the domestic spheres are generally quite contrasted. For this reason, we will introduce interaction effects with gender in both of our models, and we will report differences when they are significant.

## **5. Methods: the sample and the models**

We extracted from the SLID sample a sub-sample of workers who were laid off from their jobs in the year 1993. We only retained people who were not self-employed, who did not hold another job at the moment they were laid-off, and who were unemployed for at least seven days.

A binomial logit model was first used to estimate the effect of the independent variables on the decision not to search for a job, for a continuous period of 2 to 3 months, and so on up to a period of 10 to 11 months. A discrete time survival model was then used on monthly data, with the same independent variables plus the monthly report of whether the worker searched or not, to estimate the odds of rapid re-employment. In the second equation, changes in all of the dynamic independent variables were taken into account.

## 6. Results: searching for a job or not

! Graph 1 shows that many laid off workers, and females in particular, do not look for work during significant periods.

As table 1 indicates:

! Females have a lesser attachment to the market, even controlling (though imperfectly) for the specific situation of the workers in the household.

! As expected, older workers have a higher propensity to retreat from the market. But, as we can see in table 2, this propensity is significantly higher among males, who probably can better afford it because their career has typically been longer and more successful.

! University trained workers, on the contrary, do not cease searching for opportunities of using the skills they have acquired.

! Three indicators of belonging to an internal labor market do indeed restrain the search activity: having lost a job with higher seniority, in a large enterprise, and in the public sector. This may be due both to a propensity to wait for a recall from the previous employer, and to an acquired inability to explore the external labor market, when one has enjoyed the benefits of an internal one.

! Managers/professionals are seldom found not searching for a job in the early months after a layoff: they are probably very wary of losing their footing in the employment circuit. The same pattern is found among workers who have had a

collective agreement; some of them might benefit from the provision of placement services early after a lay off.

! Laid off workers who have been told that their job was lost for good tend to search more, at least for the first half-year; it may be that after a few months, even those who were told that the layoff was temporary start losing confidence in the promise, and undertake searching in greater numbers. This pattern is only found among male workers, though; women seem to apply to job search a different logic, less related to the prospects opened up by promises of recall to the lost job.

! The higher the regional unemployment rate, the lesser the propensity to search, since chances of finding are lower.

! Laid off workers who had long hours may welcome a relatively short break just as much as the others, but their search activity intensifies after 6 months, possibly because they need to restore work to the central place it occupied in their lives before the lay off.

! When the best paid worker in the household works long hours, the laid off worker has a higher propensity to restrict the job search activity for a rather long period; this probably has to do with shifting responsibilities in the domestic sphere.

! When the best paid worker in the household has a job with a high wage rate, the laid off worker does not manifest a propensity to live off that revenue. On the contrary, the job search activity seems to be encouraged in the long run, probably to avoid a shift in household power relationships.

! Curiously, the influence on retreat of the position in the household is limited: only sons and daughters living with their parents take the opportunity to cease searching, and then only for a few months. This is net of the fact that some of them are involved in schooling and training, a factor that restricts job search activity for short periods, probably corresponding to school terms.

! Finally, as one would expect, receipt of Employment Insurance premiums is conducive to job search at all times.

## 7. Results: finding a job or not

! The survival curve in Graph 2 shows a sharp and continuous drop, which is steeper for males.

As table 3 indicates:

! Becoming re-employed of course depends heavily on whether one looks for work or not. Net of the cumulative number of months spent without a job, not looking for a job significantly increases the length of time before getting one; there is also a lesser but significant effect of the cumulative number of months spent not searching, as if losing contact for quite a bit of time made recovery of a job even more difficult.

! The effects of the personal characteristics of workers are not surprising: net of search behavior, males and university trained workers find jobs more rapidly, while immigrants (especially women immigrants) and older workers have more difficulty. Closer examination reveals that the educational factor only plays an accelerating role

in the case of women: non-university trained male workers do not suffer a significant disadvantage in finding a job, contrary to female workers.

! That the lost job belonged to a closed labor market does not seem to make a difference as to how rapidly one gets back into employment, except that workers who used to work for large employers are slower; this may be because they are more selective, have a higher reservation wage.

! Not surprisingly, permanently laid off workers take more time getting a (presumably new) job, just as those who live in regions with high unemployment rates. Women suffer greater disadvantages than males from such conditions.

! Workers who had long hours in their lost job tend to find a job more rapidly, maybe because they search more intensely for one.

! People who are involved in training obviously find it more difficult to find a job that is compatible with this activity.

! People who receive Employment Assurance payments presumably can afford to be more selective in their job search; this privilege seems to be reserved for male workers.

! The household dynamics is quite interesting. The worker living alone has the best prospects for recovering a job. All the other categories do it more slowly, either because they are burdened by family obligations (such as parents, especially of small children), or because they can afford to be selective and wait it out (like sons and daughters, presumably).



! Finally, the wages of the best paid worker in the household lead women towards greater success in their job search: far from taking advantage of this income to pull out of the labor market, women do search for work, and they do find it. This may have to do with the increasingly prevailing norm of the dual income in families, as well as with these women's wish to preserve their economic independence.

## **8. Conclusion**

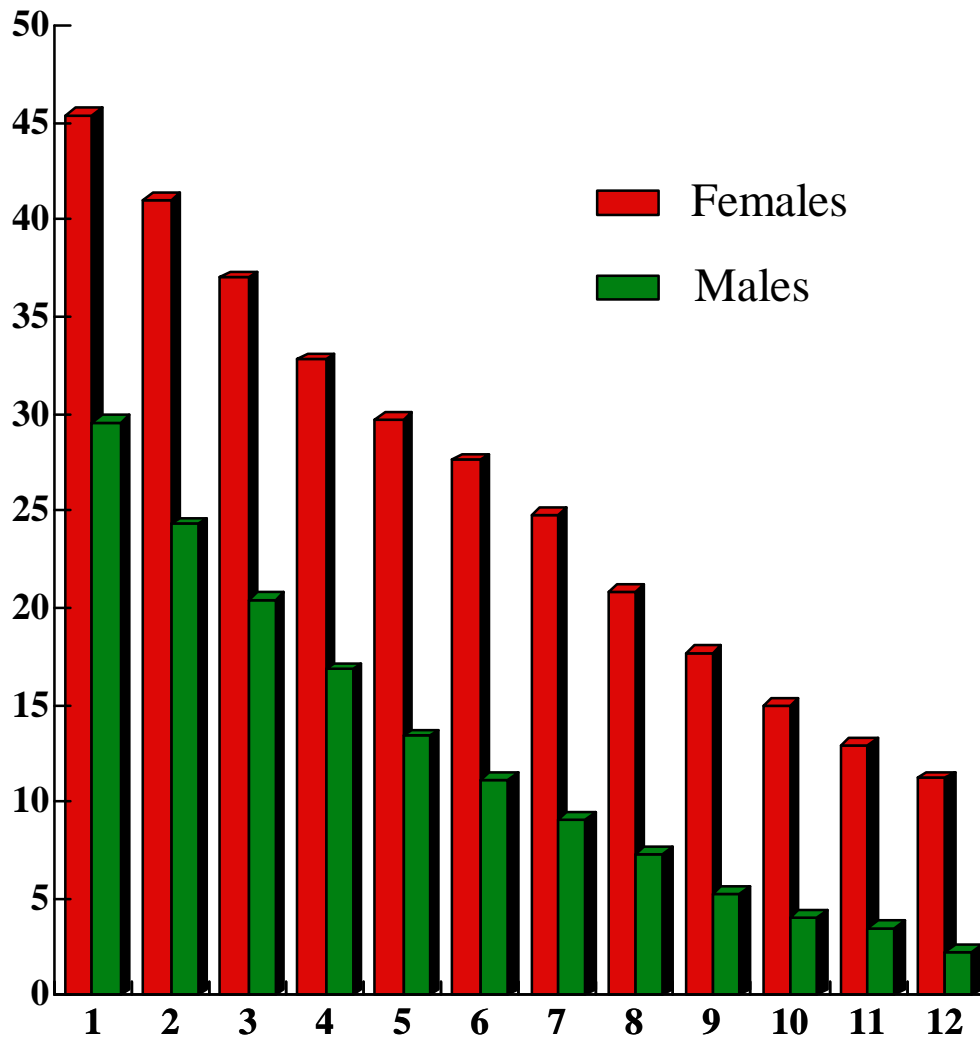
Laid off workers react in a variety of ways to the loss of their job. Our analysis has revealed an influence of the personal characteristics of these workers, those related to the functionality of their human capital, but also those which reflect differentiated inscription in the social structure, such as gender, immigration status, and age. Moreover, these patterns reveal the interplay of various social relationships: those surrounding the lost job, from which the worker is not totally disconnected; those related to institutions such as schools and the State; and those that connect the market sphere to the domestic sphere. Finally, a fair number of processes seem to be different for male and female workers. Public policies concerning employment have to take into account this complexity if they are to reach their goals.



**APPENDIX**

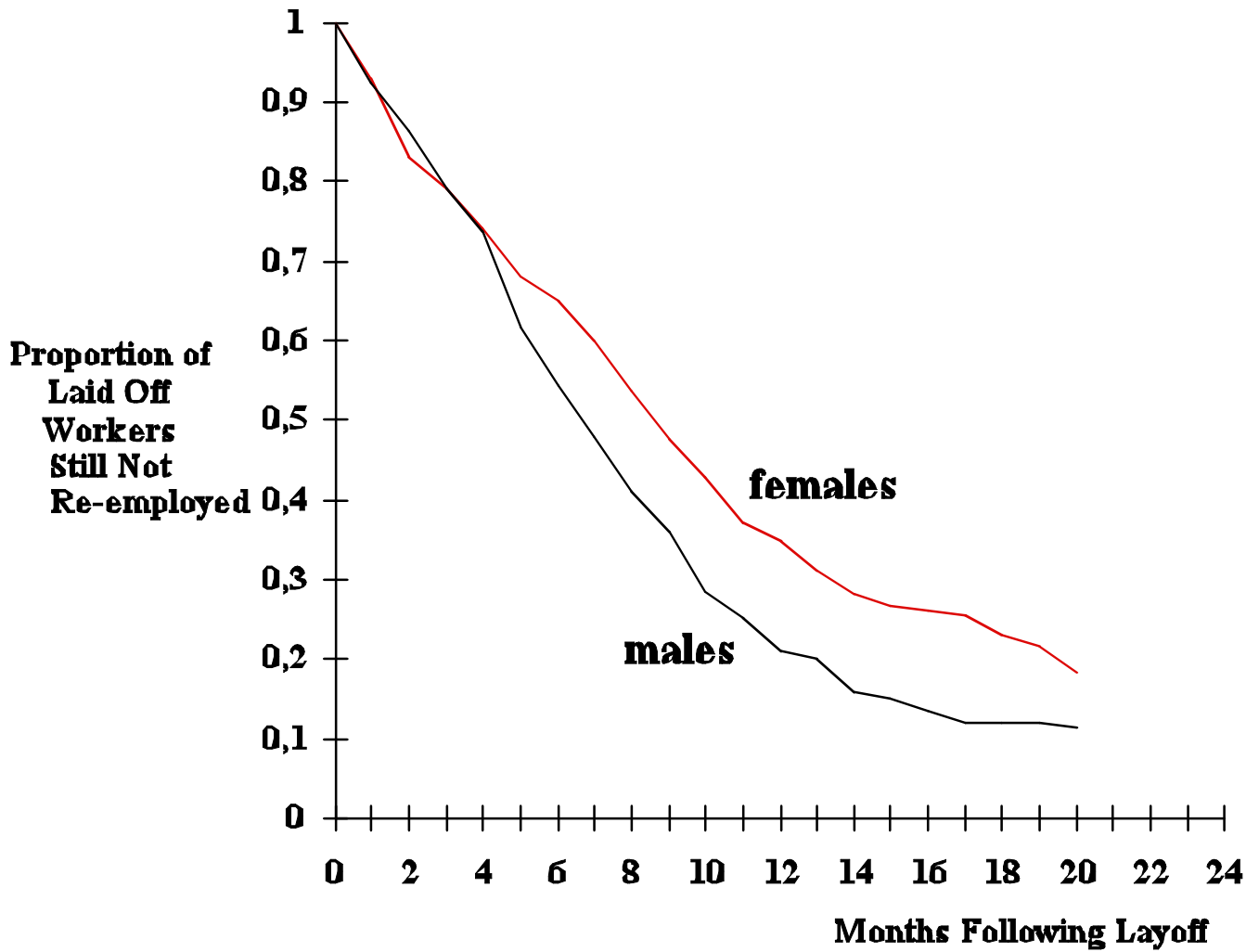


**Graph 1: Proportion of Workers Laid Off in 1993 Not Searching and Without a Job for Cumulative Months**



Source: Statistics Canada, Survey of Labor and Income Dynamics, 1993-1994.

**Graph 2: Survival Estimates (Event Is Reemployment)**



**Source: Statistics Canada, Survey of Labor and Income Dynamics, 1993-1994**

**Table 1: Logit Regression Coefficients:  
Explaining the Odds of Not Searching Following Layoff**

explanatory variable	not searching for				
	2-3 months	4-5 months	6-7 months	8-9 months	10-11 months
<b>personal characteristics</b>					
male	-0.78***	-0.92***	-1.16***	-0.85***	-1.27***
immigrant	-0.32	0.07	-0.19	-0.004	-0.56
age	0.02***	0.03***	0.04***	0.05***	0.06***
university	-1.30***	-1.00**	-1.35***	-2.14***	-1.74**
<b>characteristics related to the lost job</b>					
seniority	0.05**	0.06***	0.06***	0.07***	0.05**
employer 1000+ public	1.12***	0.89***	0.96***	0.60**	0.43
manager/professional	0.52**	0.87***	0.93***	1.05***	0.41
union/collect. agreem.	-1.93*	-1.59	-1.79	-1.40	-0.60
permanent layoff	-0.46**	-0.32	-0.14	-0.03	0.24
unemployment rate	-0.86***	-0.71***	-0.53***	-0.31	0.16
log(hours of work)	0.08***	0.09***	0.09***	0.09***	0.04
log(wage rate)	-0.18	-0.26	-0.35**	-0.66***	-0.54**
log(wage rate)	-0.07	-0.29	-0.20	-0.29	0.003
<b>household position and «spouse» employment situation</b>					
log (h of work other)	0.09	0.11	0.20*	0.21*	0.29**
log (wage other)	-0.10	-0.17	-0.19	-0.08	-0.34*
unattached	-0.07	-0.55	-0.88	-0.51	-1.23
son or daughter	0.92*	1.22***	0.86*	0.83	1.04
parent children 0-4	0.16	0.50	0.13	-0.14	-0.19
parent children 5-25	-0.08	-0.03	-0.46	-0.66	-0.78
spouse (without chil.)	0.39	0.48	-0.05	-0.17	0.03
lone parent	-0.09	-0.19	-0.63	-0.01	-0.95
other	0.43	0.42	-0.21	-0.38	-0.12
ref: 1 pers. household	!	!	!	!	!
<b>activity</b>					
in school or training	0.50**	0.14	0.29	0.06	0.01
receives employ. insur.	-0.84***	-1.00***	-1.28***	-1.36***	-1.12***

\*: 0.1 &gt; p &gt; 0.05

\*\*: 0.05 &gt; p &gt; 0.01

\*\*\*: p &lt; 0.01

Source: Statistics Canada, Survey of Labor and Income Dynamics, 1993-1994

**Table 2: Logit Regression Coefficients:  
Explaining the Odds of Not Searching 6-7 Months Following Layoff**

explanatory variable	total	females	males
<b>personal characteristics</b>			
male	-1.16***		
immigrant	-0.19		
age	0.04***	0.02*	0.07***
university	-1.35***		
<b>characteristics related to the lost job</b>			
seniority	0.06***		
employer 1000+	0.96***		
public	0.93***		
manager/professional	-1.79		
union/collect. agreem.	-0.14		
permanent layoff	-0.53***	-0.07	-1.33***
unemployment rate	0.09***		
log(hours of work)	-0.35**		
log(wage rate)	-0.20		
<b>household position and «spouse» employment situation</b>			
log (h of work other)	0.20*		
log (wage other)	-0.19	-0.41**	0.24
unattached	-0.88		
son or daughter	0.86*		
parent children 0-4	0.13		
parent children 5-25	-0.46		
spouse (without chil.)	-0.05		
lone parent	-0.63		
other	-0.21		
ref: 1 pers. household	!	!	!
<b>activity</b>			
in school or training	0.29		
receives employ. insur.	-1.28***		
	n=1233	n=477	n=756
	event: 215	event:132	event:83
*: 0.1 > p > 0.05			
**: 0.05 > p > 0.01			
***: p < 0.01			

Source: Statistics Canada, Survey of Labor and Income Dynamics, 1993-1994



**Table 3: Logit Regression Coefficients:  
Explaining the Odds of (Rapid) Re-employment**

explanatory variable	odds of not searching 6-7 months (from Table 2)	total	females	males
<b>personal characteristics</b>				
male	decreased	0.28***		
immigrant		-0.39***	-0.91***	-0.28*
age	increased espec. for males	-0.03***		
university	decreased	0.50***	1.05***	0.06
<b>characteristics related to the lost job</b>				
seniority	increased	-0.02		
employer 1000+	increased	-0.33***		
public	increased	0.06		
manager/professional		0.30		
union/collect. agreem.		0.16		
permanent layoff	decreased for males	-0.27***	-0.49***	-0.19*
unemployment rate	increased	-0.03***	-0.06***	-0.006
log(hours of work)	decreased	0.15*		
log(wage rate)		0.04		
<b>household position and «spouse» employment situation</b>				
log (h of work other)	increased	-0.01		
log (wage other)	decreased for females	0.12**	0.30***	-0.01
unattached		-0.42*		
son or daughter	increased	-0.63***		
parent children 0-4		-0.43***		
parent children 5-25		-0.27*		
spouse (without chil.)		-0.34**		
lone parent		0.23		
other		-0.68***		
ref: 1 pers. household	!	!	!	!
<b>activity</b>				
in school or training		-0.75***		
receives employ. insur.	decreased	-0.48***	-0.10	-
		-0.42***		0.67***
not searching	!			
cum. months without searching	!	-0.03*		
cum. months without a job	!	0.05***	0.03*	
				0.07***

\*: 0.1 > p > 0.05

\*\* : 0.05 > p > 0.01

\*\*\*: p < 0.01

n=10124

event:

988

n=4598

event: 346

n=5526

event: 642

Source: Statistics Canada, Survey of Labor and Income Dynamics, 1993-1994