Job Displacement Outcomes over the Life Cycle

By Natalie Duncombe

Job loss from layoffs or business closings, called job displacement, often leads to large and long-lasting earnings declines for workers. However, the importance of such an event varies significantly with age. Older workers suffer larger losses to their earnings, since they have farther to fall down the career ladder and more difficulty finding jobs at their prior level.

Figure 1 documents the percent change in weekly earnings by age for workers who reported being displaced within the past three years. The figure uses data from the Displaced Worker Supplement to the Current Population Survey of the U.S. Census from 1984-2018. Young workers see small losses to their weekly earnings while the oldest workers see over a 30 percent reduction.

Figure 1

Percent Change Weekly Earnings

While job displacement can be a terrible shock for workers, how well workers recover or maintain their standard of living also depends on the policy actions of the government. Most of the government's policies for assisting displaced workers such as unemployment insurance or re-training do not explicitly take age into account. Future economic research can evaluate the best way to assist workers of different ages in their recovery after layoffs or business closings.