

## Layoffs and Wages

### Abstract

Are high wage earners more likely to be laid off conditional on observable characteristics in response to demand shifts? Data for the years 1995-97 from U.S. Current Population Survey and the years 1997-98 from Korean Labor and Income Panel Study are used to answer this question. The results show that workers with higher levels of education and tenure and covered by union are less likely to be laid off supporting the presumption based on union seniority rules and specific human capital that less skilled workers are the first to be laid off. When these covariates are controlled, however, evidence supports the prediction of the theory of compensating wage differentials that high wage earners are more likely to be laid off, other things equal.

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