

**Long-term effects of job displacement in Japan: A conservative estimate using the
Japanese Longitudinal Survey on Employment and Fertility (LOSEF)**

by

Mayu FUJII,

Department of Economics, Hokkaido University of Education

and

Ryo KAMBAYASHI,

Institute of Economic Research, Hitotsubashi University

Abstract

Using data from the Japanese Longitudinal Survey on Employment and Fertility (LOSEF), we investigate the long-term effects of employment (or job) displacement on earnings in the Japanese labor market. Using a fixed-effects model, we find significant negative effects of displacement, amounting to 21.7% of monthly earnings. Further, we conclude that the earnings penalty is persistent, with the estimate of earnings losses remaining at 16.2% four years after displacement. Given that our sample includes those who experienced displacement only once in their career and were reemployed as a standard worker within a year, we consider that our estimates of the earnings reductions associated with job displacement are conservative.