

Layoff Announcements and Stockholder Wealth

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Abstract

Researchers have largely ignored the strategic implications of layoffs. With the passage of the Worker Adjustment and Retraining Notification Act, many managers are anguishing about the consequences of layoff announcements for their firms and shareholders. We tested the reaction of the securities' market to announcements of 194 layoffs. Investors reacted negatively to announcements attributable to financial reasons. Negative preannouncement reactions occurred when negative hints about firms preceded announcements, and announcements of large or permanent layoffs elicited stronger negative responses than other announcements.



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