

LONG TERM STOCK RETURN PERFORMANCE OF LAYOFF FIRMS

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ABSTRACT

This study investigates the long term stock return performance of firms that laid-off employees due to low demand or restructuring. It is shown that layoff firms do not underperform after the layoff period, while they statistically significantly underperformed before the layoff. This result holds regardless of measures of return performance used: raw returns, market adjusted returns and Fama-French three factor model to measure abnormal performance.

Keywords: *Fama-French Three Factor Model, Layoff, Long Term Performance*