Effects of job loss on individuals and families

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Recession of 2008-9 produced record #s of job losses

- High levels of unemployment well-known
- More of this unemployment than ever before was from permanent job losers
  - November 2007: 1.7%
  - October 2009: 5.6%
  - 2011: 3.5%
  - Previous post-war high 4.4% in 1982
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Permanent Income Loss

Job Loss

Family Stress

- Poor physical & mental health
- Increased mortality
- Reduced academic achievement
- Poor physical & mental health
- Reduced long-term earnings
Do we know that job loss CAUSES negative effects?

• Yes
  • Concern is that low earners, less able, less healthy are selected for job loss, but

• Many studies use only firm closings (minimal selection of individual workers)

• Many studies compare outcomes BEFORE job loss to outcomes AFTER job loss for same worker, child
Typical Estimate of Income Effects of Job Loss

Estimated effect of job loss

- Father in same firm, 78-82
- Father’s 78-82 firm Closes in 82
Typical Estimate of Income Effects of Job Loss

No Job Loss

Job Loss
Typical Estimate of Income Effects of Job Loss

Estimated effect of job loss
Effects of job loss on earnings

• Landmark study: Pennsylvania firm closings & mass layoffs during 1980s: 25% earnings reductions that persist 6 years of more
• Nationally-based sample: 9% earnings reductions 10 or more years after job loss
• Connecticut firm closings & mass layoffs (including boom & recession years): 7 to 18% earnings reductions after 6 years
Effects of job loss on health

• Large effects on mortality (PA 1980s study), roughly 20% increase in mortality over next two decades

• Why? Candidates
  • Reduced material resources: health insurance, health care
  • Reduced income /increased stress
  • Little effect on mortality among those close to retirement age at job loss (more income replaced through Social Security)

• Less known about what leads to increased mortality
Effects of job loss on health

- New study: 1500 job losses due to firm closings between 1992 and 2009
- Insurance effects small & temporary
- Possible increases in doctor visits, health care out-of-pocket spending
- Increase in plausibly stress-related conditions
  - 5% increase in onset/diagnosis of diabetes
  - 12% increase in reported depression/anxiety
  - Some evidence of increased heart disease/hypertension
Effects of job loss on generation 2

- **15% increase** in grade retention after parental job loss
- School-level test score effects after local plant closings
- Decrease in chance of college attendance/completed education
- Children of parents losing jobs have later, ADULT **earnings reductions of 9%**
Lessons for policy?

• Highlights role for social insurance (UI and beyond) in reducing income losses and stress
• Need to quantify effects of programs that buffer labor market shocks
• Speaks to potential importance of income stability and sufficiency for health, education, and intergenerational measures of success
  ➢ Shock of job loss relative to shock of chronic poverty