

Effects of job loss on individuals and families

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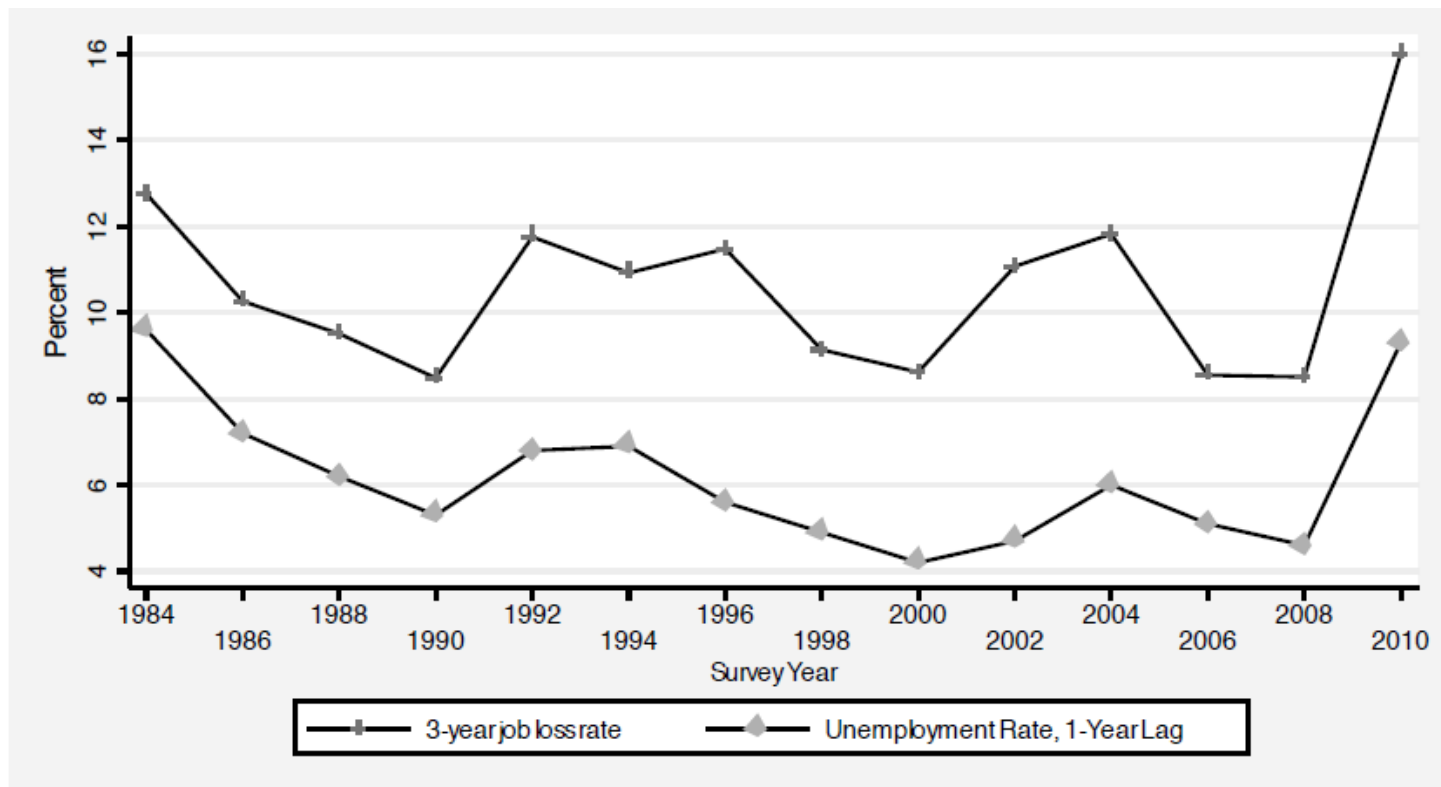
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Recession of 2008-9 produced record #s of job losses

- 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



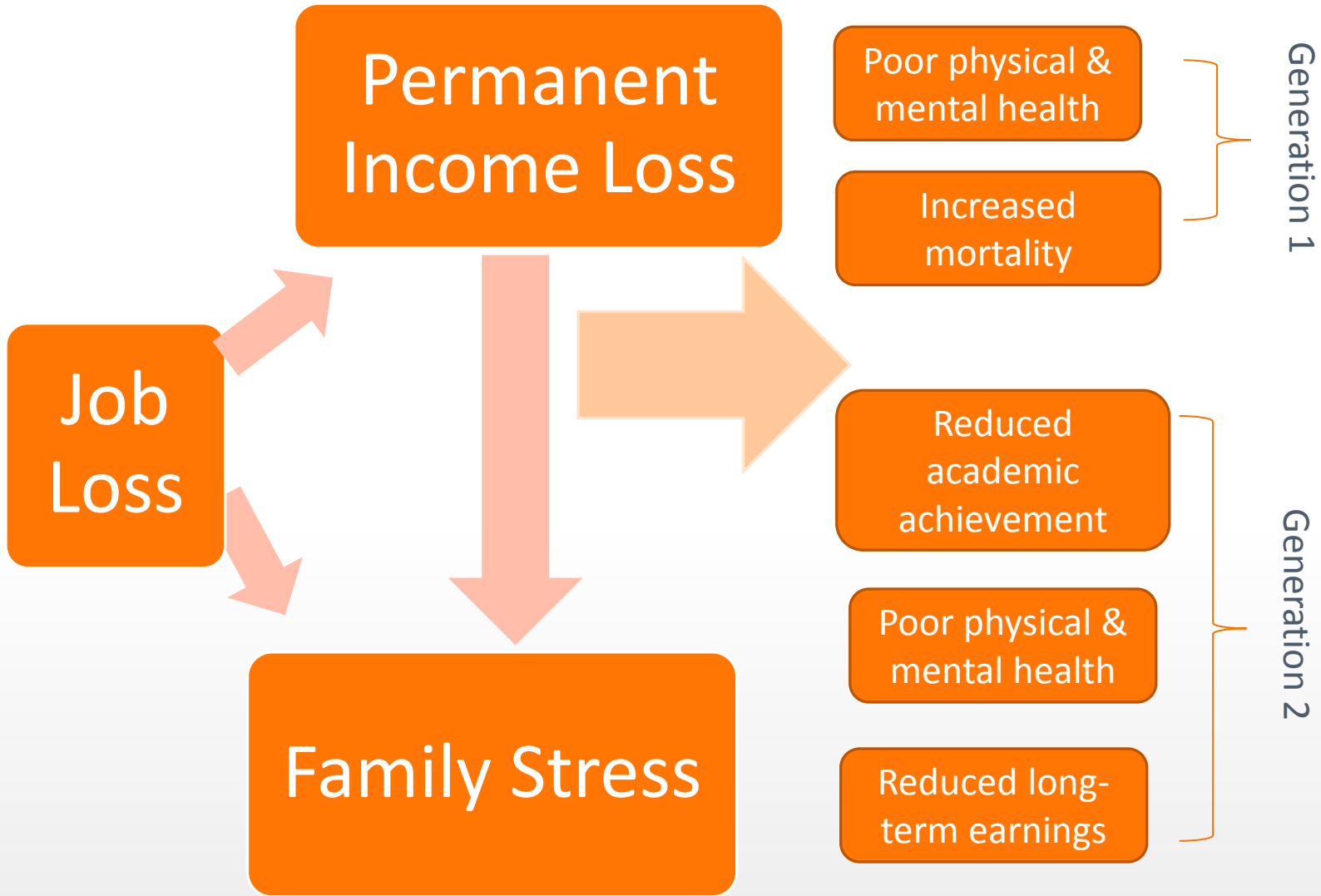
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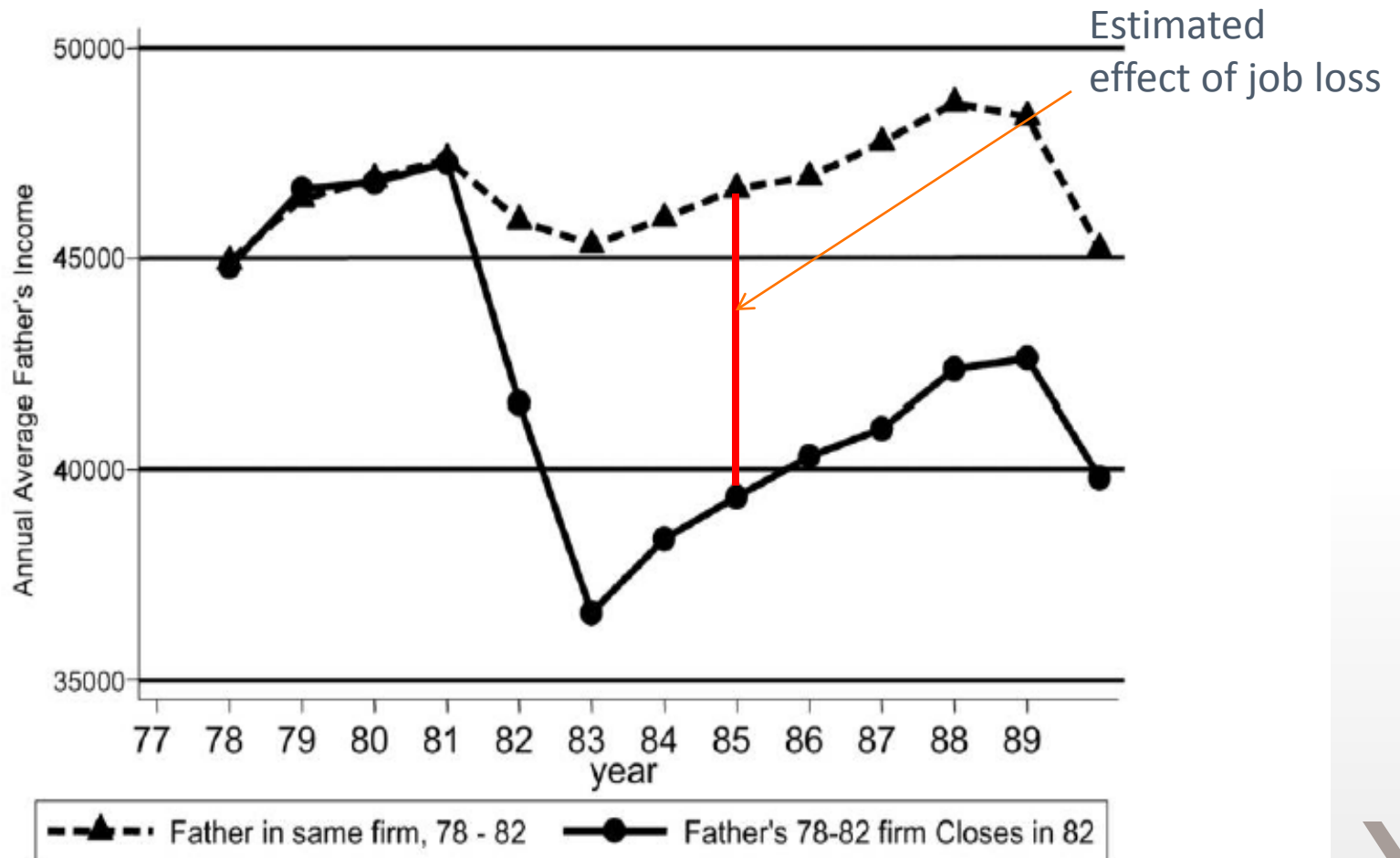


Do we know that job loss CAUSES negative effects?

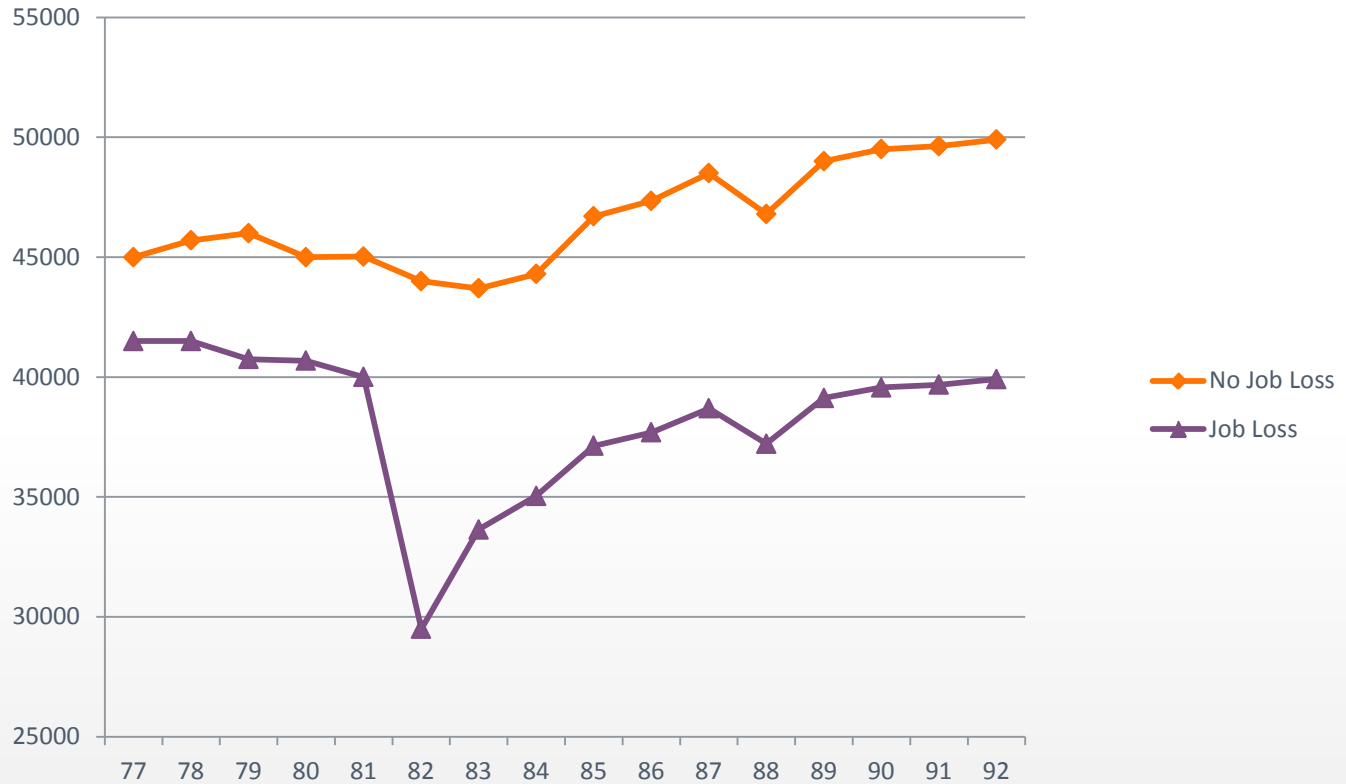
- Yes
 - Concern is that low earners, less able, less healthy are selected for job loss, but
- Many studies use only firm closings (minimal selection of individual workers)
- Many studies compare outcomes BEFORE job loss to outcomes AFTER job loss for same worker, child



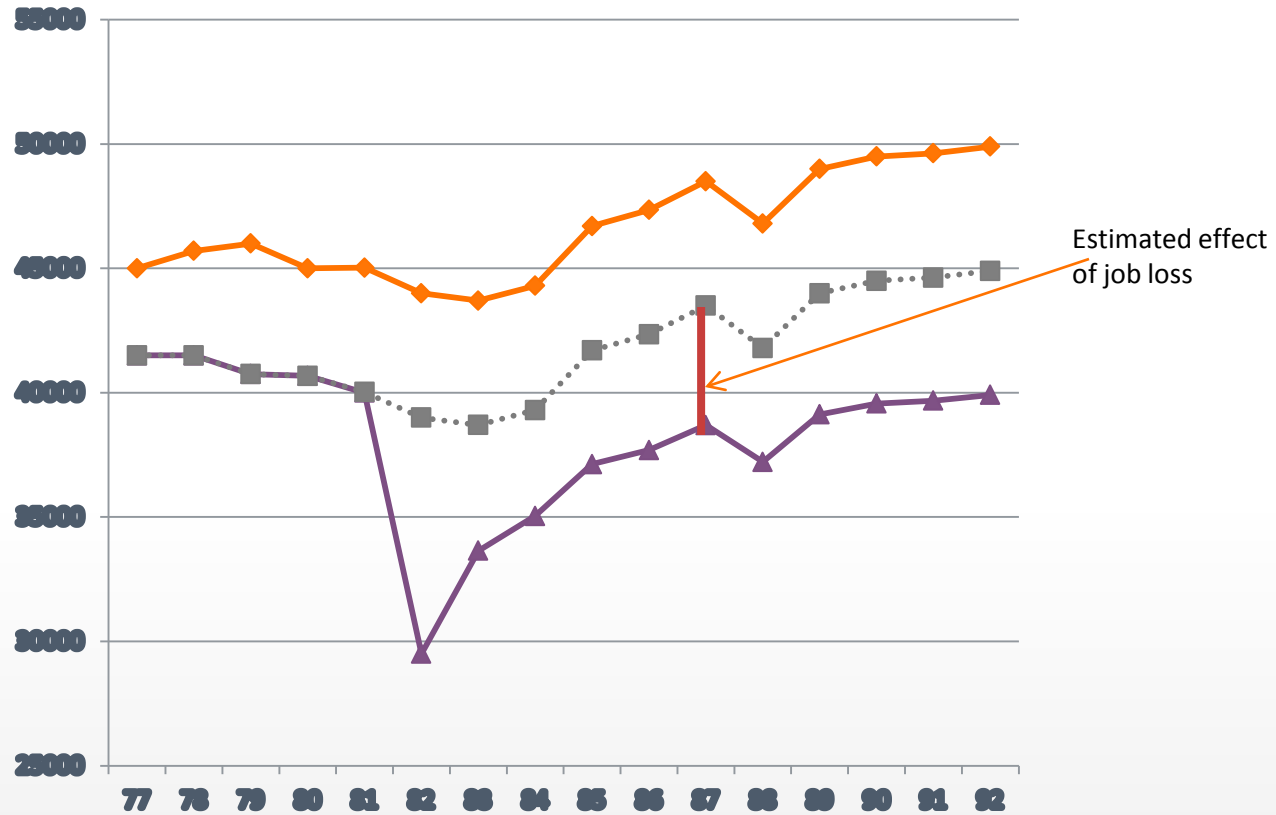
Typical Estimate of Income Effects of Job Loss



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Effects of job loss on earnings

- Landmark study: Pennsylvania firm closings & mass layoffs during 1980s: **25% earnings reductions** that *persist 6 years or 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

