Job loss, unemployment, and post-unemployment subjective well-being

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1. Motivation + Research Questions

Job loss, unemployment, reemployment and subjective well-being

- Job loss/unemployment → negative (causal) effects in the short-run

(e.g. Kassenboehmer/Haisken-DeNew 2009, Winkelmann/Winkelmann 1998)

- Reemployment → positive (causal) effects in the short-run

(e.g. Grün et al. 2010, Krueger et al. 2012)

see McKee-Ryan et al. 2005, Paul and Moser 2009, Wanberg 2012 for meta-analyses/reviews

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Combined effect on post-unemployment subjective well-being?

- Can reemployment compensate the effects of unemployment? (e.g. Young 2012)
- What are the durable economic and social costs (persistent scars)?
- Unemployment as a "trigger" for increasing inequality across the life course (DiPrete/McManus 2000)

see Clark et al. 2001, Kessler et al. 1989, Knabe/Rätzel 2011, Lucas et al. 2004, Strully 2009, Young 2012

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  - Involuntary vs. voluntary job loss
  - Short-term vs. long-term unemployment

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- Comparisons at reemployment or time since reemployment not modeled
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- Attempt to observe whether effects are temporary or persistent

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- Often unable to distinguish temporary from persistent effects - Comparisons at reemployment or time since reemployment not modeled (exception: Lucas et al. 2004)	- Follow workers for up to 3-3.5 years after reemployment - Attempt to observe whether effects are temporary or persistent
- Cross-sectional comparisons - Use fixed-effects models	- Use a difference-in-differences propensity score matching model - Use establishment closures for a sensitivity analysis (e.g. Strully 2009)

1. Motivation + Research Questions

RQ 1: Job loss, unemployment, reemployment → psychological scars?

- Do job loss and unemployment have a persistent negative effect on workers post-unemployment subjective well-being?
    - Focus on workers who are reemployed (counter-mobility)
- Does this effect vary by a worker's unemployment experience and across groups of workers (effect heterogeneity)?

2. Theory and Hypotheses

What are psychological scars?

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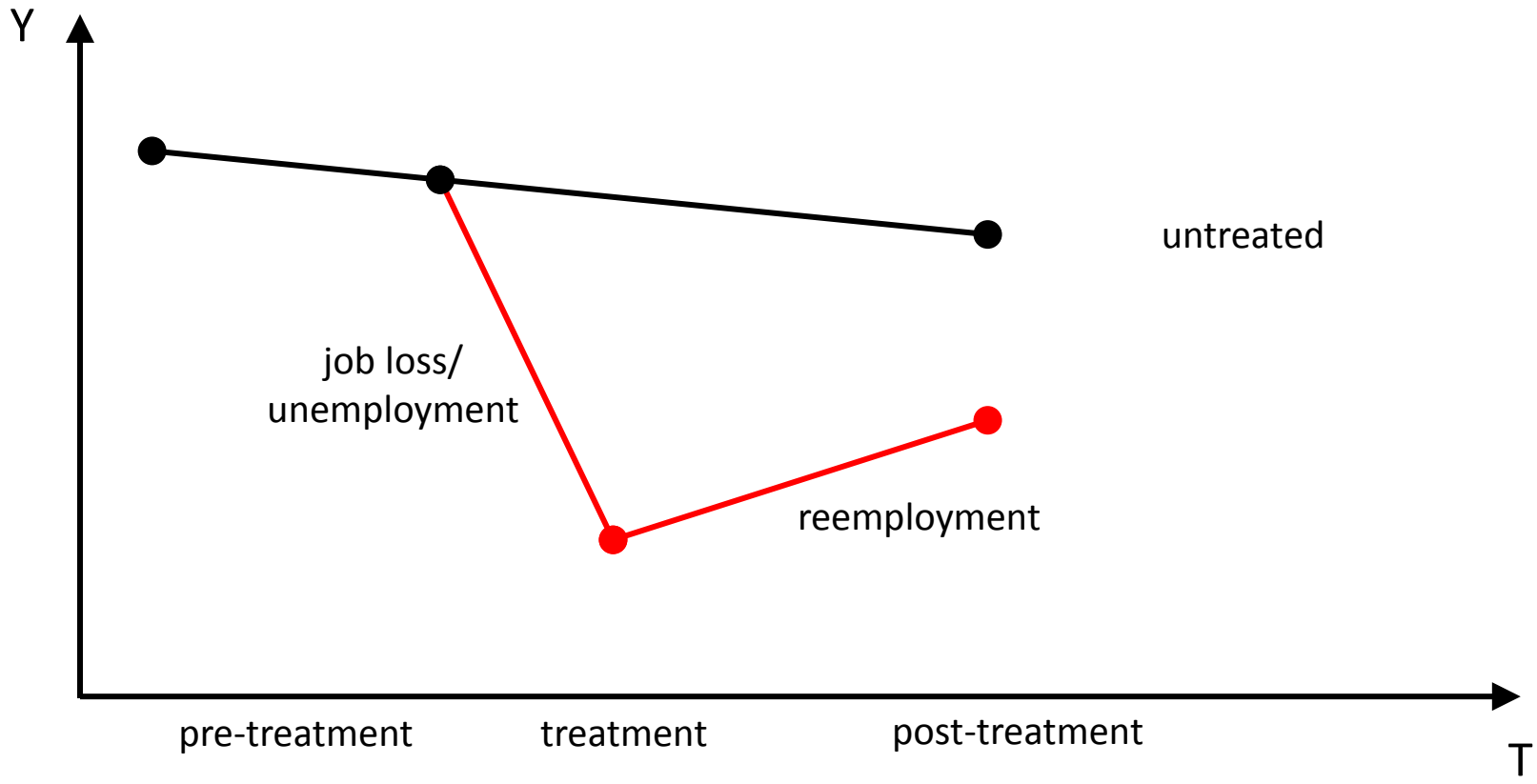

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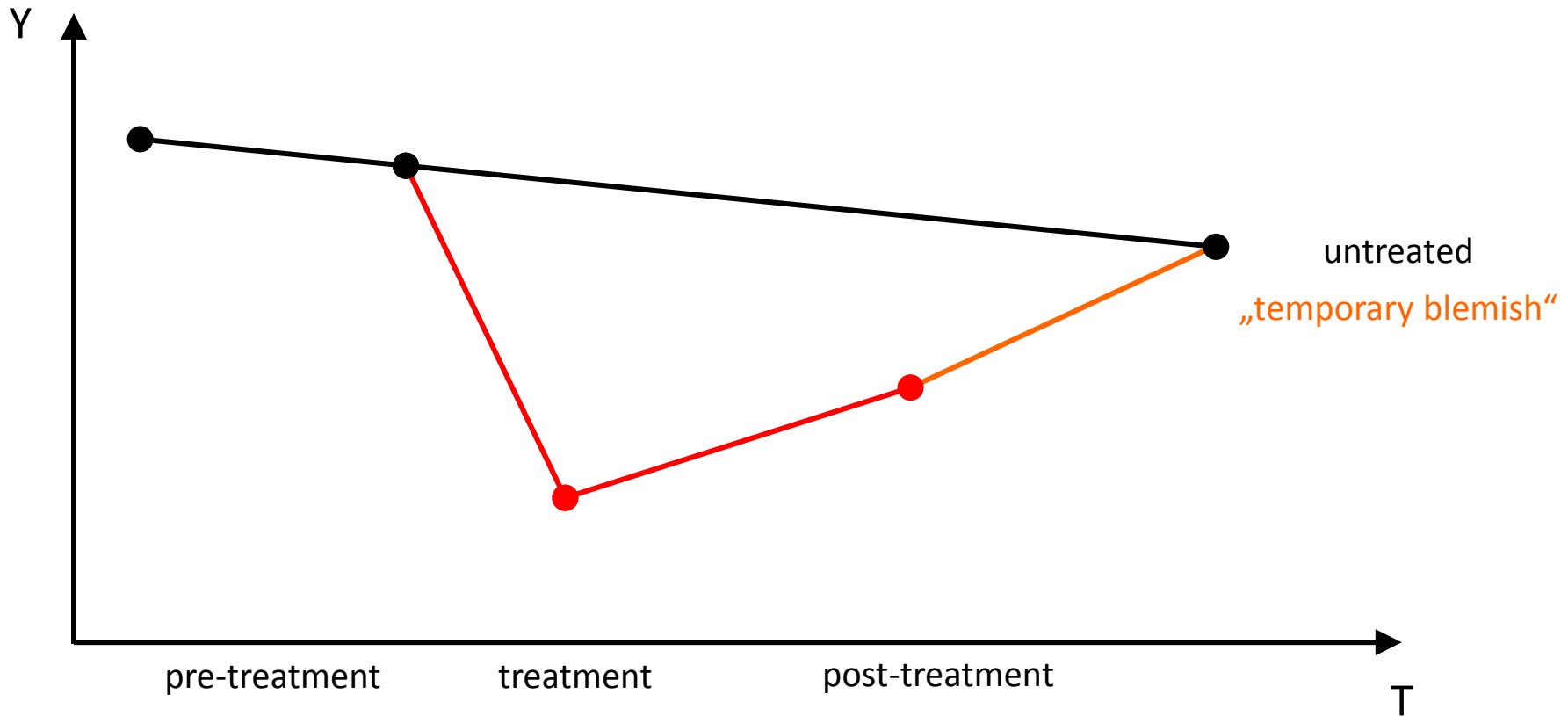

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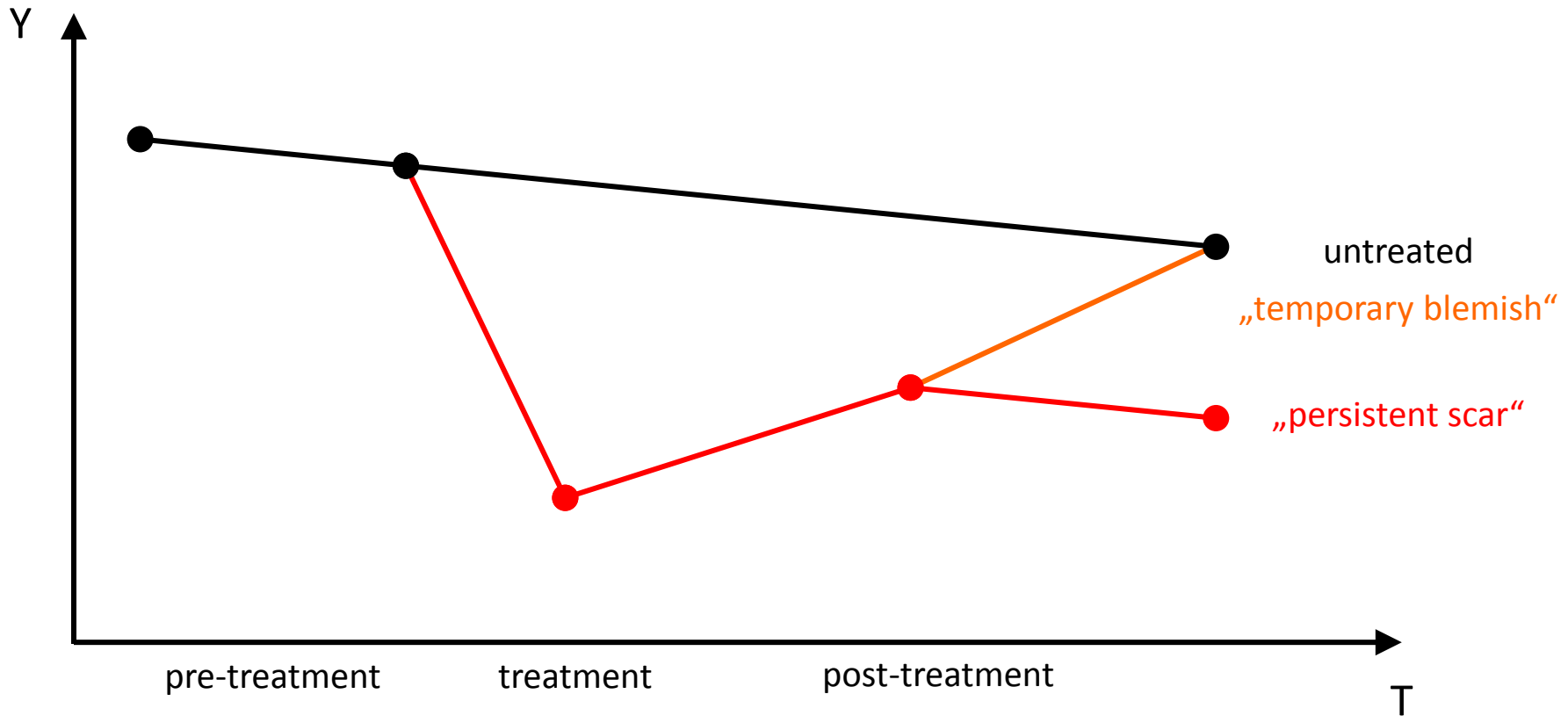

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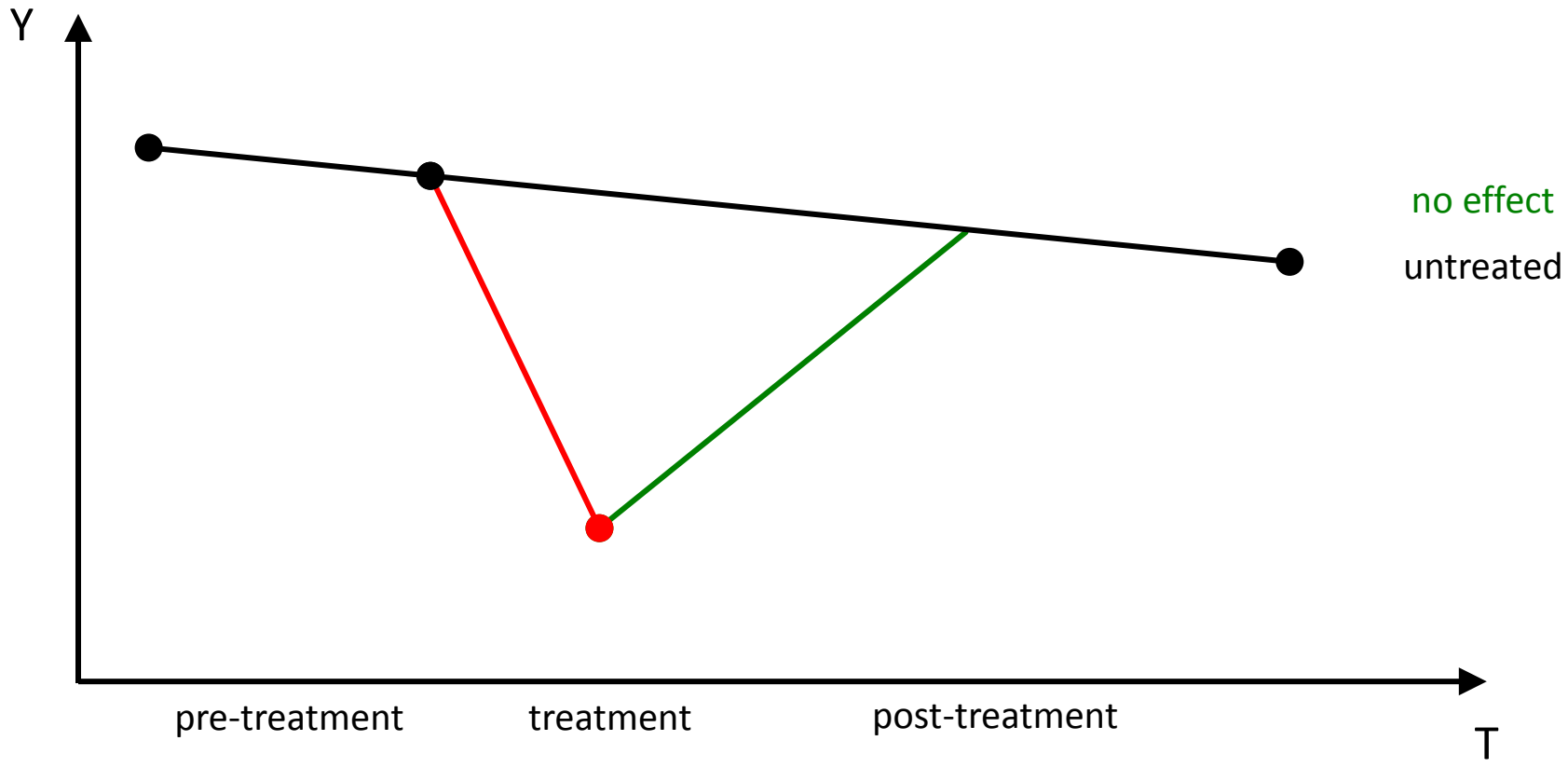

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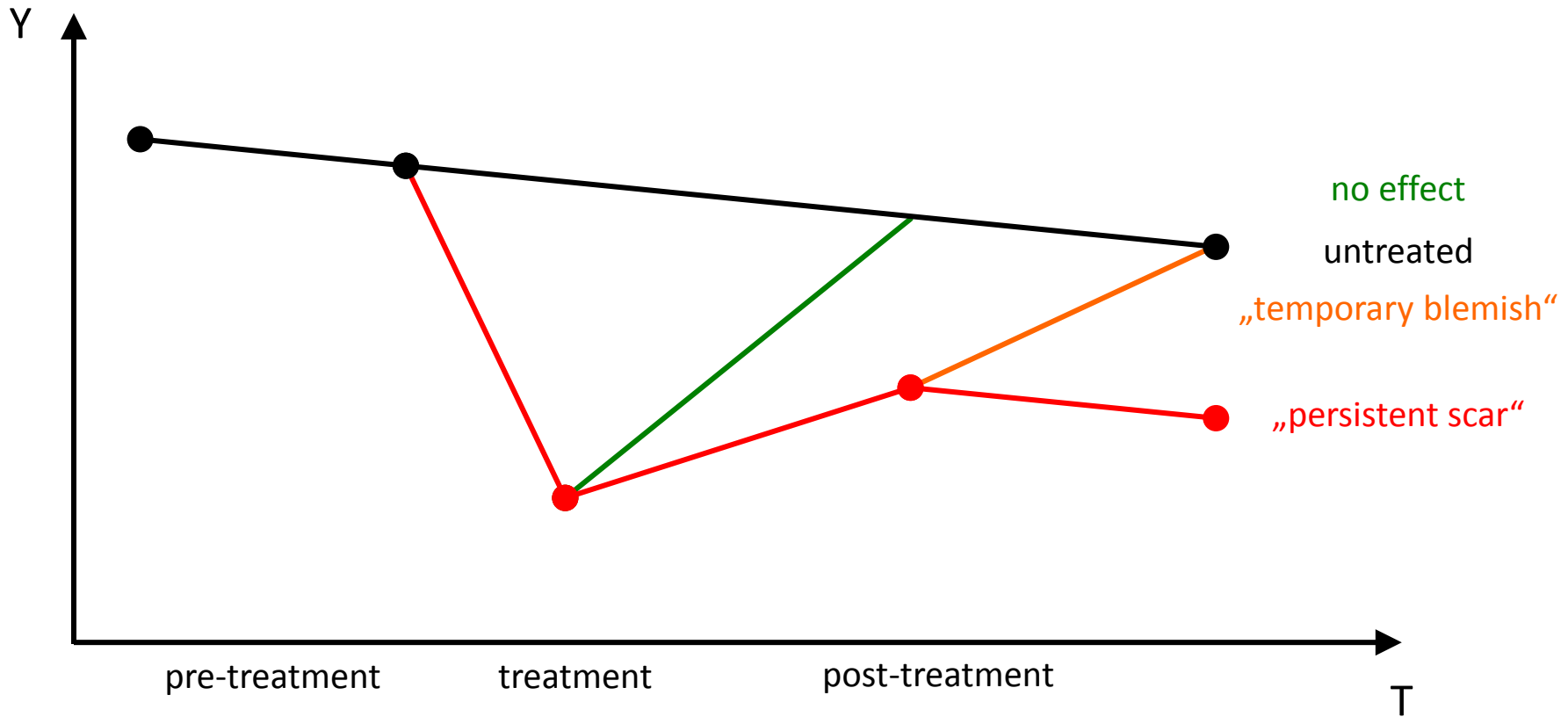

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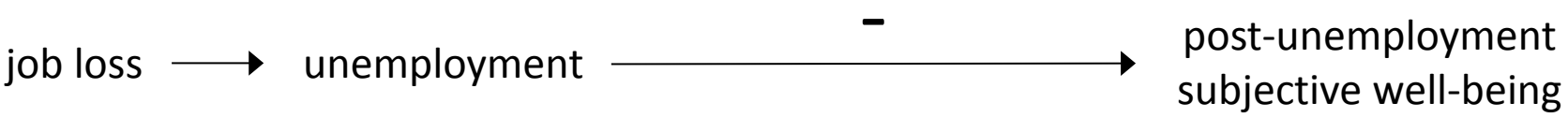

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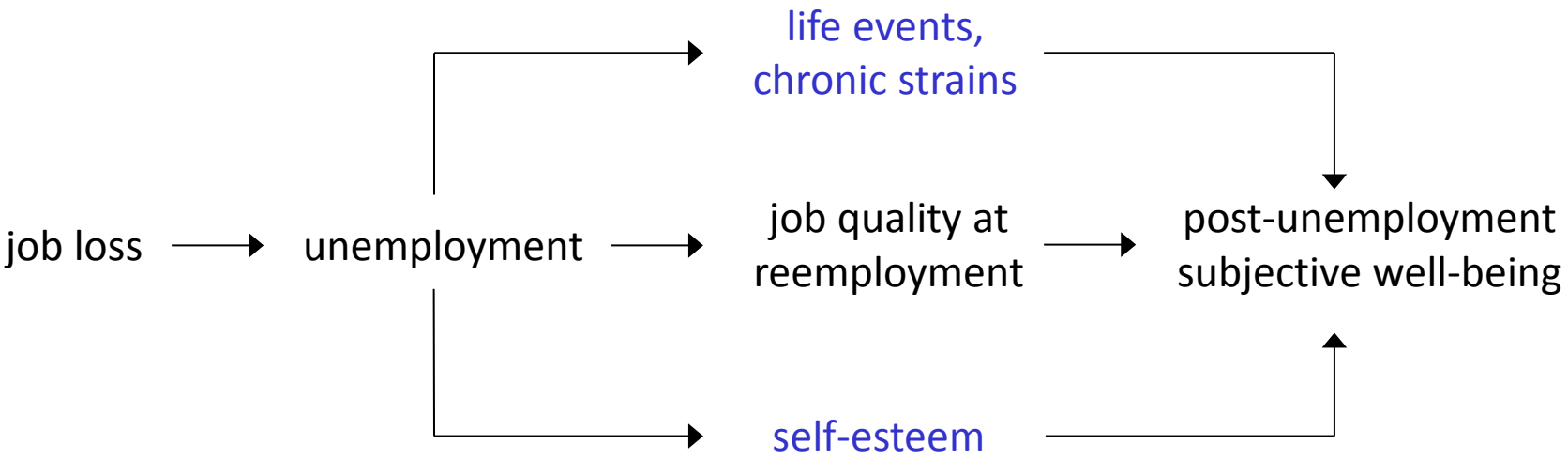

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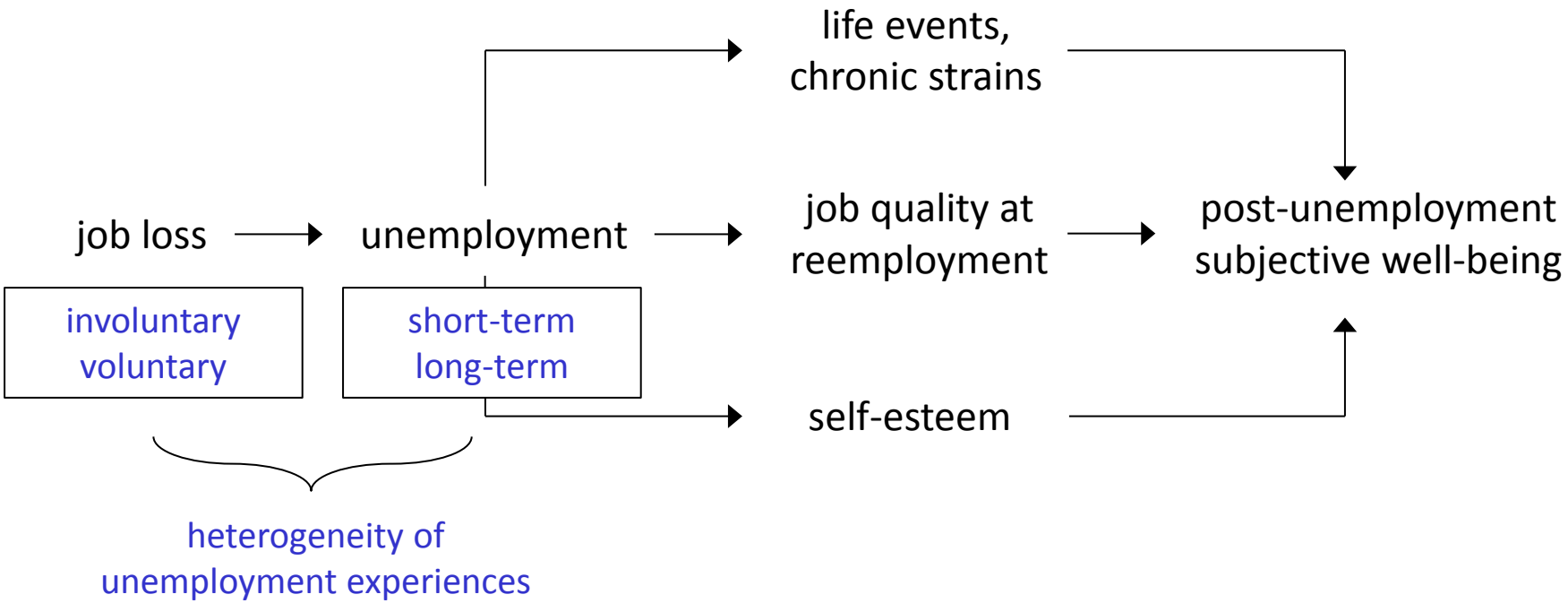

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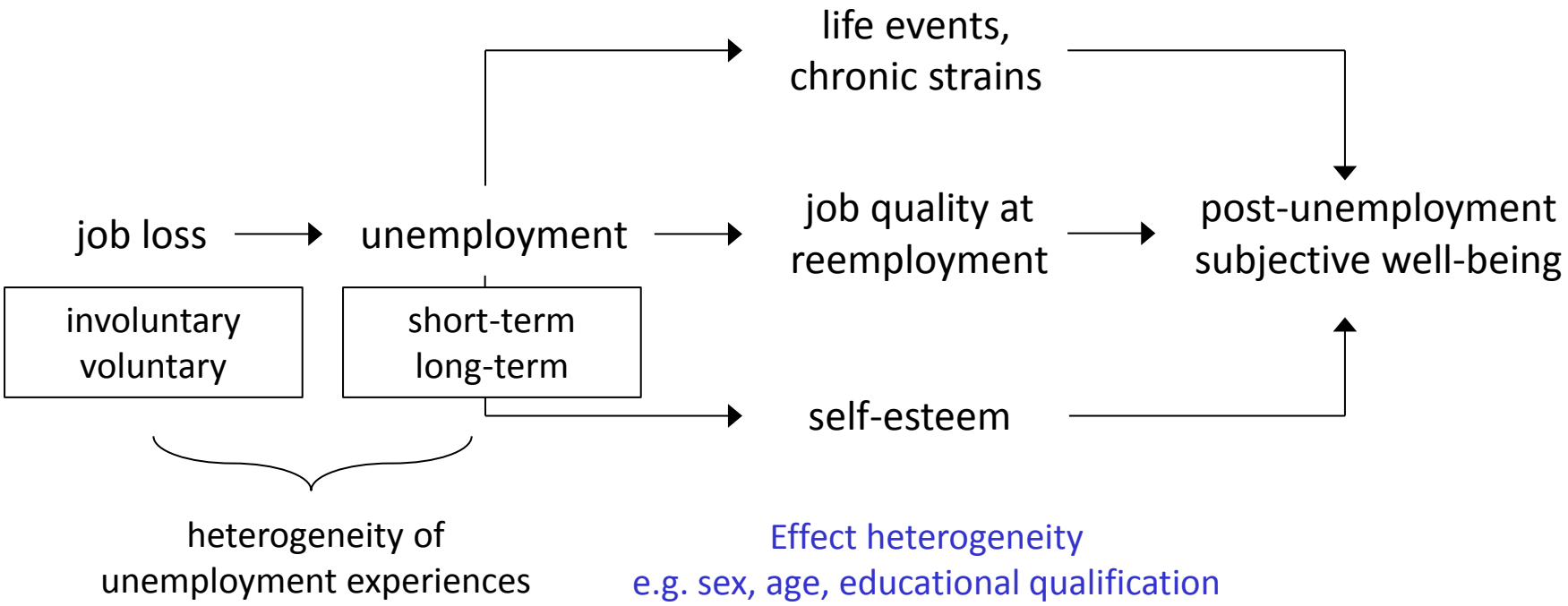


3. Research Design

Data

- SOEP 1992-2010: yearly (p*, h*) and monthly (artkalen) data

Sample

- Person-spells from t (before treatment) to t+3 (after treatment)
  - 24641 person-spells from 11122 persons
  - Dependent employment at t, 18-59 years at t
  - No missing values on the outcome at t and t+3 and the covariates

Treatment and control spells

- Treatment spells (1289 spells)
  - Sequence of employment, job loss, unemployment, and reemployment
  - Reason for job loss
- Control spells (23352 spells)
  - Continuous employment and the absence of a job loss

3. Research Design

Descriptive statistics: treatment spells

Reason for job loss	Count	%	Voluntary?		Exogenous?	
			Yes	No	Yes	No
Establishment closure	182			X	X	
Layoff/Firing	525			X		X
Fixed-term contract expired	150			X		X
Termination agreement	51		X			X
Resignation/Quitting	116		X			X
Not known	265		(Burgard et al. 2007)		(Strully 2009)	
Other reason	22					
Not specified	37					
Not reliable	74					
No job loss recorded	132					

3. Research Design

Outcomes

- Subjective well-being → life satisfaction scale (0-10)

- Dependent variable: $\Delta Y = Y_{t+k} - Y_t$ (with k = 3, 4, 5) (Difference-in-differences)

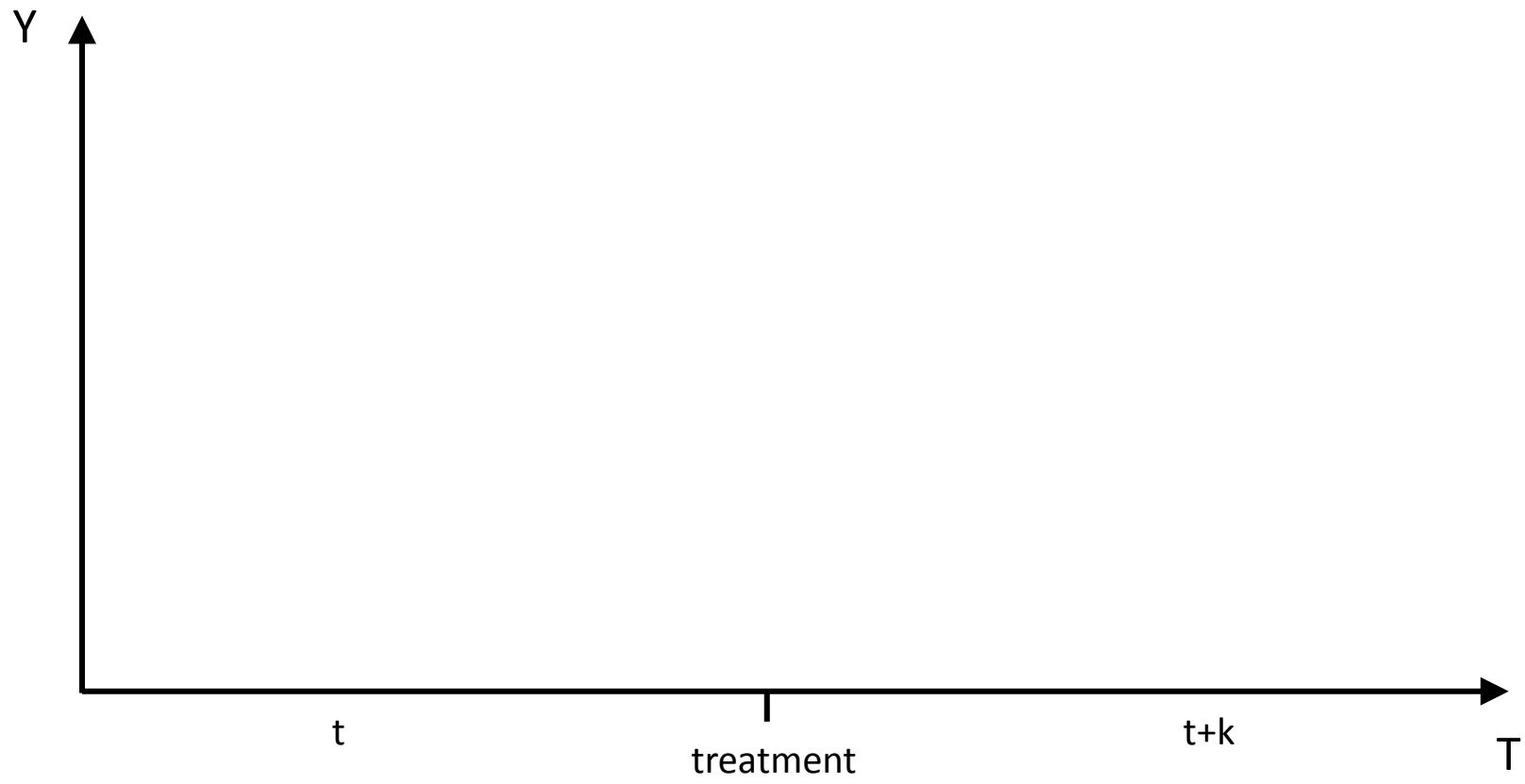
Adjustment for observed covariates X_t using propensity score matching (PSM)

- Socio-Demographics: Age, sex, immigrant
- Educational attainment
- Work biography: recent and total (un)employment experience
- Job: Occupational class, earnings, public sector, part-time, tenure, job loss worries
- Household: Spouse/partner, children, household income
- Health, Well-being: Health satisfaction, pre-treatment trends in well-being, disability
- Context: Spell period, spell length, region, regional unemployment (federal state)

→ Tables

3. Research Design

Method: (conditional) difference-in-differences



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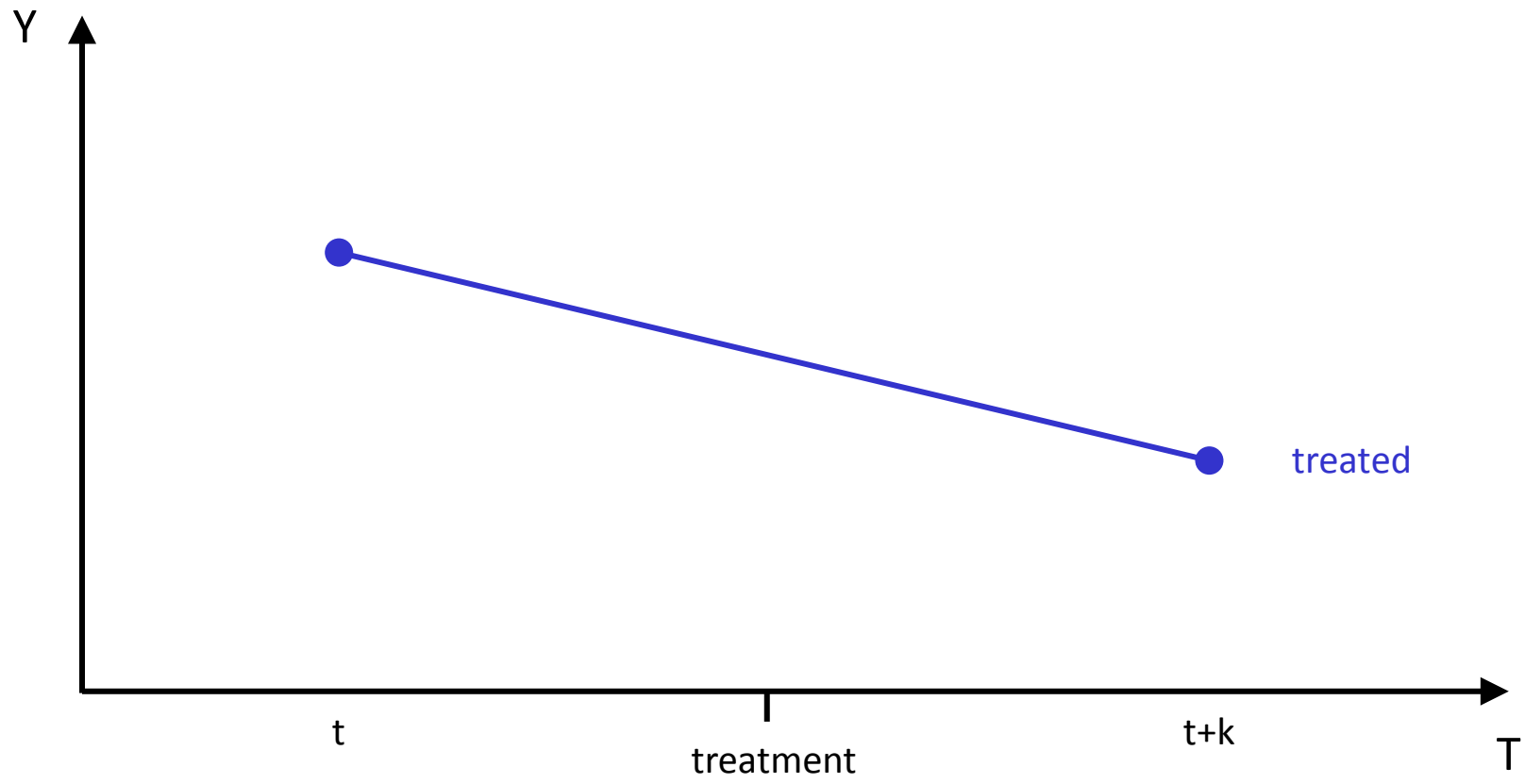

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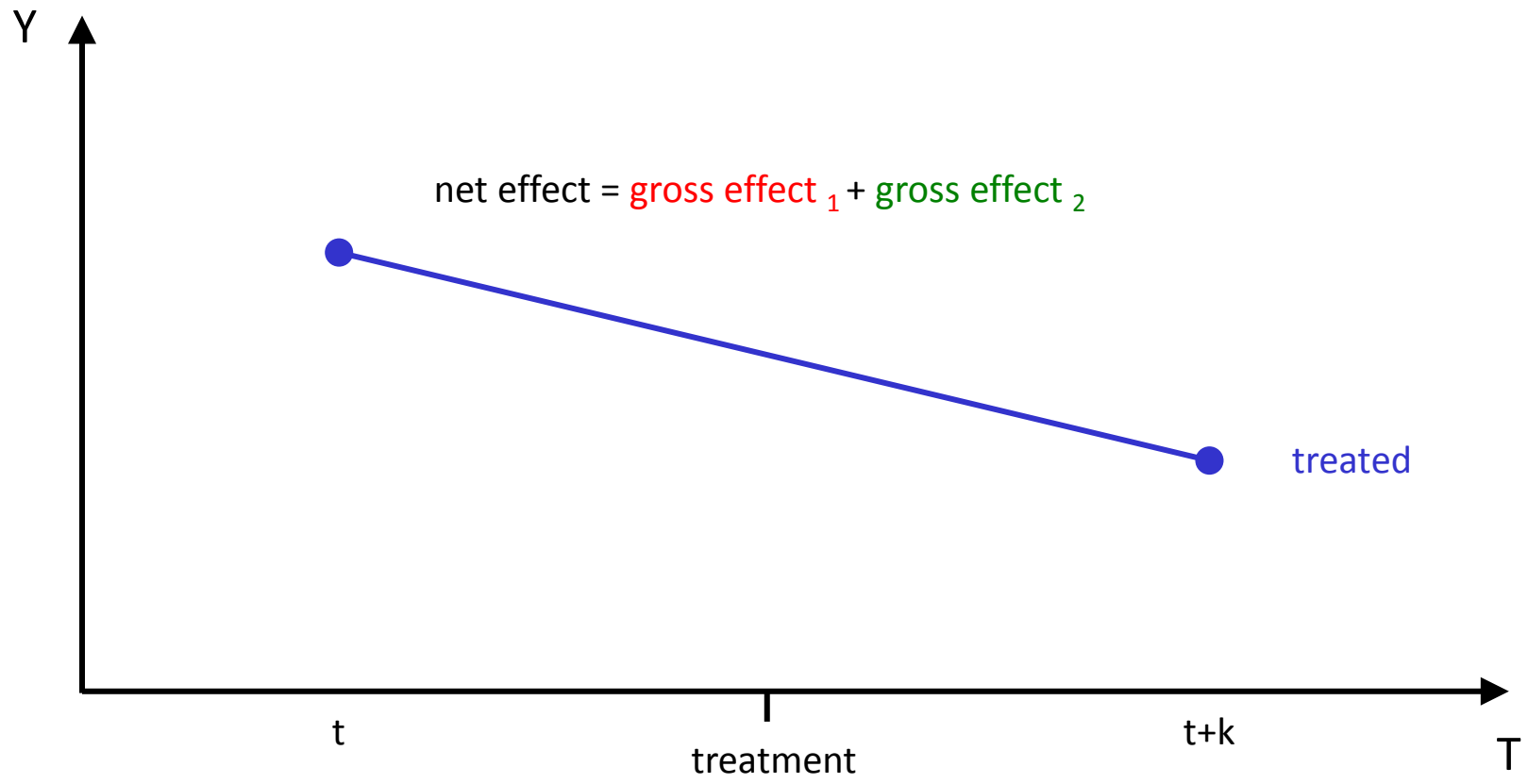

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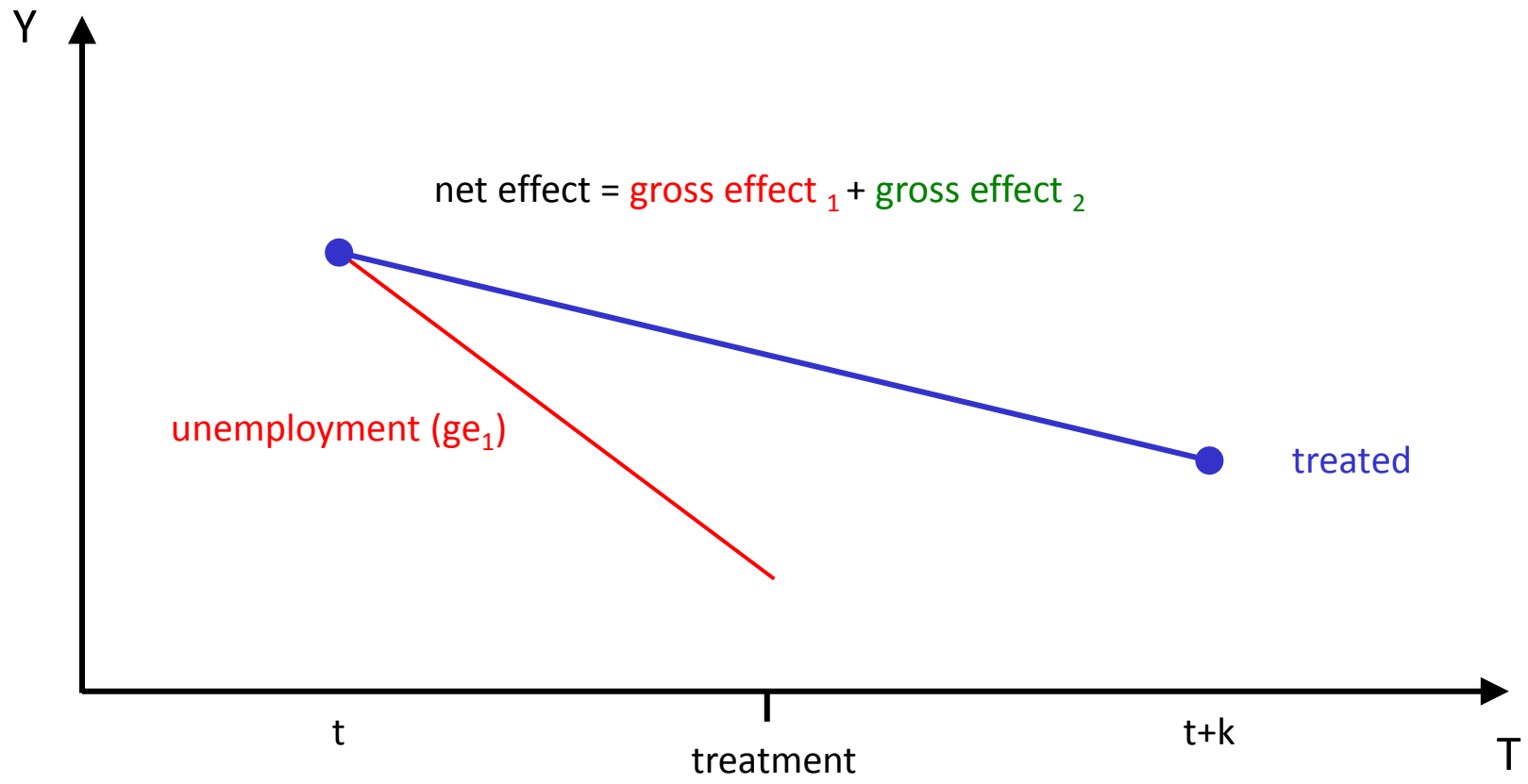

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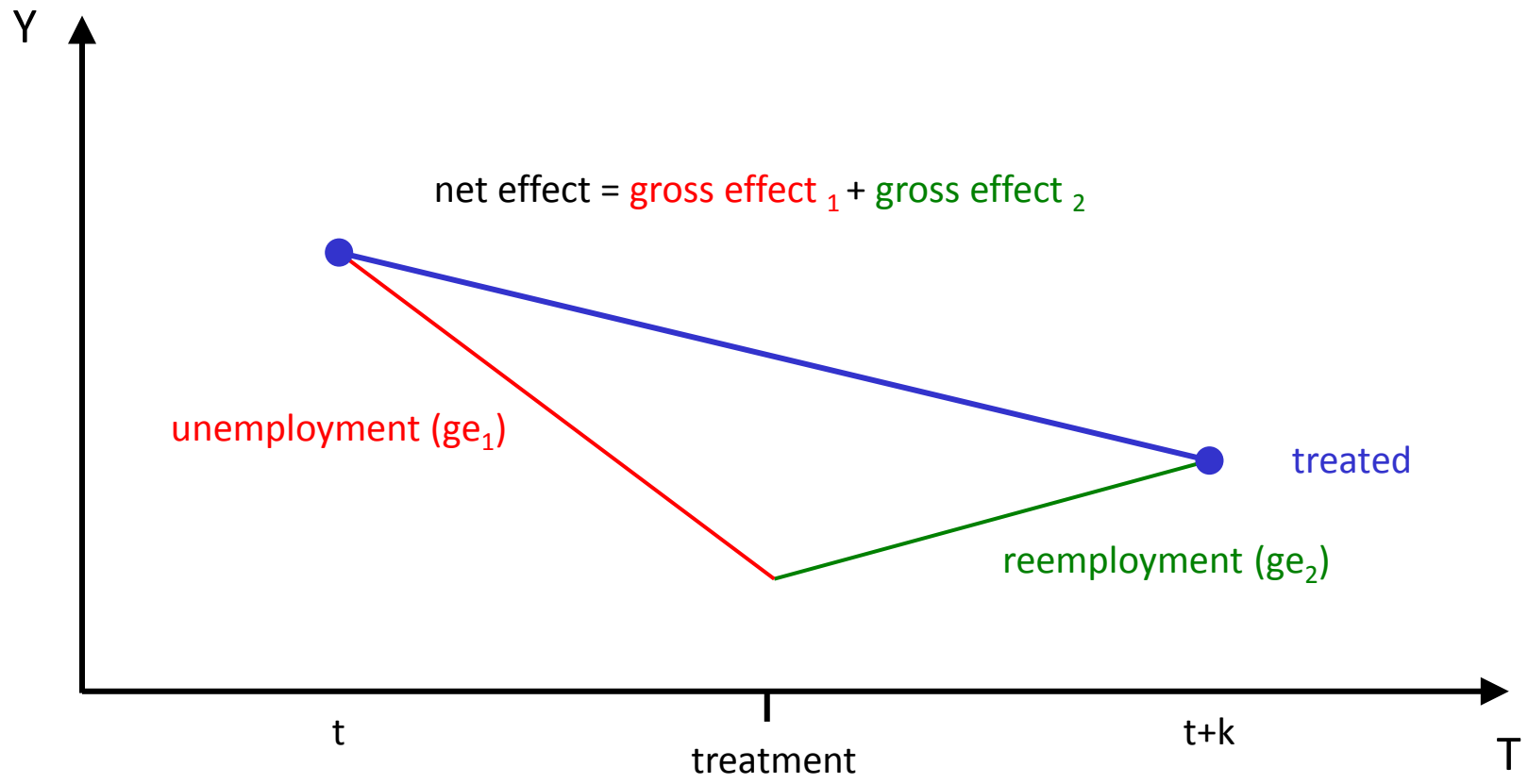

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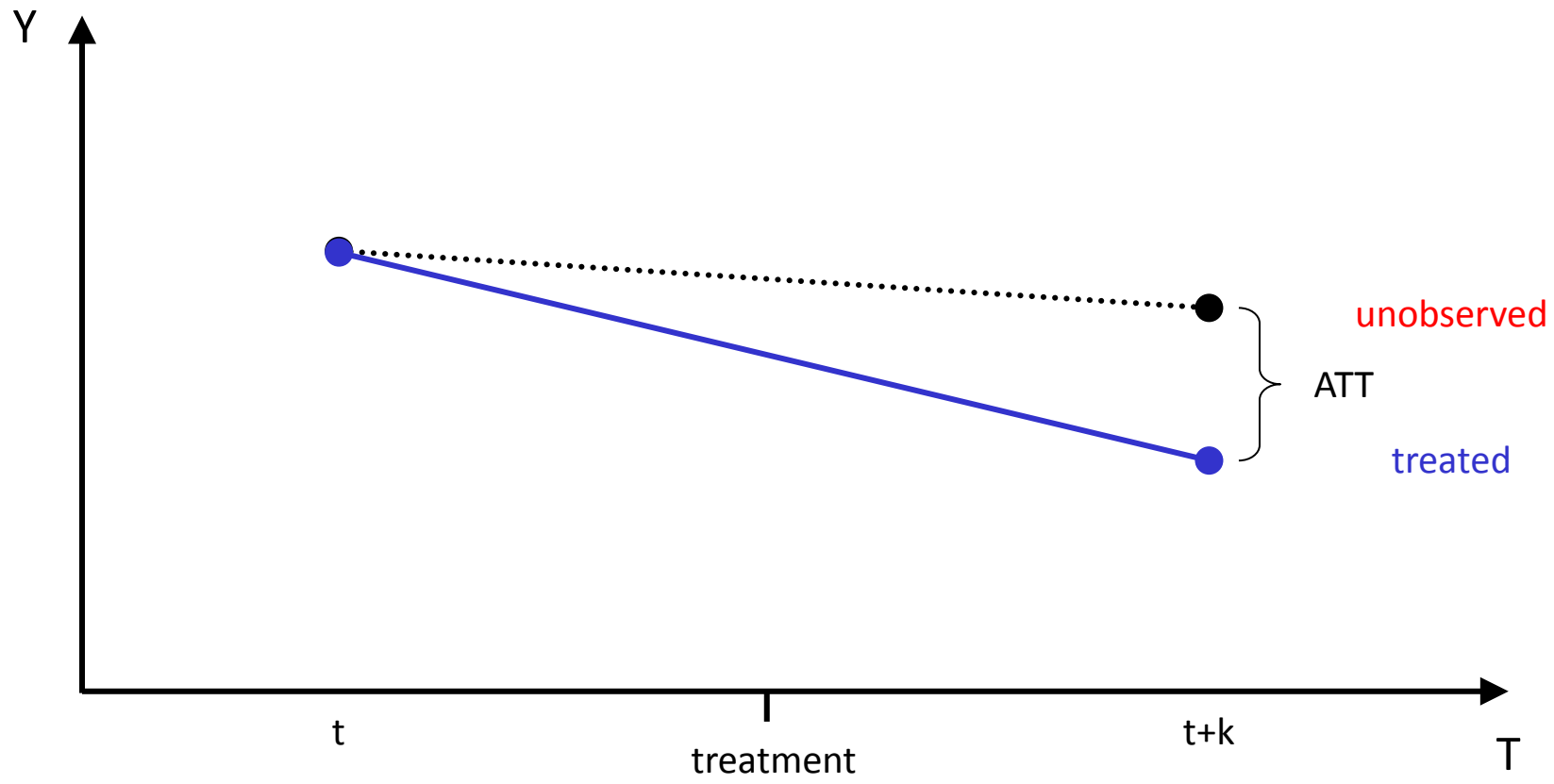

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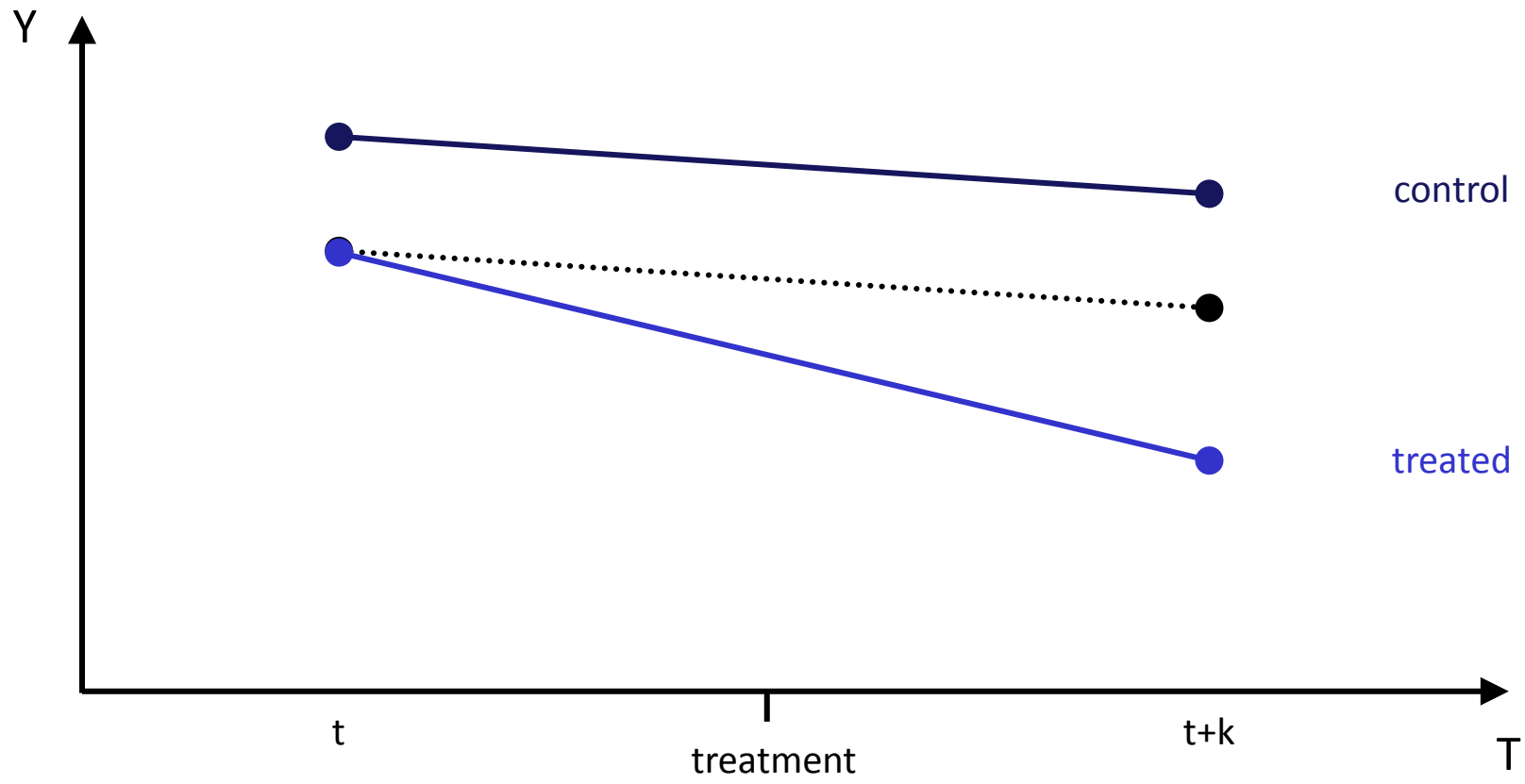

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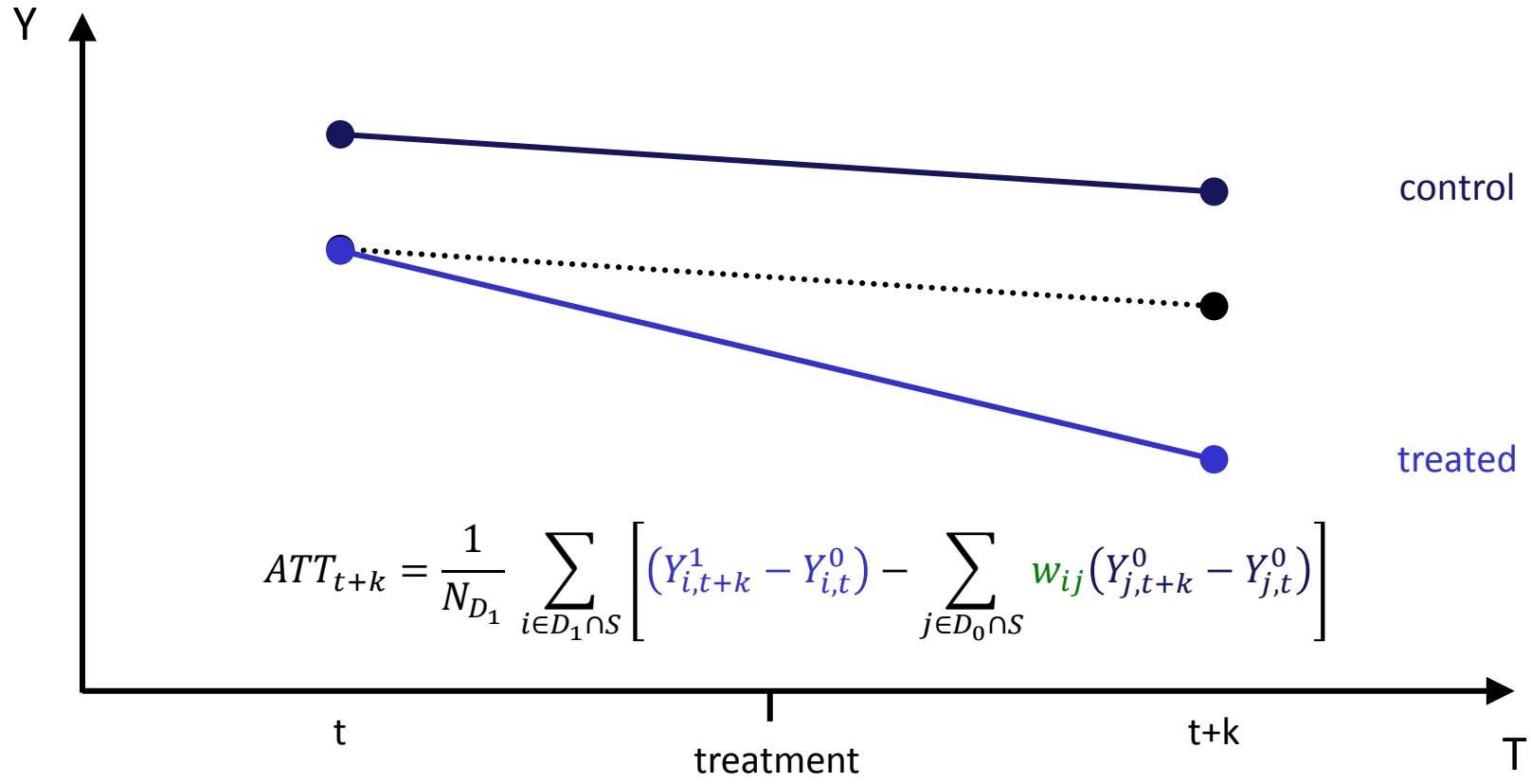
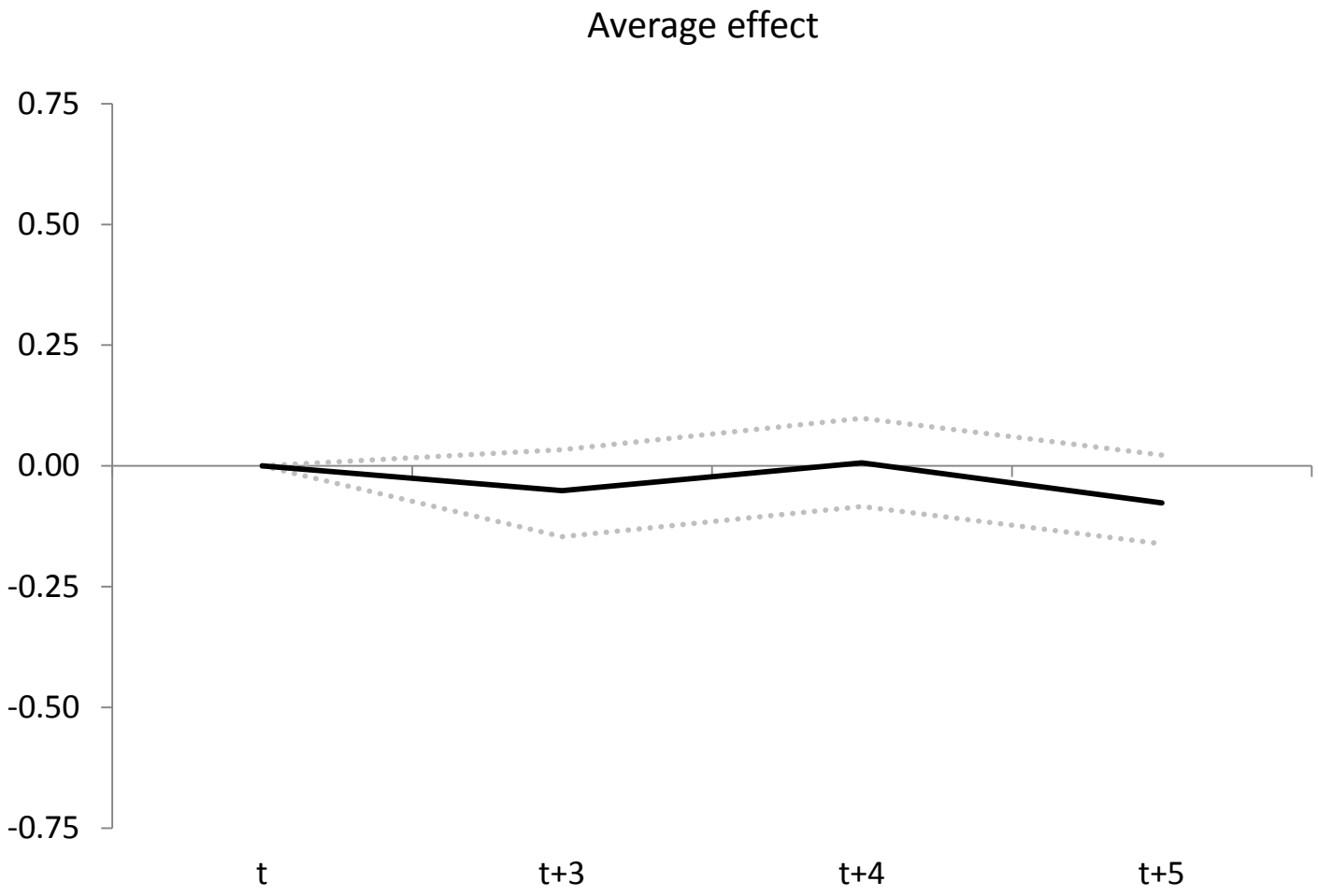


$$ATT_{t+k} = \frac{1}{N_{D_1}} \sum_{i \in D_1 \cap S} \left[\left(Y^1_{i,t+k} - Y^0_{i,t} \right) - \sum_{j \in D_0 \cap S} w_{ij} \left(Y^0_{j,t+k} - Y^0_{j,t} \right) \right]$$

Propensity score matching: radius matching weights
(with replacement, caliper = 0.001-0.005)

4. Results

Average treatment effect on the treated (ATT) and 90% CI



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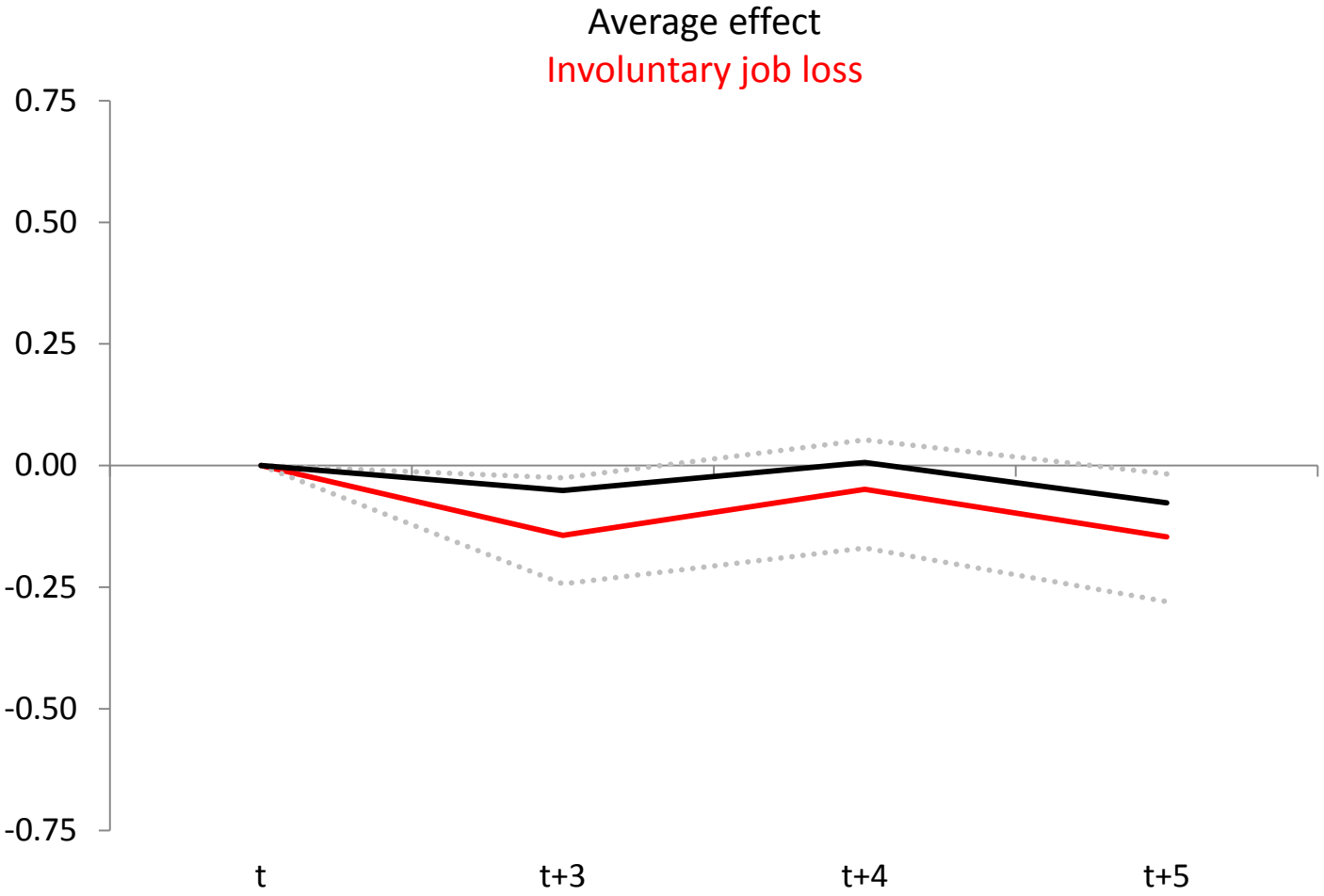

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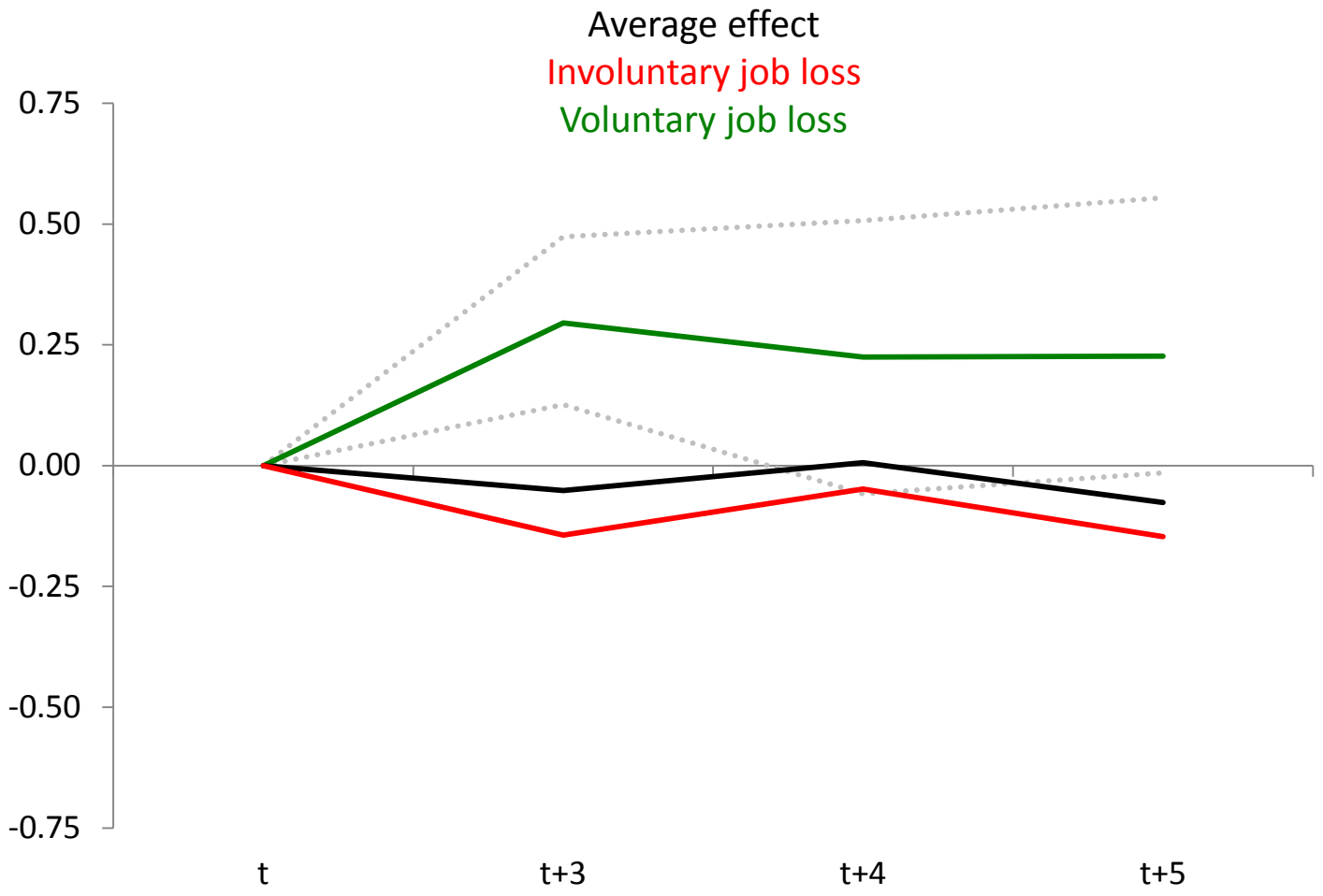

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Involuntary job loss

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Effect heterogeneity analyses (involuntary job loss)

- The effects are similar for males and females

- The potential for persistent negative effects is greatest for workers aged 45-59
- However, the magnitude of this negative effect (-0.33 at t+5) is rather small and the estimate uncertain

- The potential for persistent negative effects is greatest for workers with low education
- However, the magnitude of this negative effect (-0.27 at t+5) is rather small and the estimate uncertain

5. Conclusion

Summary and conclusion

- No psychological scars on average
- Circumstances of unemployment matter
  - Small positive effect of voluntary job loss (escape effect? upward mobility?)
  - Medium strength negative effect of involuntary job loss if followed by long-term- unemployment
  - Some groups (older workers, low educated workers) might be more vulnerable

→ Shift attention from short- to long-term effects of unemployment

→ Examine the circumstances of unemployment

Thank you for your attention!

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Further results and future research

- Results for establishment closures only differ in t+5

→ however, suggests that we overestimate negative long-run effects

- Results are robust to smaller changes

(e.g. definition of involuntary job loss)

- Examine voluntary job loss more closely

- Examine mechanisms directly (i.e. post-unemployment job quality)