The detrimental effects of job loss.

Analyzing the consequences of unemployment on life satisfaction and domain satisfaction among couples.

Unemployment is one of the most severe and enduring problems facing economies worldwide and continues to be one of the major challenges in industrialized societies. Aside from its economic dimensions and societal repercussions, questions concerning the individual experience of unemployment have recently attracted increasing attention. Although many studies have documented the detrimental effects of unemployment for subjective well-being, they overwhelmingly focus on the unemployed, thereby largely neglecting spillover as well as crossover effects: So far, little is known about the arising consequences for the closer social surrounding (e.g. the partner) as well as the different life domains the individual is integrated in.

To address this issue, this paper asks to what extent one partner’s job loss affects both partners’ life satisfaction. Moreover, it aims to identify underlying mechanism which may cause this relationship by also investigating the consequences of both partners’ domain satisfactions such as the satisfaction with income, family life as well as with the division of housework.

Using the longitudinal data of the SOEP (1984-2012) and applying fixed effects regression models, results support the assumption that job loss is a harmful experience for both partners even after controlling for several work-related as well as family-related aspects. Even though this remains true for both men and women, the consequences for both partners’ life satisfaction are significantly higher if the male partner is hit by unemployment. Regarding the underlying mechanism, findings show that the drop in both partners’ life satisfaction is mainly driven by increasing dissatisfaction with income as well as with the division of labour. Finally, since unemployment also reduces satisfaction with the family life, furthermore, this paper provides evidence for the assumption that job loss may increase the risk of partnership dissolutions.