Abstract

Previous studies have found that past unemployment reduces life satisfaction even after reemployment due to non-monetary reasons (unemployment scarring). It is not clear, however, whether this scar is only caused by employment-related factors, such as worsened working conditions or increased future income and employment uncertainty. Using German panel data, we identify non-employment-related scarring by examining the transition of unemployed persons to retirement as a life event after which employment-related scarring does not matter anymore. We find evidence for this type of unemployment scarring for people who were unemployed for the first time in their life, but not for people with earlier unemployment experiences.

JEL Classification Codes: I31; J26

Keywords: unemployment scarring; life satisfaction; retirement