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Job Loss and Health Spillovers in the Family

Abstract:

A large literature has documented that displaced workers suffer substantial losses in the labor market. Economic theory suggests that these costs may not be confined to the displaced worker but also affect other family members. We use administrative data of all workers and firms in Finland matched to mortality and patient statistics to quantify the effects of job loss on one's own and spousal health. The empirical analysis relies on an event study approach comparing workers who get displaced due to a plant closure in Finland's great recession from 1991-93 to workers not displaced in a plant closure. We find that the mortality risk of job loss is distributed asymmetrically across genders: if a man loses his job, both spouses suffer a higher risk of dying. If a woman loses her job we find no increase in mortality for either spouse, however. Exploring the mechanisms underlying the asymmetric response, we find that income losses are larger in absolute terms after a male job loss. In contrast, spousal labor supply (added worker effect) plays only a minor role.