

## ABSTRACT

This thesis studies the long-term consequences of involuntary job loss. It consists of four self-contained essays.

### Essay I: Does Job Loss Shorten Life?

This paper examines whether there is a causal relationship from job displacement to mortality. The study is based on displaced workers from *all* establishment closures in 1987 and 1988 in Sweden and, as a control group, a large random sample of employees not experiencing displacement at that time. Using administrative registers, we are able to follow all these individuals, between 1983 and 2000 with minimal attrition. The registers also provide rich information on individual, family and establishment characteristics, as well as pre-displacement health and labour market history. Using propensity score matching, we find significant excess mortality among displaced men, but not women, up to nine years after displacement. The excess mortality is mainly due to suicides and cardiovascular diseases. An important methodological conclusion is that research that focuses only on those who leave late in the closure process may over-state the impact of displacement on mortality.

### Essay II: The Echo of Job Displacement

This paper examines the long-term effects of job displacement, due to establishment closures in Sweden, on labour market status. Linked employer-employee data made it possible to identify all workers displaced in 1987 and to follow them until 1999. Using a difference-in-difference matching estimator, we found a rapid recovery after the displacement in 1987, with respect to both employment and unemployment, and by 1990 the adverse effects of the displacement had almost vanished. This recovery was, however, arrested and even reversed by the deep recession in 1990, and by the end of the century the echo of the job loss 13 years earlier had still not subsided. We attribute the longer-term effects to recurrent displacements. Among the various possible explanations of this phenomenon, we focus on short tenure on subsequent jobs, which makes the previously displaced vulnerable to further adverse shocks. However, we cannot precisely identify the significance of short tenure for recurrent displacement, but loss of job specific capital or seniority layoff rules are the prime candidates.

### Essay III: Lost Jobs, Broken Marriages

The objective of this paper is to examine the effect of a spouse's job loss on the probability that marriage ends in divorce. Previous empirical studies on this matter are sparse, and the results inconclusive. Moreover, all previous studies focus on the short-term effects. A unique Swedish data set was used identifying all married couples where one of the spouses was displaced in 1987 due to an establishment closure. The study provides further evidence that the adverse consequences of job loss cannot be measured in monetary terms alone, and extends the current literature by also investigating long run impacts. Both in the short and the longer run a destabilizing impact on marriages was found from both husbands' and wives' job losses.

### Essay IV: Displaced Workers, Added Workers, and Family Income

The objective of this paper, on the other hand, is to study the effect of men's *job displacement* on their wives' labour supply. That displaced workers suffer long-lasting earnings losses is a stylized fact, but most studies on the added worker effect has only considered husbands' current *unemployment*. An increased spousal labour supply might be a way to replace displaced men's long-lasting earnings losses. Another possibility is, however, that the welfare system covers the same losses. Using panel data methods and a unique Swedish longitudinal data set it was found that, contrary to economic theory, men's job displacement adversely affected wives' labour force participation and earnings. Moreover, this study shows that displaced workers seem to suffer also from long-lasting losses in disposable family income, although the large earnings losses seem to have been replaced to some extent by other means than increased labour supply by the wife.

ISBN 91-85169-03-X

**Keywords:** Job displacement, job loss, displaced workers, plant closure, linked employer-employee data, divorce, mortality, unemployment, job specific capital, added worker effect, female labour supply, family income.

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