

Economic and Health Implications of Long-Term Unemployment: Earnings, Disability Benefits, and Mortality

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In this study we use data from the 1984 *Survey of Income and Program Participation* (SIPP) linked to longitudinal records from the Social Security Administration to examine the impact of long-term unemployment for prime-aged (ages 25-55) male workers at the time of the 1980-1982 twin recessions on earnings, receipt of either Disability Insurance or Supplemental Security Income (DI-SSI) benefits, and mortality. Like the recent recession which began in December of 2007 and officially ended in June of 2009, the one in the early 1980s was followed by a period of sluggish employment growth. By examining workers who left employment around the time of the earlier recession, we hope to gain some indication of the types of impacts the recent recession may have on outcomes of the long-term jobless.

Separate estimations are made for those who voluntarily and involuntarily left employment and the combined sample of these two groups. We find that 20 years later, long-term joblessness had significant sustained impacts on earnings, the receipt of DI-SSI benefits, and mortality. Larger earnings losses are observed in the long-run for those who leave jobs voluntarily. Long-run increases in the probability of receiving DI-SSI benefits and of mortality appear to be similar for those who leave jobs voluntarily and involuntarily.

These results illustrate how negative economic shocks may have long-run detrimental impacts on the earnings, mortality, health, and receipt of disability benefits of the long-term jobless of the recent recession. The elevated risks of mortality are costly to society in terms of lost productivity and leave survivors at greater economic risk in their old age. The sustained earnings losses may also affect the retirement income security of workers through lower Social Security retirement benefits and reduced private savings and wealth later in life.