

What happens when older workers experience unemployment?

Lawrence H. Leith

The 2007–2009 recession led to some of the worst labor market conditions in the United States since the Great Depression. Researchers and policymakers have long been concerned with the adverse effects that labor market difficulties have on society's overall health and well-being. What happens, for example, when a long-tenured employee unexpectedly loses his or her job during an economic downturn? A number of studies undertaken since 2000 have shown, somewhat paradoxically, that certain measures of public health actually improve when the economy is in recession. Mortality rates, for example, have been shown to decline when the economy worsens, and researchers also have found evidence for similar improvements in other public health indicators, including reduced smoking and obesity and increased physical activity. Such findings have led researchers to focus on particular segments of the population—older workers who lost their job and experienced an extended period of unemployment, for example—to see how their health is affected by recessions. In “Recessions, older workers, and longevity: how long are recessions good for your health?” (*American Economic Journal: Economic Policy*, August 2014), economists Courtney C. Coile, Phillip B. Levine, and Robin McKnight examine these issues in considerable detail.

Using data from a variety of sources, including state unemployment rates from the Current Population Survey and vital statistics (by state) from the National Center for Health Statistics, the authors develop a number of econometric models to study the effect that recessions have on subsequent mortality. They focus on older workers, those who are nearing retirement age at the onset of a recession. The authors compare state unemployment rates with state- and age-specific mortality rates for the 55-to-79-year age group for all birth cohorts from 1910 to 1929. This approach allows them to look at the impact that an increased unemployment rate has on survival rates, both contemporaneously and at later ages. In general, they find that when people experience unemployment in their late fifties or early sixties, it has a negative effect on their health in the long run, as measured by decreased longevity for the affected population. In addition, the findings affirm those of earlier studies in showing some positive health effects during recessions, but the authors argue that any such short-term benefits are far outweighed by the increase in mortality rates over the longer term.

As Coile, Levine, and McKnight explain, workers who are nearing retirement age are generally more likely than other workers to have health problems and thus are more likely to experience negative health effects if they lose their jobs as a result of a recession. It might be harder for them to find new jobs, especially those requiring job training, because potential employers may view these workers as a poor investment compared with their younger counterparts. This could lead to an extended period of unemployment or even involuntary retirement, depending on their particular age and circumstances. In addition to receiving reduced income, many of these

workers lose their employer-provided health insurance, and the period without coverage can be quite long—for some, even lasting until age 65, when they become eligible for Medicare. The loss of insurance frequently leads to a reduction in health care use, which presents a substantial health risk for people age 55 or older, who often have chronic health problems and are more susceptible to health “shocks” such as heart attacks and new cancer diagnoses.

Interestingly, the authors find negative long-term health effects for people experiencing unemployment at ages 55 to 61, but at age 62 and beyond these effects are markedly reduced. Coile and her colleagues suggest that the availability of Social Security at age 62 may help explain these findings, as the program provides a “buffer” for losses of income and health insurance that often occur when people lose their jobs and cannot find new ones. They also present evidence that unemployment shocks among older workers lead to lengthy periods of reduced employment and income, as well as long periods without health insurance and greater difficulty accessing health care. After age 65, when Medicare becomes available, these effects essentially “disappear.”

Further exploring some of the “plausible mechanisms” that could lead to long-term negative effects on health, the authors present a number of notable findings. They show, for example, that a 1-percentage-point increase in the state unemployment rate reduces the chance of employment for people ages 56 to 58 by 0.5 percentage point. This effect continues through ages 59 to 61, but then drops by about half from ages 62 to 64, perhaps because many people become eligible for Social Security at age 62. Similarly, they show that a 1-percentage-point rise in the unemployment rate reduces the rate of private health insurance coverage by 0.25 percentage point, indicating that about half of those with long-term unemployment lose access to their employer-provided health insurance.

The authors found that the effect of unemployment shocks on life expectancy is greatest for people ages 57 to 61. People who become unemployed at age 58 have their life expectancy reduced, on average, by 3 years (from 22 years to 19 years). In sum, the authors provide substantial empirical evidence that recessions have long-term health consequences for older workers who lose their jobs as a result of the economic downturn.