The Far-Reaching Impact of Job Loss and Unemployment

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Abstract

Job loss is an involuntary disruptive life event with a far-reaching impact on workers' life trajectories. Its incidence among growing segments of the workforce, alongside the recent era of severe economic upheaval, has increased attention to the effects of job loss and unemployment. As a relatively exogenous labor market shock, the study of displacement enables robust estimates of associations between socioeconomic circumstances and life outcomes. Research suggests that displacement is associated with subsequent unemployment, long-term earnings losses, and lower job quality; declines in psychological and physical well-being; loss of psychosocial assets; social withdrawal; family disruption; and lower levels of children's attainment and well-being. Although reemployment mitigates some of the negative effects of job loss, it does not eliminate them. Contexts of widespread unemployment, although associated with larger economic losses, lessen the social-psychological impact of job loss. Future research should attend more fully to how the economic and social-psychological effects of displacement intersect and extend beyond displaced workers themselves.

INTRODUCTION

A central tradition of research in sociology and economics seeks to identify and take account of the processes shaping socioeconomic outcomes, including the mechanisms that affect mobility and define opportunity structures. A notable strand of this research has assessed the extent to which job loss, often accompanied by a period of unemployment, divides the career achievement of workers. With the recent severe economic upheaval came a precipitous increase in attention to the study of job loss and unemployment. Much of this work has understandably focused on economic outcomes, as indicated by employment levels and earnings, but another important body of research has attended to the wider impact of job loss.

A few definitions help fix ideas. Job separation includes both voluntary (worker-initiated job separation or quitting) and involuntary job termination. Job loss is generally understood as indicating involuntary separation that occurs when workers are fired or laid off, where layoffs occur as a result of firms downsizing, restructuring, closing plants, or relocating. Involuntary job loss may also indicate job separation as a result of health conditions. In this case, the separation may be worker initiated but nevertheless be considered to some degree involuntary. Job displacement is a specific form of involuntary job loss that does not include workers being fired or termination for health reasons; it is reserved for involuntary job separation that is the result of economic and business conditions that are largely beyond the control of the individual worker and thus presumably less governed by worker performance. Strict definitions include some period of predisplacement firm-specific tenure, such as three years in the Displaced Worker Survey of the Bureau of Labor Statistics. Some studies on job loss focus attention on involuntary job loss, whereas others focus more specifically on job displacement. I nevertheless use these terms somewhat interchangeably throughout this review, as the distinctions are not always made explicit in the literature and are to some degree amorphous.

Individual-level (involuntary) unemployment occurs when individuals are without a job and are actively seeking employment; some definitions allow discouraged workers who have dropped out of the labor force to be counted among the unemployed, or at least among the jobless. Unemployment is one potential consequence of job loss. Job loss is not synonymous with unemployment. A period (at times a prolonged period) of unemployment typically, but not necessarily, accompanies job loss. However, unemployment is not necessarily preceded by job loss, and displaced workers are not generally representative of the unemployed population (Kletzer 1998). Job loss is a discrete event, whereas unemployment is a state, with a great deal of heterogeneity with respect to instigation and duration. Job displacement is more of an exogenous shock than unemployment, or job loss more broadly defined, allowing for better estimates of the consequences of socioeconomic mobility. I spend considerably more time on job displacement than on unemployment, per se, in this review.

This review proceeds as follows. I begin with a description of trends and risk factors associated with job loss and then consider methodological and interpretative issues in estimating displacement effects. I then review the economic impact of job loss. Thereafter I thoroughly attend to the wider impact of worker displacement. I conclude with several directions for future research. I focus my review on job loss in the United States.

TRENDS AND RISK FACTORS ASSOCIATED WITH JOB LOSS

Widespread job insecurity, waves of job loss, and associated periods of unemployment and income loss have characterized the last several decades in the United States (Farber 2010; Farley 1996; Kalleberg 2000, 2009; Kletzer 1998; Wetzel 1995). Most Americans believe that employment stability has declined (Hollister 2011), and job displacement is now considered a common feature of the US labor market. The macroeconomic trends commonly associated with worker

displacement include technological change; foreign trade and the shift to production offshore to take advantage of low-wage foreign workers; immigration; firms' greater use of outside suppliers, subcontractors, and partners, and the paring down of the activities of the firm; the shift in US consumption from manufactured goods to services; poor firm management; weakened labor unions; and regional and national economic downturn.

High levels of worker displacement marked the last four recessions in the United States. The early-1980s recession convinced firms to utilize effective new equipment, shift production to modern plants, and lay off thousands of workers (Farley 1996). Wetzel (1995, p. 101) wrote, "Industrial firms that had prided themselves on lifetime paternalistic commitments to their production workers—largely men with average or below-average educational attainment—slashed employment . . . .The abrupt contraction struck at the heart of the middle class by drastically impacting mature family men with strong labor force attachment, good work histories, and long job tenure." Although the economic recovery of the 1980s was marked by large employment gains, unemployment persisted at a relatively high rate and newly created jobs were in general of a lower quality than the jobs workers had lost. The early-1990s recession saw the creation of flat organization and the elimination of middle management positions. Worker layoffs, once regarded as organizational failure, were increasingly utilized throughout the 1990s and early 2000s as a labor allocation process available to firms in order to preserve shareholder value. Ensuing waves of downsizing, reorganization, mergers, and takeovers rewarded some individuals with great prosperity, whereas others were threatened with displacement, unemployment, and downward mobility (Baumol et al. 2003). The recessionary period from the end of 2007 to mid-2009 was deeper and more extensive than any other since the Great Depression of the 1930s (Hout et al. 2011). The US unemployment rate hovered at approximately 9% to 10% in 2009–2011, the highest rate since the early-1980s recession and roughly twice the precrisis rate. The proportion of families with an unemployed member was roughly 12% in 2009, up from approximately 6% in 2007. The large increase in long-term unemployment in this most recent recession is suggestive of longer-term structural labor market changes (Katz 2010).

Although macroeconomic and firm-level factors influence the incidence of job loss and unemployment, a number of individual-level characteristics also govern the risk of displacement. In the 1980s, blacks and Hispanics had a higher probability of being displaced than whites; men had higher rates than women; and family background disadvantage, blue-collar and manufacturing work, low occupational status, low job tenure, and low levels of education also heightened the risk of job loss over this period (Brand 2004, 2006; Farber 2005). Job loss rates increased for women and for whites in the 1990s, as well as for college-educated and high-tenure workers (Farber 1993, 1997, 2005). Although educated workers maintain a lower risk of displacement, the increased rates have nevertheless aroused public concern that the structure of job loss qualitatively changed over recent decades, increasing vulnerability to job loss across the population (Fallick 1996; Farber 1993, 1997, 2010).

ESTIMATING EFFECTS OF JOB LOSS

Abrupt changes in socioeconomic conditions provide a sort of natural experiment that offers a stronger basis for inference than the usual practice of examining the covariation of outcomes with socioeconomic status that may arise from a variety of sources over an indeterminate period of time. The study of job displacement thus provides researchers a unique opportunity to assess within-individual changes in socioeconomic conditions that are relatively exogenous to individual characteristics. Indeed, scholars often explicitly describe the study of displacement as a way to estimate the causal effects of socioeconomic shocks (Stevens 2014). Nevertheless, the study of displacement does

not fully mitigate selection issues, as job loss is clearly conditioned by factors that are also associated with levels of subsequent outcomes. A primary concern in attempting to identify the effects of job loss is the potential presence of unobservable characteristics that affect both worker displacement and subsequent outcomes. That is, we are left with the fundamental question of whether workers who were displaced from jobs have outcomes that are different than they otherwise would have been had they not been displaced. If employers make targeted decisions regarding whom to displace, then relatively less productive workers (e.g., lower levels of motivation, commitment, and ability), workers with physical or mental health issues, and socially inept workers are possibly more likely to lose jobs and have worse economic and social outcomes. Scholars, however, have found few differences across several leading estimators of causal effects (including regression, matching, difference-in-difference, and fixed effects models), suggesting a degree of robustness regarding the nature of the observed associations between displacement and life outcomes in the face of various technical assumptions and model specifications (Brand 2006, Coelli 2011, Stevens & Schaller 2011).

Yet another strategy to deal with possible selection bias is a quasi-experimental strategy that tracks the well-being of workers following a plant closure. When an entire organization closes, it is unlikely that a worker's specific characteristics are responsible for the displacement. Thus, if the results for plant closings and more individualized layoffs are similar, we have a firmer basis for claiming the validity of the effect estimates for the full population of displaced workers. Likewise, job losses occurring during recessionary periods, in which large numbers of individuals lose jobs, may provide better causal estimates of job loss (Stevens 2014). A few caveats about inferences we can make from mass-layoff studies are nevertheless in order. Although such studies make strong claims for having eliminated the influence of selection, plant closure studies are often limited to specific populations (typically blue-collar workers) in specific geographic areas, restricting generalizability to the US workforce as a whole. That is, studies of plant closures ostensibly sacrifice external for internal validity. Some plant closure studies also lack a control group of nondisplaced workers. Additionally, plant closure studies may still be subject to selection bias, as more qualified and adaptive employees may leave the plant upon word of the impending closure. The same can be said for studies of workers displaced during recessions.

Job losses due to layoffs and plant closings, and job loss occurring in different economic contexts, may also produce different effects because they are potentially different treatment conditions. In the case of layoffs and job loss during economic expansions, the greater likelihood for discretionary dismissal of employees can call into question competency and character and act as a signal of below-average productivity to the displaced workers, as well as to their families and communities, and to potential employers. If employers interpret layoffs as indications of ineptitude, hiring will be discouraged. The resulting difficulty of laid-off workers to secure suitable reemployment may result in greater long-term economic losses. Economic distress, alongside attribution of job loss to one's own shortcomings, and the stigma of a layoff and resulting strained relations with colleagues, friends, and family members can in turn lead laid-off workers to lower self-esteem, anxiety, and depressive symptoms (Leana & Feldman 1992, Miller & Hoppe 1994). Individually laid-off workers may also lack similarly strained peers to offer a network of support (Brand et al. 2008, Miller & Hoppe 1994). These circumstances contrast with those of job loss due to plant closings and job loss occurring in economic recessions, in which clearly external influences, including the health of the macroeconomy and firms' decisions to restructure or relocate business units, provoke separation. Because such factors are clearly beyond the control of individual employees, plant closings do not involve a negative signal that raises transaction costs for displaced workers. Indeed, workers displaced because of business closings are victims of an event that could befall anyone, and seldom perceive themselves as responsible

for the job loss. Thus, such workers may endure lower economic and social-psychological burdens.[1]

ECONOMIC EFFECTS OF JOB LOSS

Increasing job insecurity and displacement have motivated a large body of research on effects, beginning with economic losses. The average displaced worker experiences a long period of unemployment (Brand 2004; Chan & Stevens 1999; Fallick 1996; Farber 2003, 2005; Kletzer 1998; Podgursky & Swaim 1987; Ruhm 1991), but the duration has a high degree of worker variance (Seitchik 1991). Unemployment among displaced workers generally lasts longer during recessions than expansions (Farber 1997, Kletzer 1998). The impact of job loss on careers is considerable even when workers do not experience long-term unemployment. Displaced workers suffer substantial earnings losses, which are generally more persistent than the effects of unemployment (Brand 2004; Cha & Morgan 2010; Chan & Stevens 1999, 2001; Couch & Placzek 2010; Couch et al. 2011; Davis & von Wachter 2012; Fallick 1996; Farber 2003, 2005; Jacobson et al. 1993; Kletzer 1998; Podgursky & Swaim 1987; Ruhm 1991; Seitchik 1991; Stevens 2014; von Wachter 2010). Couch & Placzek (2010) report an immediate 33% earnings loss and as much as a 15% loss six years following job separation. The cumulative lifetime earnings loss is estimated to be roughly 20%, with wage scarring observed as long as 20 years postdisplacement (Brand & von Wachter 2013, Davis & von Wachter 2012, von Wachter 2010). Reemployed displaced workers are more likely than their nondisplaced counterparts to be employed part-time, and this likelihood has increased over time, particularly during recessions (Farber 1993, 2003, 2005). Displaced workers may also find, when reemployed, that their jobs are of lower quality in terms of job authority, autonomy, and employer-offered benefits compared with both the jobs they lost and those held by their nondisplaced counterparts (Brand 2004, 2006; Podgursky & Swaim 1987). Workers also withstand greater job instability for at least a decade following a displacement event (von Wachter 2010).

Although economic losses occur for displaced workers across demographic categories, across industries, and throughout the skill distribution (von Wachter 2010), there is nevertheless effect variation by worker characteristics. Displaced workers' losses reflect both industry-specific decline and the loss of firm- and industry-specific skills (Kalleberg 2000). Older workers with higher predisplacement tenure, those who change industries, and those who experience multiple job losses thus experience greater earnings losses (Carrington & Zaman 1994, Couch et al. 2011, Fallick 1996, Jacobson et al. 1993, Stevens 1997, von Wachter 2010). As greater skill transferability is expected for educated workers, reductions in employment, earnings, and job quality are typically more pronounced for less-educated workers (Farber 1997, 2003, 2005; Kletzer 1998; Podgursky & Swaim 1987; Seitchik 1991). Yet as the incidence of displacement for more-educated workers has increased, so too have the transition difficulties.

Although displaced workers' economic burdens are substantial during both recessions and expansions, losses are cyclical (Couch et al. 2011; Davis & von Wachter 2012; Fallick 1996;

[1]In addition to selection bias, measurement error, recall bias, and attrition bias are all of concern in the study of the effects of worker displacement. Most studies of job displacement have used administrative or survey data. Commonly used nationally representative data include the Displaced Worker Survey supplement to the Current Population Survey, the Panel Study of Income Dynamics, and the National Longitudinal Survey of Youth. Other studies have used data from specific geographic areas or establishments. Some of these data are limited for making causal statements because they are cross-sectional, inadequate for constructing a control group of comparable nondisplaced workers, or unable to distinguish displaced workers from those suffering other types of job loss, such as firings.

Farber 1997, 2005; Jacobson et al. 1993; Kletzer 1998; von Wachter 2010). Because few firms hire during economic contractions, displaced workers seeking reemployment are in a poorer negotiating position during economic contractions than during economic expansions. Davis & von Wachter (2012) find that men lose an average of 1.4 years of predisplacement earnings if displaced in mass-layoff events that occur when the national unemployment rate is below 6%, and lose an average of 2.8 years of predisplacement earnings if displaced when the unemployment rate exceeds 8%. Similarly, Couch et al. (2011) find that long-term earnings losses for workers displaced during a recessionary period are approximately two to four times larger than losses for workers displaced during a period of economic expansion.

There is some debate over variation in economic losses by the specific form of job loss. Researchers (Krashinsky 2002, Stevens 1997, von Wachter 2010) have questioned the findings of an influential study by Gibbons & Katz (1991) that suggested that economic losses associated with layoffs are greater than those associated with plant closings. Gibbons & Katz (1991) argued that in the case of a layoff, the discretionary dismissal of employees acts as a signal of below-average productivity, stigmatizing laid-off workers, resulting in large employment and earnings losses. In contrast, a plant closing, in which all workers are terminated without discretion, does not carry a comparable performance signal, rendering earnings penalties less severe. Extending this argument to differences in earnings losses by economic context, we might expect countercyclical earnings losses, as the stigma associated with displacement during an economic contraction should be less than that during an economic expansion. However, as I note above, such losses are cyclical. In support of the evidence for cyclicality, we should expect larger earnings losses from job loss due to plant closings as such closures may indicate weak local economic or macroeconomic conditions. Krashinsky (2002) argues that the Gibbons & Katz (1991) result is driven by the fact that small plants are more likely to close, and that layoffs that occur from larger, higher-wage employment establishments result in larger earnings losses.[2]

Several mechanisms help explicate the large economic losses of displaced workers. Declines in earnings and job quality are likely to increase with unemployment duration. Yet it is unclear whether this association is the result of the length of unemployment itself, and possible stigma effects, or because those workers facing the greatest challenges in the labor market take longer to find a new job (von Wachter 2010). Workers are also disadvantaged in the market if the industries in which they were previously employed shift their operations elsewhere or permanently reduce their employment levels. Relatedly, lower job quality upon reemployment is a function of the loss of a high-quality match between the worker and the job (Fallick 1996). Whereas a worker generally leaves a job voluntarily only when he or she believes there are relative gains in career attainment to be made, displaced workers likely feel an urgency to find a new job and are in a poor position to perform a quality job screening (Newman 1988).

NONECONOMIC EFFECTS OF JOB LOSS

Job loss is a negative, often unpredictable event that entails a sequence of stressful experiences, from job loss notification, anticipation, dismissal, and often unemployment, to (in most cases) job search, retraining, and eventual reemployment often at lower-wage and lower-quality jobs. Yet the impact of job loss and unemployment is not limited to economic decline; it is also associated with

[2] When an entire plant closes, it is unlikely that a worker's specific characteristics are responsible for his or her displacement; larger differences from layoffs relative to plant closings thus could also be the result of greater selection bias, as I describe above.

considerable, long-term noneconomic consequences for displaced workers, as well as for their families and communities. Displaced workers face psychological and physical distress, personal reassessment in relation to individual values and societal pressures, and new patterns of interaction with family and peers. Much of the work on the noneconomic consequences of job loss is consistent with a large literature demonstrating a strong correlation between indicators of socioeconomic status and individual life chances and well-being. However, as displacement is a relatively exogenous labor market shock, its study enables a stronger causal link between socioeconomic circumstances and life outcomes. In this section, I first review individual worker effects on psychological and physical well-being and then consider the consequences for families and communities.

Job Loss and Social-Psychological Well-Being

A large literature on mental health has focused on the impact of stressful life events, such as unemployment and job loss. Job loss disrupts more than just income flow; it disrupts individuals' status, time structure, demonstration of competence and skill, and structure of relations. It carries societal stigma, creating a sense of anxiety, insecurity, and shame (Newman 1988). The loss of a job presents a source of acute stress associated with the immediate disruption to a major social role, as well as chronic stress resulting from continuing economic, social, and psychological strain (Pearlin et al. 1981). Research suggests that displaced workers report higher levels of depressive symptoms, somatization, anxiety, and the loss of psychosocial assets [Brand et al. 2008; Burgard et al. 2007; Catalano et al. 2011; Dooley et al. 1996, 2000; Darity & Goldsmith 1996; Gallo et al. 2000, 2006a; Hamilton et al. 1990; Jahoda 1981, 1982; Jahoda et al. 1971 (1933); Kasl & Jones 2000; Kessler et al. 1988, 1989; Leana & Feldman 1992; McKee-Ryan et al. 2005; Miller & Hoppe 1994; Paul & Moser 2009; Pearlin et al. 1981; Turner 1995; Warr & Jackson 1985].[3] The increase in reported symptoms of depression and anxiety among displaced workers compared with nondisplaced workers is roughly 15% to 30% (Burgard et al. 2007, Catalano et al. 2011, Paul & Moser 2009). Leading explanations for why job loss and unemployment negatively impact social-psychological well-being include lowered self-esteem, self-acceptance, self-confidence, morale, life satisfaction, sense of purpose, and sense of control; heightened apathy, idleness, isolation, and the breakdown of social support; and a loss of the positive derivatives of participating in a work environment, such as skill use, time structure, economic security, interpersonal socialization, and valued societal position [Darity & Goldsmith 1996, Jahoda 1982, Jahoda et al. 1971 (1933), McKee-Ryan et al. 2005].[4]

Although displacement is more of an exogenous shock than other types of job mobility, the possibility of omitted-variable bias nevertheless threatens the validity of results associating job loss with subsequent outcomes. Of particular concern in the study of psychological well-being is that workers with psychological distress and lacking self-confidence and morale may be those workers most likely to be displaced from jobs. Studies have used various approaches to address this selection problem, most often attempting to control for a range of factors that affect the likelihood of job loss and subsequent well-being. Studies continue to find an association, although often reduced in magnitude. For example, Burgard et al. (2007) adjust for numerous social background characteristics, including baseline psychological health, and find a significant effect

[3] Some scholars contend that the lowest level of well-being may occur prior to and in anticipation of the job loss, and may lessen when the actual loss occurs (Dooley et al. 1996). Other research suggests that persistent job insecurity may be even more detrimental to psychological well-being than actual job loss (Burgard et al. 2009).

[4] The work cited generally focuses on subclinical symptomatology, as measured by some form of the Center for Epidemiologic Studies-Depression (CES-D) battery currently administered in many US surveys. Little work has examined the link between displacement and clinically diagnosable depression and anxiety (Catalano et al. 2011).

of job loss on depressive symptoms. Moreover, using meta-analytic techniques drawing on over 100 empirical studies, McKee-Ryan et al. (2005) find consistency in results across multiple kinds of studies and hundreds of data points, suggesting a relationship between job loss and worker well-being. Studies based on plant closures, thought to be less prone to issues of selection, continue to find an increased risk of mental distress among the displaced (Hamilton et al. 1990).[5]

As is true with the economic consequences of job loss, the effects of job loss on psychological well-being vary by a range of factors, including demographic characteristics, socio-emotional skills and social support, and the economic context. Although more disadvantaged workers may be more vulnerable to financial shocks (Hamilton et al. 1990), such economic adversity is a comparatively normative experience; by contrast, job displacement and socioeconomic decline may instigate an acute sense of deprivation among more advantaged families whose peers tend to be likewise advantaged and for whom displacement is a considerable shock (Brand & Simon Thomas 2014). That is, judgments of disruptive events depend on the experience of similar situations in the past, and higher levels of past adversity may lessen the impact of current adversity (Clark et al. 2001, Dooley et al. 2000). If the difficulties posed by job loss and unemployment are primarily financial, then reemployment has the potential to remove much of the stress, particularly if the income is comparable to what the worker had been earning. If job loss profoundly alters one's self-concept and place in society, however, the extent to which reemployment will reverse these effects is unclear. Whereas significant effects of reemployment among blue-collar workers have been documented (Kessler et al. 1989, Warr & Jackson 1985), professionals and upper-level, white-collar workers do not seem to recover as readily. In contrast to the literature on the economic effects, attention has been paid to variation in the effects of job loss by socio-emotional skills and social support. For example, worker response to displacement varies by individual work-role centrality, or employment commitment, in which workers who consider their role at work important to their sense of self suffer more from job loss. Individuals also vary in their coping resources, i.e., the personal, financial, and social resources they draw on to cope with job loss; social support, such as social integration, availability of friends, relatives, and coworkers; and marital status and spousal support (Darity & Goldsmith 1996, Leana & Feldman 1988, Pearlin et al. 1981).

The experience of job loss and unemployment may also vary by the social and economic context. Displacement that occurs during recessions, in which many workers are laid off, is associated with greater economic losses compared with displacement that occurs during economic expansions (Couch et al. 2011, Davis & von Wachter 2012, Fallick 1996, von Wachter 2010). However, contexts of widespread unemployment lessen the internalization of blame and the social stigma associated with job loss (Brand et al. 2008; Charles & Stephens 2004; Clark 2003, 2010; Miller & Hoppe 1994). That is, displaced workers may benefit from a social norm effect: As aggregate unemployment increases, one's own unemployment represents a smaller deviation from the social norm (Clark 2010), and thus we may observe smaller displacement effects on social-psychological well-being in contexts of mass layoffs. Turner (1995) shows that unemployment effects on psychological well-being are strongest in low-unemployment areas, particularly among individuals with a college-level education. Whereas economic burden is greater among workers with lower socioeconomic status and those displaced in higher-unemployment contexts, personal attribution is greater among higher status victims of job loss and those displaced in low-unemployment contexts (Kessler et al. 1988, Pearlin et al. 1981, Turner 1995).

[5] As I note above, job loss due to layoffs may also have larger effects on psychological well-being than job loss due to plant closings, as the former is more likely to suggest personal deficiencies and thus negatively impact self-concept and social relations (Miller & Hoppe 1994). Few studies explicitly compare effects by form of job loss on psychological distress [although see Brand et al. (2008) for evidence on older workers].

Scholars have proposed a number of mechanisms to explain the relationship between job loss and psychological well-being. First, economic deprivation and downward socioeconomic mobility provide leading explanations for the relationship between job loss and psychological distress, as indicated by unemployment duration (Clark et al. 2001, McKee-Ryan et al. 2005) and income loss (Gallo et al. 2006a, Kasl & Jones 2000, Kessler et al. 1988, Warr & Jackson 1985). Second, job loss and unemployment can dampen self-esteem, aspirations, and time structure; incite resignation, apathy, uncertainty, and stigmatization; and frustrate one's social identity by replacing a socially approved role with one of markedly lower prestige [Jahoda 1982, Jahoda et al. 1971(1933)]. Scholars alternatively include these measures within the set of dependent variables of interest or treat the psychosocial indicators as mediators linking job loss to depressive symptoms. Third, family and social strain help explain the relationship (Darity & Goldsmith 1996). Fourth, additional stressful life events that occur subsequent to job loss, such as additional job losses, divorce, health shocks, and migration, mediate some of the effects. Although scholars routinely implicate these mechanisms, few studies rigorously empirically test the mediating effects of these influences (Catalano et al. 2011).

Job Loss and Physical Well-Being

Job loss has been linked to both short- and long-term declines in physical health, including worse self-reported health, physical disability, cardiovascular disease, greater number of reported medical conditions, increase in hospitalization, higher use of medical services, higher use of disability benefits, increase in self-destructive behaviors and suicide, and mortality (Burgard et al. 2007; Catalano et al. 2011; Dooley et al. 1996; Ferrie et al. 1998; Gallo et al. 2000, 2004, 2006b, 2009; Kasl & Jones 2000; Kessler et al. 1988; McKee-Ryan et al. 2005; Strully 2009; Turner 1995). For example, Gallo et al. (2004, 2006b) found that job loss doubled the risk of subsequent myocardial infarction and stroke among older workers. Sullivan & von Wachter (2009) and von Wachter (2010) found a 50% to 100% increase in mortality the year following displacement and a 10% to 15% increase in mortality rates for the next 20 years.

Despite a large literature suggesting an association between job loss and ill health, the causal relationship remains contested because of concerns over selection bias. The fundamental concern is whether job loss leads to ill health, or whether at least some or all of the observed association occurs because those individuals who have poor health are more likely to lose jobs. Even with a rich set of predisplacement covariates, the question remains as to whether models fully adjust for predisplacement health, personality and psychosocial characteristics, lifestyle, and labor market experiences that may lead to both job loss and ill health. Burgard et al. (2007) find a significant association between involuntary job loss and overall self-rated health even after adjusting for social background characteristics and baseline health. More nuanced analyses of specific reasons for job loss and the timing of job loss relative to health shocks reveal that those who lose their jobs for health-related reasons have, not surprisingly, the most precipitous declines in health. Effects of job losses for nonhealth reasons on self-rated poor health are comparatively small (Burgard et al. 2007). Still, studies of plant closures, less subject to concerns over health selection, show that workers' health declines following job loss (Kessler et al. 1987, Strully 2009).

Variation in displacement effects and the mechanisms linking job loss to physical health are similar to those of psychological effects, including economic loss (Sullivan & von Wachter 2009, von Wachter 2010), erosion of psychosocial assets and social support (Eliason & Storrie 2009), and subsequent adverse life events. Yet a few comments specific to the mediating effects on physical health are merited. The effect of job loss and unemployment on depressive symptoms may manifest

itself in physiological outcomes; that is, the impact of job loss on psychological well-being can help explain the effect on physical health. In addition, health behaviors, such as greater alcohol and drug use, unhealthy food consumption and less exercise, and reduced sleep quality, may partially mediate the association. On the other hand, for some individuals, the increase in discretionary time due to unemployment may be used to pursue health-promoting behaviors, such as physical activity, that might precipitate weight loss or encourage alcohol temperance (Catalano et al. 2011). Another clear mechanism is the loss of employer-offered health insurance and reduced access to medical care.

Job Loss and Families

As job displacement has significant, long-term effects on workers' socioeconomic status and psychological and physical well-being, we reasonably expect these consequences to affect the families of displaced workers. The displaced have an increased risk of family tension and family disruption [Attewell 1999, Charles & Stephens 2004, Jahoda et al. 1971(1933)]. Charles & Stephens (2004) considered differences in the mode of displacement on subsequent risk for divorce, reporting increased likelihood of divorce following a layoff but not a plant closing. The authors attributed the higher risk for marital dissolution to the spouse's negative inference about the worker's personal role in the layoff; i.e., the discretionary nature of the termination conveys to the spouse certain qualities of the displaced worker that may suggest a lack of marital fitness.

A literature is also emerging that suggests deleterious effects of parental displacement on children, including lower self-esteem and higher likelihood of grade repetition, dropout, and suspension or expulsion from school (Johnson et al. 2012; Kalil & Ziol-Guest 2005, 2008; Stevens & Schaller 2011); lower educational attainment (Kalil & Wightman 2011); and lower income of children in adulthood (Page et al. 2009). These studies largely emphasize the deleterious effects of fathers' loss of financial standing in the family among married-couple households. Studies examining differences between paternal and maternal displacement effects among married couples find significant effects of paternal but not maternal displacement (Kalil & Ziol-Guest 2008, Rege et al. 2011). They hypothesize that maternal displacement is not as detrimental to children's outcomes as paternal displacement, owing to greater psychological consequences associated with economic loss among fathers, who are largely expected to maintain the role of primary provider. Brand & Simon Thomas (2014), however, focus on displacement among single mothers and find significant negative effects on children's educational attainment and social-psychological well-being in young adulthood. Overall, the evidence suggests that parental displacement has a significant impact on children's life outcomes.

Just as worker response to job loss varies, children also respond differently to parental displacement. As I note above, more disadvantaged workers and workers displaced during recessions tend to have greater economic losses compared with more advantaged workers and workers displaced during economic expansions. However, disadvantaged families may have acquired particular coping skills and support structures as a result of previous experience with economic adversity, whereas advantaged families lack referents to similarly strained families and a social norm of deprivation. In addition, contexts of widespread unemployment increase economic losses but lessen the internalization of blame and social stigma associated with job loss, and thus effects on social-psychological well-being among displaced workers and their families are potentially greater in contexts of more individualized layoffs. Some studies suggest that effects are concentrated among disadvantaged families (Kalil & Wightman 2011, Oreopoulos et al. 2008,

Stevens & Schaller 2011), whereas others find larger effects among more advantaged families and in low-unemployment contexts (Brand & Simon Thomas 2014).[6]

Mechanisms linking parental job loss to children's outcomes are similar to those I discuss above. Fewer parental resources restrict the ability to purchase goods critical for child development, such as schooling, housing, food, and safe and cognitively enriched learning environments (Kalil & Ziol-Guest 2008). Job loss is also associated with residential mobility, inciting stress and a disruption of children's schooling and social networks. Parental downward mobility can also dampen children's attitudes about the value of education and work. Displaced parents may foster psychological distress among their children to the extent that they model despondency and despair. Displaced parents' decreased physical and psychological well-being can inhibit emotional warmth and incite erratic or punitive parenting practices (Kessler et al. 1989, McLoyd 1990, McLoyd et al. 1994), and social withdrawal can reduce children's social capital and collective efficacy.

Job Loss and Communities

Employment and career stability have long been considered important factors for social involvement [Durkheim 1933, Jahoda et al. 1971 (1933), Rotolo & Wilson 2003, Wilensky 1961, Wilson & Musick 1997]. Expanding on Durkheim's (1933) notion that employment performs an integrative role, drawing people into social life, Wilensky (1961) and Wilson & Musick (1997) find that stable employment and an orderly career marked by functionally related, hierarchically ordered jobs (i.e., the absence of job displacements and downward socioeconomic mobility) are associated with higher levels of social integration. Likewise, Rotolo & Wilson (2003) show that disorderly careers have the potential to undermine social involvement. These studies, however, are restricted to specific populations and careers marked by substantial job movement, whether voluntary or involuntary. In fact, the research on the effects of job loss and unemployment is decidedly limited. In an analysis most similar to those I review above, Brand & Burgard (2008) find that displaced workers have significant and long-term lower probabilities of involvement in various modes of social participation, including church groups, youth and community groups, charitable organizations, and informal social gatherings with friends. The strain of insecure employment, displacement events, periods of unemployment, reemployment in lower-wage and lower-quality jobs, psychological distress, geographic mobility, diminished social trust, and the erosion of commitment to social reciprocity indubitably are hypothesized to contribute to decreased levels of social involvement among displaced workers (Putnam 2000, Wilson 2000, Wilson & Musick 1997). Brand & Burgard (2008) find that workers who experience one displacement are significantly less likely to participate socially, and that workers experiencing disorderly careers marked by multiple job displacements are no less likely to participate, relative to nondisplaced workers. Among workers with high levels of job instability, displacements may be more normalized and less of a shock and thus less likely to lead to further declines in already lower levels of social involvement.

[6]Effects of displacement may also vary by children's age when parental job displacement occurs. Early childhood is important for development and may be a period especially sensitive to parental displacement and associated economic adversity. Low income can limit families' ability to provide adequate nutrition, health care, and enriching activities during children's formative years. Conversely, periods of unemployment allow parents to spend more time with children. Moreover, young children are likely less conscious of relative status. We may expect larger effects of parental displacement when children are adolescents, as older children are more attuned to social stigma and relative status, such that displacement negatively affects important life transitions in adolescence. Economic adversity is important to adolescents as well, especially for their educational decision-making process.

The effects described above are individual effects on social involvement. The assumption is that social withdrawal will have a meaningful impact upon the aggregate welfare and the distribution of welfare in society, but this impact is not directly estimated in these studies. Another approach is to consider the impact of community-level job loss and unemployment on individual well-being. For example, Ananat et al. (2011) show that community-level job losses affect the achievement test scores of children, possibly the result of both direct effects on children whose parents lost jobs and indirect effects from peers and teachers. The research on the relationship between individual job loss and unemployment and community well-being, as well as on the relationship between community-level unemployment and individual well-being, is limited (Dooley et al. 1996).

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

A job is more than a source of income. It is a fundamental social role and source of identity. Classical social theorists, such as Weber and Marx, describe, in diverse ways, the centrality of work to the individual ego and social identity and prestige. Jobs are also an integral component to the process of social stratification, inequality, and mobility, representing a principal outcome of social background resources and individual attainment. Job fluidity has become a normative feature of the US labor market, commonly assumed to increase economic efficiency. However, the costs of such fluidity are unequally distributed, born largely by displaced workers and those closest to them. Moreover, if lack of regulation negatively impacts worker, family, and community well-being, countervailing effects that decrease overall productivity certainly follow.

The evidence that job loss matters, that the range of consequences is wide, and that the effects persist over a long period of time is persuasive. The research literature described above documents nontrivial, short- and long-term observed differences between displaced and nondisplaced workers across far-reaching life circumstances. Displacement is associated with significant economic costs, including a period of unemployment, reduced income, lower job quality, loss of health and pension benefits, and interruption of asset accrual. Long-term trends of rising inequality and job market polarization exacerbate adjustment problems the displaced endure. And, as indicated throughout this review, job loss is not limited to economic effects. Worker displacement is associated with lower levels of self-acceptance, goal and meaning in life, and morale; higher levels of depressive symptoms and poor health; loss of social support and personal reassessment in relation to societal norms and unemployment stigmatization; new patterns of interaction with family members, restriction of socially supportive collegial relationships, and disruption of social and family ties; and intergenerational effects as indicated by reduced educational attainment among children of displaced workers. Some of these themes have received considerable empirical investigation, whereas others, including family and community effects, have received less attention. Future work should attend more fully to the impact of displacement beyond workers themselves.

An intricate intersection of the outcomes of displacement is needed to illuminate any particular estimated effect. When job loss affects workers' psychological well-being, for example, human capital depreciates and further restricts the ability of displaced workers to secure comparable reemployment and socioeconomic welfare. Social withdrawal may further impede one's position in the labor market, as social and economic resources are embedded in social networks. Likewise, although reemployment mitigates some of the negative effects of job loss on social and psychological well-being, it does not eliminate them. In fact, no single explanation can account for why job loss hurts. Here, also, more work is needed to understand the mechanisms linking displacement to workers' outcomes and to the outcomes of the families and communities of the displaced. Scholars have not rigorously attended to the empirical study of these mechanisms, particularly the

complex issues that underlie a causal analysis of direct and indirect effects (Morgan & Winship 2014).

Effects vary by worker characteristics and the contexts in which displacement occurs. Economic consequences seemingly diminish with workers' relative position in the labor market. Future work would benefit from developing models that explicitly recognize the way in which both opportunity and choice influence employment outcomes, incorporating data on the characteristics of both employees and potential employers (see, e.g., Logan 1996). Moreover, whereas workers with fewer skills and workers displaced in economic recessions have more transition difficulties and suffer greater economic losses, the same cannot be said for the noneconomic consequences of displacement. Economic adversity is a comparatively normative experience for disadvantaged workers, whereas socioeconomic decline may be a greater shock and incite a stronger sense of relative deprivation among more advantaged workers and consequently have a greater impact on psychological well-being and social interactions. Likewise, contexts of widespread unemployment, although associated with larger economic losses, lessen the internalization of blame and social stigma associated with job loss. As one's own unemployment represents a smaller deviation from the social norm, psychological and social effects are potentially lessened. Future research should continue to explore how economic and social responses to worker displacement interact with and potentially diverge according to differing economic and social contexts.

Important interactions may exist not only between displacement and social and economic contexts, but also between one displacement and another one nearby, such as between one displaced worker and another competing for a job in the same market (Fallick 1996). Such interference, or dependency, violates the stable unit treatment value assumption in the estimation of worker displacement effects, i.e., that the observation of one unit is unaffected by the assignment of treatments to other units (Morgan & Winship 2014). Research to date has understandably focused on individuals. But spillover effects are themselves substantively interesting and should be the subject of future study.

The most common response to reduce the burden of job loss is to increase the duration over which eligible workers can receive unemployment benefits. Extended benefits provide workers some income to buffer short-term earnings losses and allow workers time to search for a suitable job (von Wachter 2010). Additional policy suggestions include prompt reallocation of workers to suitable employment and skill retraining, as well as universal health care (Farber 2005). Reemployment efforts should be focused on getting displaced workers in jobs that offer the prospect of long-term employment, preferably in a job in their pre-layoff industry or one that is a good match to their skills. Most of these policy efforts focus on alleviating the economic burden of displacement. Yet it is unclear whether these efforts will have the same impact on the social and psychological consequences of job loss. For example, assistance with geographic mobility may help workers find jobs but discounts potential consequences of migration for psychological well-being and for families and communities of displaced workers. Discourse on social assistance should admit to the widespread consequences of job loss and unemployment.

Economists and sociologists have many motivations for studying job loss and unemployment. There is clearly interest in the economic and social difficulties that workers face when they lose their jobs owing to reasons beyond their control. Job displacement is an involuntary and often unforeseen disruptive life event that induces abrupt changes in workers' trajectories, enabling robust estimates of associations between socioeconomic circumstances and life outcomes. The increasing incidence of job displacement among growing segments of the workforce, alongside the recent era of economic upheaval, furthers societal attention to the far-reaching impact of job loss on life chances.

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