

Planning for the future: unemployment and its effects on future generations

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The unemployment experience of parents can have adverse effects on their children's wellbeing, according to an international study by the Melbourne Institute of Applied Economic and Social Research.

The research looked at sons and daughters aged between 17 and 25 who still lived with their parents, drawing on data from the German Socio-Economic Panel (SOEP). The study found that fathers who enter [unemployment](#) due to reasons not of their own choosing, such as through company closure, adversely affect their sons' subjective wellbeing. The paper shows no significant effects on the daughters, coming either from the father or the mother.

While this paper focused on German [parents](#), co-authors Professor John P. Haisken-DeNew from the Melbourne Institute at the University of Melbourne and PhD student Michael Kind from the Ruhr Graduate School in Economics in Essen Germany said the study could have a significant impact on Australian policy writers if a local study was undertaken.

“The study gives a thorough view of the effects of unemployment as it highlights that Australian policymakers need to ensure unemployment policies consider both present and future generations when initiatives and legislation are drafted,” said Professor Haisken De-New

“It would be extremely useful to conduct such a study as it would assist policy makers in answering questions surrounding creating flexible

employment policies that ensure as much employment as possible. Australia is experiencing fantastic economic growth and it has seen a significant rise in wages. But the opportunity to plan for a downturn is now, otherwise the pain of adjusting to a different economic reality will be severe not just for this generation but for the generation that follows.”

In previous studies, economists have focused on the effects of unemployment from a largely individual perspective, finding that the unemployed not only suffer loss of income but also a loss of self-esteem and social identification. According to Professor Haisken-DeNew, the children of the unemployed experienced similar effects.

“This unemployment experience can cause a ripple effect, and particularly in the case of the father-son relationship, the negative effects of the father's unemployment on the son are of the same magnitude of what the son would experience, if he himself were unemployed. This is over and above the negative impact of reduced household income - it affects generation's self esteem, their social contacts and the like.”

For the authors, this effect leads to some significant policy implications. “This sort of intergenerational impact is a big deal, as we can now clearly speak of a domino effect of unemployment in a family context, meaning the non-financial costs of unemployment are even higher than previously thought,” said Professor Haisken-DeNew.

“Reducing unemployment through more flexible wages and work arrangements must be made one of the policy makers' prime goals.”

Provided by University of Melbourne

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