Entering the labor market in a recession can take years off your life, study finds

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For millions of young people who came of age amid the financial crisis of 2007-08, entering the labor market starting on a career path in the depths of the Great Recession could have long-term health consequences.

In addition to affecting net worth and long-term family outcomes, including marriage and cohabitation with children, starting on a career path during a deep recession can take years off your life, new Northwestern University research suggests. The study is published as a working paper in the *National Bureau of Economic Research* and has not yet been peer-reviewed.

Economists Hannes Schwandt of Northwestern University and Till von Wachter of the University of California Los Angeles found that young people entering the labor market during the deep recession of the early 1980s suffer increased mortality as early as their 30s, mortality rates which become more pronounced through age 50.

The tendency toward an earlier demise for these unlucky job hunters is driven in part by diseases, including heart disease, lung cancer and so-called "diseases of despair" such as liver disease and drug overdoses.

Previous research has shown that entering the labor market in a recession leads to large early career losses in earnings and employment, with impacts starting to fade after approximately 10 years in the labor force. But little is known about the longer-term reverberations or how these hard knocks affect outcomes beyond earnings, such as mortality and broader measures of socioeconomic status.

"Our study is the first to examine the effect of entering the labor market in a recession on mortality," said Schwandt, an assistant professor in the School of Education and Social Policy and an economist with the Institute for Policy Research (IPR) at Northwestern. "Our findings demonstrate that temporary disadvantages in the labor market during young adulthood can have substantial impacts on lifetime outcomes, can affect life and death in middle age, and go beyond the transitory initial career effects typically studied."

Schwandt and von Wachter analyzed outcomes for people who entered the job market during the historic economic downturn of 1981 and 1982. Prior to 2007, the recession of the early 1980s was the worst economic downturn in the U.S. since the Great Depression. But the Great Recession triggered by the bursting of the housing bubble and the subprime mortgage crisis has since eclipsed the 1980s recession in terms of length and GDP.

In middle age, unlucky labor market entrants earn less and work more while receiving less welfare support. They are also less likely to be married, more likely to be divorced, and less likely to be cohabitating with own children, the study found.

A related 2014 study by Schwandt and Janet Currie of Princeton University showed that recession exposure in early adulthood reduces lifetime fertility for women. There is also evidence that male college graduates from the 1982 recession experience worsening self-reported health in middle age.

The new study makes use of several large cross-sectional data sources, and a novel approach to estimate midlife effects of entering the labor market in a recession on mortality by cause and various measures of socioeconomic status.

To analyze effects in middle age, the researchers focused on cohorts entering the labor market in different U.S. states before, during, and after the 1982 recession. They used Vital Statistics data from 1979 to 2016 and population estimates from the Census and the American Communities Survey (ACS) to construct mortality rates, which are regressed on the state-level unemployment rate that a cohort faced at the time of graduation. Information on socioeconomic outcomes, including earnings, labor supply, marital status, divorce, and cohabitation was derived from the Decennial Census (Census), the ACS, and the Current Population Survey (CPS).

"Overall, these findings raise concerns that entering the labor market in a recession may have larger consequences than current estimates on earnings suggest," Schwandt said. "Yet, so far these broader and longer-term effects have not been the focus of the literature on recession entrants."

The study is detailed in a working paper published Jan. 13 by the *National Bureau of Economic Research*.

More information: Hannes Schwandt et al. Unlucky Cohorts: Estimating the Long-Term Effects of Entering the Labor Market in a Recession in Large Cross-Sectional Data Sets, *Journal of Labor Economics* (2019). DOI: 10.1086/701046

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