

in brief...

Parental job loss: the impact on children's school performance

Unemployment is bad news not just for the individuals who lose their jobs but also for their families. **Jenifer Ruiz-Valenzuela** examines this underemphasised cost of economic downturns by measuring the impact of parental job loss on children's school results in Spain during the Great Recession.

One of the most distinct features of the Great Recession has been the high incidence of job losses on either side of the Atlantic. In the United States, the data show a record high rate of job loss between 2007 and 2009, with the rate of unemployment peaking at 10% in the first quarter of 2010. In the European Union (EU-27), there were almost seven million fewer people in paid employment in 2012 than in 2008. Moreover, in addition to the high level of employment destruction, the Great Recession has been characterised by low rates of re-employment.

The evidence indicates that people who lose their jobs suffer short-run earning losses that persist into the long run. They also experience feelings of job insecurity, worse physical and mental health and an increased risk of divorce, among other negative effects.

In addition to these negative consequences for the individual worker, the dramatic weakening of the labour market during the Great Recession has the potential to generate important 'spillover' effects for other members of the household, particularly children. My research examines this intergenerational impact of labour market shocks by looking at Spanish data on parental job loss and children's school performance.

Out of the seven million jobs lost in the EU-27 over the period 2008-12, almost 60% were registered in Spain. Given the severity of the recession suffered by the Spanish labour market, my focus may provide lessons for other countries that experienced a big rise in unemployment during the Great Recession – for example, Greece, Ireland and the United States.

The panel dataset that I have put together contains information on 358 pupils in compulsory education in a school in the province of Barcelona, including their parents' labour market status and date of job loss, as well as their school performance over time.

A comparison of the data on school performance with other schools in Catalonia and the Spanish labour force survey indicates that this is an average school in terms of both academic performance and the children's socio-economic background.

The structure of the data makes it possible to observe the school performance of the pupils before the Great Recession hit Spain in the academic year 2007/08 and for every year up to 2011/12. In my main sample, all pupils have employed parents at the beginning of the period. Then, as a result of the Great Recession, some parents lose their jobs and are pushed into unemployment. The panel nature of the data means that I can compare the changes in school performance – measured by pupils' average grades – before and after parental job loss.

My research shows that the effect of father's job loss during times of economic hardship is bigger than that reported under normal economic circumstances. After father's job loss, pupils suffer an average negative impact on school performance equivalent to increasing class size by around five pupils. This effect varies for particular subgroups: the negative impact is particularly concentrated among pupils whose fathers suffer long unemployment spells after job loss and those whose fathers have a low level of education.

Seven million jobs were lost in Europe between 2008 and 2012, 60% of them in Spain

Father's job loss has a big negative effect on children's school results; mother's job loss has no effect



I find no impact of mother's job loss on school performance. This contrast is consistent with recent empirical studies documenting that the mental distress experienced by workers who lose their jobs is generally more severe for men than for women.

One mechanism that could be driving my results is the observed decline in income after fathers lose their jobs. But the heterogeneous results among the different subgroups are not fully explained by different income losses. It is important to note too, that these results are obtained for pupils that are enrolled in the same school during the period of observation. The observed reduction in income cannot be linked, therefore, to changes in the school attended after job loss.

An alternative channel through which reductions in income could partly explain my results is if income reductions after father's job loss entail higher stress or financial anxiety and uncertainty for affected individuals and households – an effect reported in some social psychology and health economics research.

Given the massive employment destruction that took place in several advanced economies during the Great

Recession, it is important to understand the mechanisms behind the large negative effect of father's job loss on children's school performance. My study looks at the short-term impact; as more data become available, future research should look at more long-term effects.

One key question is whether parental job loss leaves permanent scars on young people – in particular, how much it affects their educational and labour market outcomes in later life. This is important not just in terms of equality of opportunity but also in its implications for the whole economy given the centrality of human capital for growth.

This article summarises 'Job Loss at Home: Children's School Performance During the Great Recession in Spain' by Jenifer Ruiz-Valenzuela, CEP Discussion Paper No. 1364 (<http://cep.lse.ac.uk/pubs/download/dp1364.pdf>).

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