

# Don't worry, be happy?

## Do displaced workers regain their former level of life satisfaction after reemployment?

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### Introduction

Unemployment reduces an individual's well-being. This leads us to the question **whether displaced workers regain their former level of life satisfaction when they are reemployed**. Our analysis is based on a recent survey of workers laid off from closing firms in Switzerland's manufacturing sector. We investigate changes in their life satisfaction approximately two years after displacement, according to their occupational situation at the moment of the survey.



### Data and measurement

- Survey design: to reduce the problem of **endogeneity** we examine workers laid off from closing firms.
- Survey features: N=1200, mixed-mode questionnaire; response rate: 62%, survey data is combined with firm and register data.
- Life satisfaction is measured on a **scale from 0 to 10**.
- Data was collected on one single time point. We therefore dispose of **retrospective** data for life satisfaction before firm closure.

### Theory

Employment seems to fulfill some of individuals' fundamental needs such as a regular activity, status, identity and social contacts (Andersen 2008). As a consequence, **if workers loose their job, they are likely to experience a decline in life satisfaction** (Winkelmann & Winkelmann 1998, Clark 2009). Once reemployment, individuals seem to regain their well-being (Strandh 2000). Yet, this might not be true for all workers. Allen & Van der Velden (2001) suggest that **job stability, skill match or wages may explain individual differences in job and life satisfaction**.

### Results

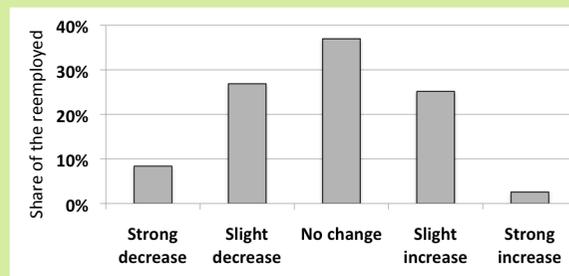
#### 1. Change in life satisfaction – according to occupational situation after displacement



(N=705)

Workers who are unemployed or economically inactive at the moment of the survey are much unhappier than before the firm closure. In contrast, **the reemployed and retired regain** – on average – their former level of life satisfaction.

#### 2. Individual differences in life satisfaction among the reemployed



(N=367)

Although the reemployed regain, on average, their former life satisfaction, we find some **individual differences**. Over a third of the reemployed experienced no change or a decrease in life satisfaction. Slightly less than a third experienced an increase in well-being.

#### 3. Mean changes in life satisfaction among the reemployed – according to characteristics of the new job



(N=301)

An investigation of the changes in well-being among the reemployed according to risk of job loss, wage differences and skill match shows expected differences. Not surprisingly, reemployed workers with a **high risk** of job loss, **wage decrease** and **skill mismatch** in their new job experienced on average a decrease in life satisfaction in contrast to workers in opposite circumstances.

### References

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### Conclusion

Our analysis shows that those individuals who find a new job or retire **regain their former level of well-being**. In contrast, those who remain unemployed or economically inactive are now unhappier. However, the examination of changes to reported life satisfaction for the reemployed does uncover striking **individual differences**. A descriptive analysis of possible explanatory factors of this phenomenon demonstrates that a **high risk of job loss** seems to affect life satisfaction the most adversely. Similarly, workers who experienced a wage decrease or skill mismatch in their new job are now less happy than before job displacement. Our **survey design aims to produce reliable data on life satisfaction by reducing selection bias**. Notwithstanding, the retrospective nature of our data may imply measurement errors. In addition, to get a better picture of displaced workers' well-being in further analyses we will combine the measure of life satisfaction with other indicators such as sociability, health and job satisfaction.