Recessions, Older Workers, and Longevity: How Long Are Recessions Good for Your Health?

Courtney C. Coile, Phillip B. Levine, and Robin McKnight

The 2007-2009 recession and the lingering levels of high unemployment in the United States afterwards are the worst since the Great Depression. One might imagine that Americans’ health would be adversely affected by the downturn, given the income losses from unemployment. Yet an extensive literature has shown that high unemployment rates are, perhaps counter-intuitively, associated with improved health outcomes. In this paper, we extend the existing literature to explore the longer-term consequences of recessions on health and mortality, focusing on individuals who are approaching retirement at the time the downturn begins.

One of the ways recessions may negatively affect longer-term health is through the loss of health insurance. Because health insurance in the United States is often connected to employment, individuals affected by the recession may lose their health insurance when they become unemployed. The potentially long duration of their unemployment spells means that the period of lost coverage may be quite lengthy, for some lasting until Medicare eligibility at age 65. The loss of health insurance, and any resulting reduction in health care utilization, could pose a serious health risk for older workers, who often have chronic health problems and may experience health shocks such as a heart attack or new cancer diagnosis. Taken as a whole, the lost income during unemployment and retirement, in addition to decreased access to health insurance and health care in the years leading up to Medicare eligibility, could plausibly have a negative long-term impact on health outcomes. In principle, these effects could reverse the shorter-term health gains that accompany a recession.

We begin our analysis by constructing state- and age-specific survival rates between the ages of 55 and 79 from Vital Statistics Mortality data for a number of birth cohorts. We use these data to trace out the impact of a higher unemployment rate at each age on contemporaneous survival and on survival at subsequent ages. We go on to explore plausible mechanisms that could generate long-term health effects, including employment, health insurance and health care losses.

Our results indicate that for workers in their late 50s and through age 61, any short-term positive health benefits associated with a recession are temporary and, ultimately, are more than offset by subsequent health deterioration. Interestingly, this pattern is not present for cohorts that face recessions starting at age 62, the age of early entitlement to Social Security. We also find that a recession leads to lengthy periods of unemployment and to financial barriers to health care due to lower rates of health insurance coverage, lasting through the ages of early entitlement to Social Security and Medicare eligibility, respectively. Our results suggest that these programs might buffer the long-term negative health consequences of recessions.
Although we cannot definitively determine that reduced employment, insurance coverage, and health care use are the mechanisms underlying our mortality findings, we view all of them as plausible. Regardless of the mechanism, our findings underscore the fact that the contemporaneous effect of recessions on health – which has been the focus of a substantial and important literature – is only part of the story. For those who are approaching retirement when a recession hits, an economic downturn can have long-lasting effects that more than offset the well-known contemporaneous health benefits of recessions.

Focusing on survival probabilities, specifically, we estimate that a one percentage point increase in the unemployment rate at age 58 reduces the likelihood of surviving through age 79 by 0.045 percentage points. This means that if the entire impact on survival is generated from those initial workers who suffered long-term unemployment resulting from a recession, an additional one in ten of those workers would not survive to age 79 as a result of the labor market downturn. While it is important to interpret these estimates with caution, we believe that the magnitudes are plausible.

The full working paper is available on our website, [www.nber.org/programs/ag/rrc/books&papers.html](http://www.nber.org/programs/ag/rrc/books&papers.html), as paper NB12-19.

**COURTNEY COILE** is the Class of 1966 Associate Professor of Economics at Wellesley College and an NBER Research Associate.

**PHILLIP LEVINE** is the Class of 1919 Professor of Economics at Wellesley College and an NBER Research Associate.

**ROBIN MCKNIGHT** is Associate Professor of Economics at Wellesley College and an NBER Faculty Research Fellow.