Economic instability and job losses remain permanent features of the American and Australian economies. The United States unemployment rate reached 9.4% in May 2009 and, according to government statistics, the number of unemployed persons increased by 7.0 million since the recession officially began in December 2007 (US Bureau of Labor Statistics, 2009b).

The number of unemployed persons in Australia has also increased substantially over the past year. Although the May 2009 unemployment rate (5.7%) was lower compared to the US (Australian Bureau of Statistics [ABS], 2009b), it rose sharply from 4.8% in January 2009 (ABS, 2009a).

How will families and children be affected?

Without a doubt, the effects of parental joblessness on the wellbeing of families and children have rarely been more relevant than in the current economic climate. The present-day economic shifts represent key social forces capable of shaping the future life courses of American and Australian children. Workers who lose jobs suffer substantial periods of unemployment and loss of earnings. Parental wellbeing, marital relationships and socialisation practices may also be affected. Although understanding the mechanisms that link parental job loss to family and child wellbeing has been a central question in the social science literature for the past two decades, the nature of children’s experiences in families with jobless workers is not fully understood.

What is known suggests that job loss can have wide-ranging negative impacts. For example, job loss negatively affects families economic security (see, e.g., Farber, 1993; Jacobson, LaLonde, & Sullivan, 1993; Stevens, 1997), and this is reflected in families reducing their food expenditures, moving and relying on public assistance (Yeung & Hofferth, 1998). Job loss also negatively affects adults’ physical and mental health (e.g., Kessler, Turner, & House, 1987, 1988, 1989) and marital relationships (Conger & Elder, 1994), and increases the likelihood of divorce (Yeung & Hofferth, 1998). In part via these effects on family economic and relationship factors, parental job loss can go on to negatively affect children’s wellbeing and achievement (Conger & Elder, 1994; McLoyd, 1998; McLoyd, Jayaratne, Ceballo, & Borquez, 1994). These associations, however, do not capture the many potentially different patterns of associations that might exist in different subgroups. This article summarises theoretical perspectives and empirical research on this topic from the US and other countries. It will also present some avenues for future research in this.
area and will conclude with a few thoughts about the role for public policy intervention to help support jobless families.

Economic consequences of joblessness

Job loss has both immediate and long-term economic effects. Farber (1997) estimated that workers who lose their jobs involuntarily in the US had a large (35%) probability of being unemployed following a displacement, were 5% more likely to work part-time than they were prior to the displacement, and earned 13% less upon re-employment. Ruhm (1991), using data from the US Panel Study of Income Dynamics, found that job loss was associated with longer term losses as well; displaced workers displayed increased unemployment and decreased wages up to four years following displacement. Jacobson et al. (1993) also found longer term economic losses among "high-tenure workers" (those born between 1930 and 1959 who had the same principal employer from 1974 to 1979). Using Pennsylvania administrative data, the authors found that those workers who suffered a job loss had earnings that were 25% lower 5 years later. Finally, Stevens (1997) found that multiple job losses for a given worker are common and play an important role in persistent earnings and wage losses.

Consequences for child development

What are the implications of these economic setbacks for family processes and child development? Unfortunately, we know little about the long-run consequences of parental job loss for children. Consequently, the potential implications of job loss and joblessness for intergenerational economic mobility are unclear (but see Oreopolous, Page, & Stevens, 2008, for a recent exception). However, there is increasing evidence that parental job loss adversely affects children's educational attainment (see, e.g., Kalil & Wightman, 2009). In today's economy, a child's educational attainment strongly influences his or her earnings and is a key determinant of economic mobility. For example, in the US in 2008, those with just a high school degree had median weekly earnings of US$591, while the median weekly earnings of college graduates was US$978 (US Bureau of Labor Statistics, 2009a). In an era of rising income inequality, understanding the impact of economic shocks in one generation on the future opportunities of the next generation has never been more important (Mazumder, 2008).

Theoretical frameworks

Two theories, drawn from economics and psychology respectively, are prominent and can help guide work in this area. The "investments" perspective (see Becker & Thomes, 1986) posits that unstable or insufficient work limits families' economic resources; in particular, the income necessary to purchase the resources and goods (e.g., schools, housing, food, and safe and cognitively enriched learning environments) that are critical for successful development (Duncan & Brooks-Gunn, 1997). In addition to the level of income, the source of income also appears to matter. A decline in families' work hours and income is associated with an increased reliance on public assistance (Yeung & Hofferth, 1998), and greater receipt of welfare income is associated with children's lower academic achievement, perhaps due to stigma (Morris, Duncan, & Rodrigues, 2004). In situations where parents purchase their children's education directly, either by sending them to private schools or financing their college education, the loss of resources may be especially potent. For example, Dynarski (2003) found evidence that credit constraint—that is, the inability of families to finance their children's post-secondary education—is a significant obstacle when federal assistance is not available. Kane (2001) and others argued that the fact

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that minorities and low-income whites tended not to take up educational options in the late 70s and early 80s was evidence that parental income is vital to children’s access to the education market and that credit constraints restrict this access.

Carneiro and Heckman (2003) suggested that these trends point to the importance of providing a household environment that supports children’s educational preparedness. They argued that higher incomes enable parents to buy higher quality environments that produce children who are differentially capable, motivated and empowered by their parents to take advantage of educational opportunities. Yeung, Linver and Brooks-Gunn (2002) found that the positive association between family income and children’s cognitive development is mediated by investment in a stimulating learning environment. Yeung and Hofferth (1998) found that families who experience severe income losses are especially susceptible to cuts in expenditure and, similarly, Stephens (2001) found that consumption is significantly reduced as a result of permanent earnings shocks such as job loss. These findings suggest that job losses can diminish the family’s ability to invest in the resources necessary to promote children’s cognitive development and educational attainment.

A second theoretical perspective, the “family stress” perspective, emphasises parents’ psychological resources and parenting behaviours as key links between adverse social conditions and child development. According to this model, unstable work and unemployment is psychologically stressful for parents (see Conger & Elder, 1994; McLoyd et al., 1994), which in turn inhibits parents’ emotional warmth and increases parents’ erratic or disengaged behaviours. Ineffective parenting can lead to poorer adjustment in the children (Elder, Nguyen, & Caspi, 1985; McLoyd, 1998).

The potential consequences of job loss and joblessness on parents’ marital relationship are often considered to be part of the family stress perspective. When spouses experience economic hardship, they may suffer individually and as a couple. Marital conflict is a significant element of family functioning and has known adverse consequences for children’s adjustment and wellbeing (Cummings & Keller, 2007).

The association between joblessness and marital stress can occur in part via the psychological stress of the job loss, which itself can be a function of the real and perceived economic consequences of losing a job. Although there is substantial empirical support for this hypothesis, much of it is derived from relatively small, local samples, such as families experiencing the farm crisis in the US Midwest in the 1980s (see, e.g., Conger, Rueter, & Elder, 1999). However, several studies using large-scale representative data from the US and internationally address the impact of involuntary job loss on family functioning and have found positive association between job loss and the risk of divorce (Charles & Stephens, 2004; Rege, Telle, & Votruba, 2007a; Yeung & Hofferth, 1998), which can pose risks to children’s development (Simons, Lin, Gordon, Conger, & Lorenz, 1999).

In considering these two different theories (economic investments versus parental stress and behaviour), it is important to note that they are not mutually exclusive. Indeed, it likely takes a sensitive and responsive parent to scaffold children’s experiences with purchased “inputs” into development, such as books and toys. Nevertheless, research suggests that economic investments tend to link income (level and stability) to measures of children’s cognitive achievement, while parenting behaviours more often account for linkages between economic conditions and children’s emotional adjustment (Yeung et al., 2002).

Despite the rise in maternal employment, it is possible that mothers’ involuntary job losses nevertheless do not have as great a negative impact on marital quality as do fathers’ involuntary job losses.

A third theoretical perspective suggests that children’s observations of their parents’ work experiences shape their own views of their future economic opportunities, and this may be associated with their academic performance and attitudes. In this perspective, children’s and parents’ expectations play a prominent role. Parents can serve as role models for their children’s attitudes and behaviours via their own interpretation of job loss and unemployment experiences. On one hand, children who witness their parent’s job loss may be motivated to stay in school in order to eventually secure better or more stable jobs than the ones their parents are able to obtain. Conversely, children’s pessimistic perceptions of their parents’ labour market experiences could diminish motivation and lead to behaviours such as disengagement from school or work (Barling, Dupre, & Hepburn, 1998; Galambos & Silbereisen, 1987).

Empirical evidence from quantitative studies

Relatively few papers have examined the effects on children of parental job loss using high-quality longitudinal population data. Of these, most have focused on children’s educational attainment and human capital development. Because most of these studies have been conducted by economists, a focus on such outcomes is not surprising. But it is also the case that the large-scale longitudinal data that lend themselves to this question tend to have better measures of children’s educational attainment and human capital development than, say, children’s emotional or behavioural development. More studies focused on the latter outcomes are needed.

Using the US Survey of Income and Program Participation, Kalil and Ziol-Guest (2008) found that fathers’ involuntary job losses increase the likelihood that children will repeat a grade or be suspended or expelled from school. Coelli (2005) used the Canadian Survey of Labour and Income Dynamics to show that parental job loss leads to an increase in children’s probability of dropping out of high school and a decrease in the probability of entering university. Also using Canadian data, Oreopoulos et al. (2008) found that the sons of workers displaced in 1982 from a sample of mid-sized firms had lower earnings between the ages of 25 and 31 and were more likely to receive unemployment and social assistance. Kertesi and Kedz (2007), using nationally representative data from the Hungarian Labor Force Survey on parents who unexpectedly lost...
their jobs during the post-communist transition of Hungary, found significant effects of parental job loss on children’s probability of dropping out of secondary school. Finally, Rege, Telle, and Votruba (2007b), using Norwegian registry data, showed adverse effects of fathers’ job losses on children’s educational attainment.

Canadian research has shown that children’s perceptions of their parents’ job insecurity are negatively correlated with the children’s belief in the Protestant work ethic (i.e., that work is inherently good and fulfilling and that hard work can overcome obstacles to success). As expected, when students had a low Protestant work ethic they were more likely to display low motivation to work. In a related study, Barling, Zacharatos, and Hepburn (1999) hypothesised that watching one’s parents experiencing job insecurity would be stressful and elicit feelings of uncertainty and powerlessness in children. The results showed that undergraduates who perceived their parents to be insecure about their jobs were distracted cognitively and had worse academic performance.

Finally, Kalil and Wightman (2009), using the US Panel Study of Income Dynamics, found that parental job loss is associated with a lesser likelihood of youths obtaining any post-secondary education. This study also aimed to explore the mechanisms linking these phenomena. Correlated adverse economic conditions, such as long-term unemployment, explained only a modest share of these impacts, suggesting a potentially important role for factors described in the family stress or “family expectations” model (see also Rege et al., 2007b). Kalil and Wightman also found suggestive evidence that parental college degree attainment mitigated the adverse associations between job loss and college-going. Because those models controlled for income, that finding is suggestive of a protective role of education in terms of parents’ and children’s aspirations or expectations.

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have only rarely been posed in the context of parental joblessness. Despite the rise in maternal employment, it is possible that mothers’ involuntary job losses nevertheless do not have as great a negative impact on marital quality as do fathers’ involuntary job losses. In fact, two recent studies (Kalil & Ziol-Guest, 2008; Rege et al., 2007b) have shown that mothers’ job losses do not have any adverse effects on children’s educational attainment. This might be a function of cultural expectations and the subjective meanings attached to social roles; in particular, the persistent cultural emphasis on the role of father as breadwinner (Charles & James, 2005; Gerson, 1994; Nomaguchi et al., 2005; Rosenfield, 1992). And, although men’s time with children has been rising over time, women still assume the primary care of children (Bianchi, 2000). Thus, women who experience involuntary job losses may more seamlessly substitute the role of household manager and caregiver during periods of joblessness, thus minimising marital conflict. In contrast, it may be far less normative for fathers to transition to this role, which could spark marital conflict and interfere with good family relations. In short, it is possible that mothers’ time during a separation from employment is more productively spent in household management and investing in children, thereby dampening adverse effects of the involuntary nature of the separation.

The role of race/ethnicity

There are many important reasons to consider the role of race/ethnicity as it relates to the impact of joblessness on family relations and child development. In the US research context, this line of work has most often compared the experiences of black and white families. As an example, several strands of US research suggest that black workers may be more severely affected by job loss than their white counterparts. First, young black workers are more likely to suffer a job loss than are young white workers (Farber, 1993), and others have found that black families with children are twice as likely as whites to experience both a major income loss and a reduction in work hours (Yeung

Subgroup differences: The importance of gender and race/ethnicity

It is important to note that not all families will be affected equally by the experience of job loss and joblessness. However, very little research on the links between parental joblessness and child development has explored differences across key subgroups. Two promising avenues for future research include examining differential impacts of mothers’ versus fathers’ joblessness for family relations and child development, and also examining differences across race/ethnic groups.

Mothers’ versus fathers’ joblessness

Existing research has emphasised the (typically negative) impact on the family of fathers’ involuntary job losses and joblessness. An important omission is the lack of emphasis on the experiences of working mothers. A singular focus on fathers was perhaps more relevant in an era when fathers were more typically primary breadwinners and fathers’ work-role identities predominated over other family roles, such as caregiver. However, scholars have noted historical shifts in gender role attitudes that have altered the landscape of fathers’ roles, from a pre-occupation with the father as economic provider to the more modern emphasis on fathers as nurturers and co-caregivers (Pleck & Pleck, 1997). In addition, the typical US family now contains two earners and, in about a quarter of dual-earner families, working mothers are the primary breadwinners (Crompton & Geran, 1995; Nomaguchi, Milkie, & Bianchi, 2005). It is thus important to examine the impact of mothers’ as well as fathers’ employment experiences and, more importantly, to examine the impact of one parent’s employment experiences in the context of those of the other parent.

The rise of dual-earner and “mother breadwinner” families has raised new questions about gender and parental roles within marriages and families, but these questions
Wealth and other economic resources can affect a family’s ability to sustain itself through a job loss. Having financial assets that can be liquidated or against which families can borrow, or having recourse to assistance from family and friends, can mitigate the negative effects of a parental job loss by alleviating economic pressure and serving as a “psychological buffer” against worries about the future. Parents in families with few assets or little equity to draw upon may be particularly pessimistic about their children’s future in the event of a household economic downturn. The transmission of these beliefs and expectations may affect the youth’s own expectations and behaviours. Similarly, adolescents’ reactions to parental employment downturns may be moderated by the knowledge that vital financial resources are available from sources other than parents’ current earnings. This may be especially important during adolescence, when families are making plans for children’s college attendance and how to finance it. Conley (1999) showed that family wealth is a significant predictor of children’s college completion and that it accounts for a substantial amount of the black-white difference in educational attainment. These findings suggest that the impact of joblessness may not only differ across groups defined by race, but also those with different levels of wealth and economic resources.

Other reasons why the impact of job loss on family relations and child development could differ across race/ethnic groups relate to the different ways in which joblessness is interpreted within families, or the psychological aspects of how job losers and their children make meaning out of and respond to these experiences.

One possible factor could be discrimination. In the US, there is accumulating evidence from audit studies and field experiments to suggest that blacks do experience discrimination in the labour (and housing) markets (Favreault, 2008), and such discrimination, perhaps in part through...
the social inequalities it promotes, may be expressed psychologically in terms of lower personal efficacy (i.e., a sense that one’s fate is to a relatively larger degree controlled by outside forces rather than one’s own efforts) (Hughes & Demo, 1989). A parent who loses a job and who reports having been discriminated against may convey a particularly pessimistic view of the future to their children. Personal efficacy, in turn, is a key determinant of educational attainment (Leininger & Kalil, 2008). As well, some psychological studies suggest that youth who perceive that discrimination will negatively affect their future economic wellbeing respond by disengaging from school (Taylor, Casten, Flickinger, Roberts, & Fulmore, 1994).

Another factor related specifically to race that could account for the differential impact of joblessness across groups is the segregated residence patterns of communities. For example, in the US, black families are significantly less likely to live in or in close proximity to economically advantaged census tracts compared to whites, and this is true even among those in the middle class (Massey & Denton, 1993). High socio-economic status neighbourhoods (i.e., those with greater numbers of college-educated and managerial/professional workers) are particularly important for promoting academic achievement among children and adolescents (Leventhal & Brooks-Gunn, 2000). Neighbourhood role models of employment have also been linked to adolescents’ visions of the future and perceptions of barriers to occupational and educational success (Cook et al., 1996; MacLeod, 1995). Such neighbourhood conditions could also moderate the effects of parental job loss. Neighbourhood social networks that provide useful information and connections for youth’s educational or future employment prospects may buffer against the effects of parental job loss on children’s expectations for the future and concurrent behaviour.

These psychological perspectives are difficult to obtain in a survey research context. It is also undoubtedly true that complex issues such as racial discrimination (in America, Australia and elsewhere) are closely tied to cohort-specific historical events and economic and social phenomena. Such issues are also deeply personal, and likely vary in idiosyncratic ways across individuals and families. Nevertheless, much more work is needed, using a variety of data and methods, to better understand race differences in the impact of joblessness on family relations and child development.

Conclusions and policy considerations

For some families, a job loss represents an economic catastrophe that ultimately affects the children’s educational futures. In this case, intergenerational upward mobility may be highly dependent on the avoidance of common economic shocks and/or the possession of relatively rare shock-absorbing factors. The global economic crisis is raising important questions about the continuing ability of offspring to move up the economic ladder, and about families’ ability to transfer a secure position to future generations. Policies that help increase families’ economic security may be important in helping pave the way for future generations to achieve socio-economic success. At the same time, credit constraints may not be the only factors operating to diminish children’s life chances after a parental job loss. Parents’ cultural capital and connections may also play a role in resilience to adverse economic events in families. Youth’s own aspirations and beliefs about, for example, the utility of education for economic success may be differentially affected. Family relations and psychological resources could be differentially strained, and this could lessen the support that youth receive during childhood and the transition to adulthood to make and execute plans for their future.

Understanding the magnitude of the impact of parental joblessness on children’s development and the pathways through which these phenomena are linked could inform public policy in several ways. For example, results might inform programs aimed at mitigating the economic shock of job loss. Such programs could involve direct financial assistance to families, such as unemployment insurance programs, or they could help to promote parents’ job search skills, training for a new occupation, or education in effective money management. Not only might such programs help families to smooth consumption and minimise declines in child-specific investments, but they could also affect the families’ emotional wellbeing by lessening perceptions of economic strain and concomitant psychological distress.

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Alternatively, given limited public support (at least in the US context) for direct financial assistance to families, programs geared at helping families cope with the emotional impact of job loss might be more plausible. Many different facets of families’ experience of economic hardship can be targeted for prevention. These could include adolescents’ worries about the family’s economic situation and the impact that it might have on future options, concerns about parents’ wellbeing and marital relationship, and heightened conflict among family members (Conger, Conger, Matthews, & Elder, 1999). For instance, programs could provide referrals or information regarding mental health services, or teach parents and adolescents to share information about plans to reduce economic stress and to work together to develop constructive strategies to realise these plans. Greater scientific energy needs to be devoted to understanding and solving the problems faced by jobless families.

References


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