

# Economic Resilience

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# What is it?

1. Ability to maintain material well-being (spending/consumption) in the face of economic stress or shocks

Or...

2. Ability to recover from economic stress
  - Restore wealth
  - Increase saving
  - Hard to study empirically

This talk:

- #1..... economic shock is unemployment
- Moderator is wealth (quartile)

# Impact of unemployment in Singapore at older ages on Income, Spending and Subjective Well-Being

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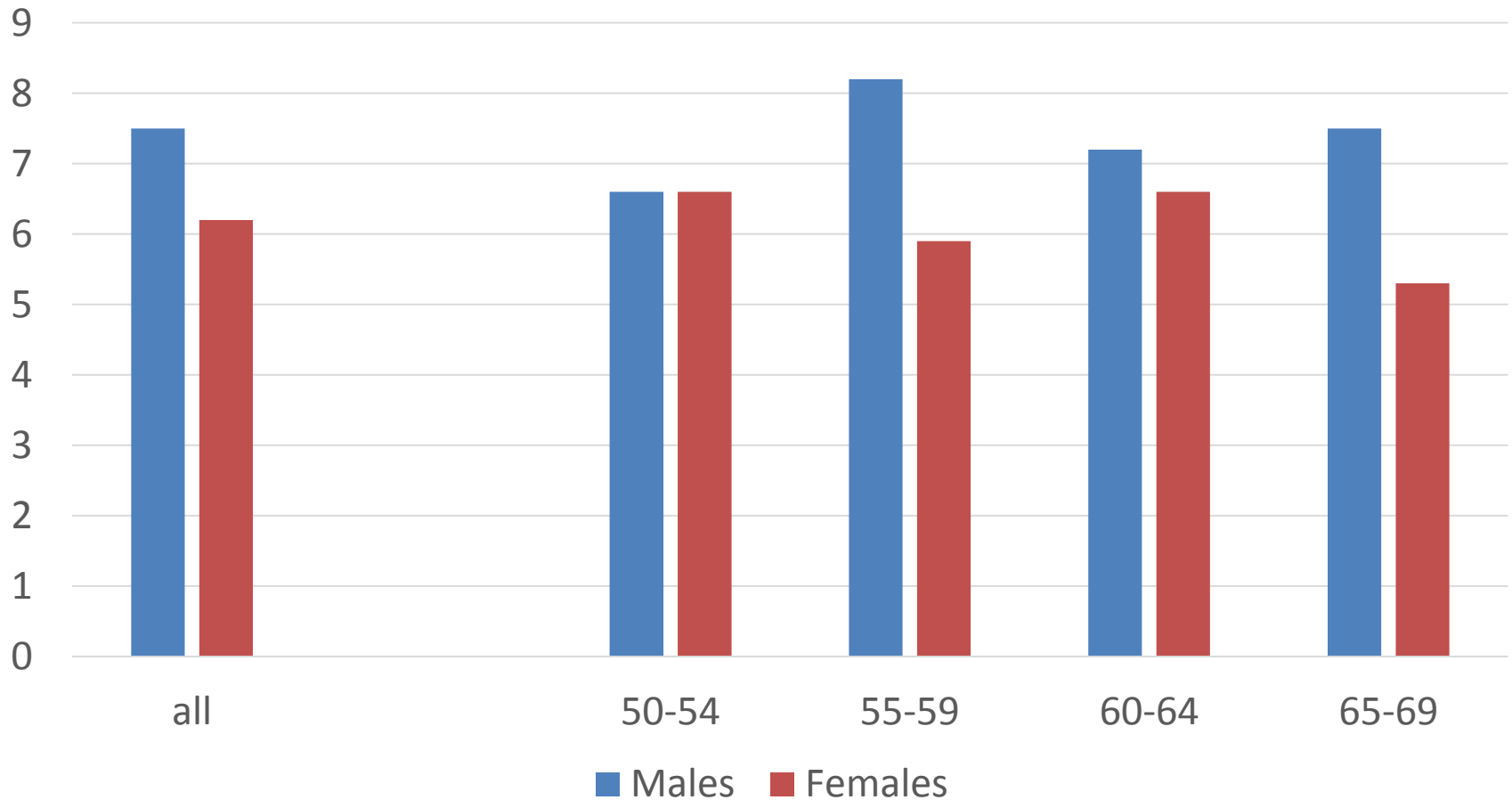
# Disclaimer

- Much of our work funded by NIA...Thanks!
- This work not funded by NIA

# Singapore Life Panel

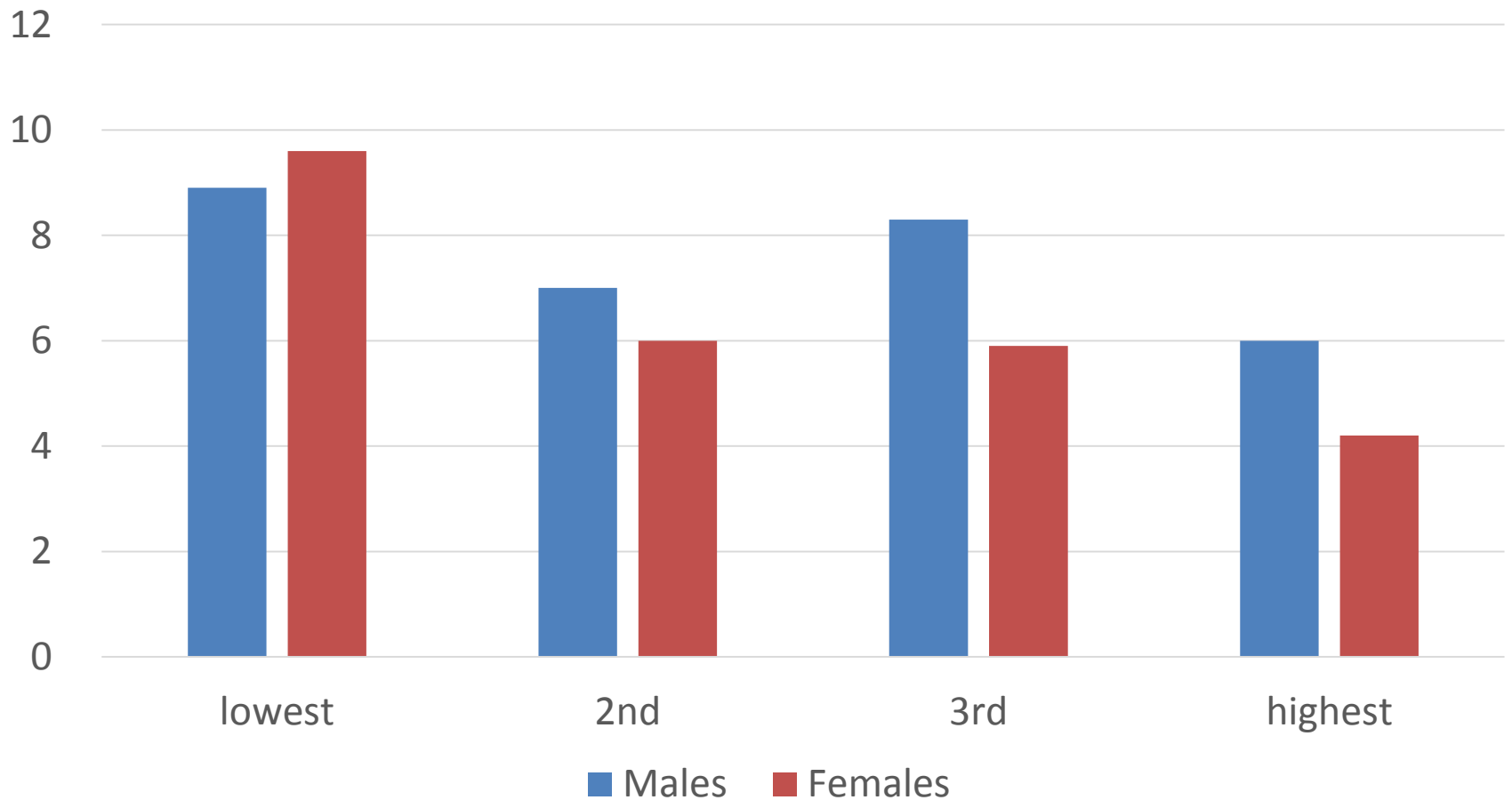
- About 11,000 enrolled in Internet panel
- Ages 50-70 in 2015; now 54 to 74
- About 8,000 interviewed monthly
- Now in 51<sup>st</sup> monthly interview
- Use 34 waves
  
- Content of SLP: Economics, health, well-being etc.

# Percent unemployed among those in labor force, age



Note: unemployed includes “discouraged workers”

# Percent unemployed among those in labor force, wealth quartile

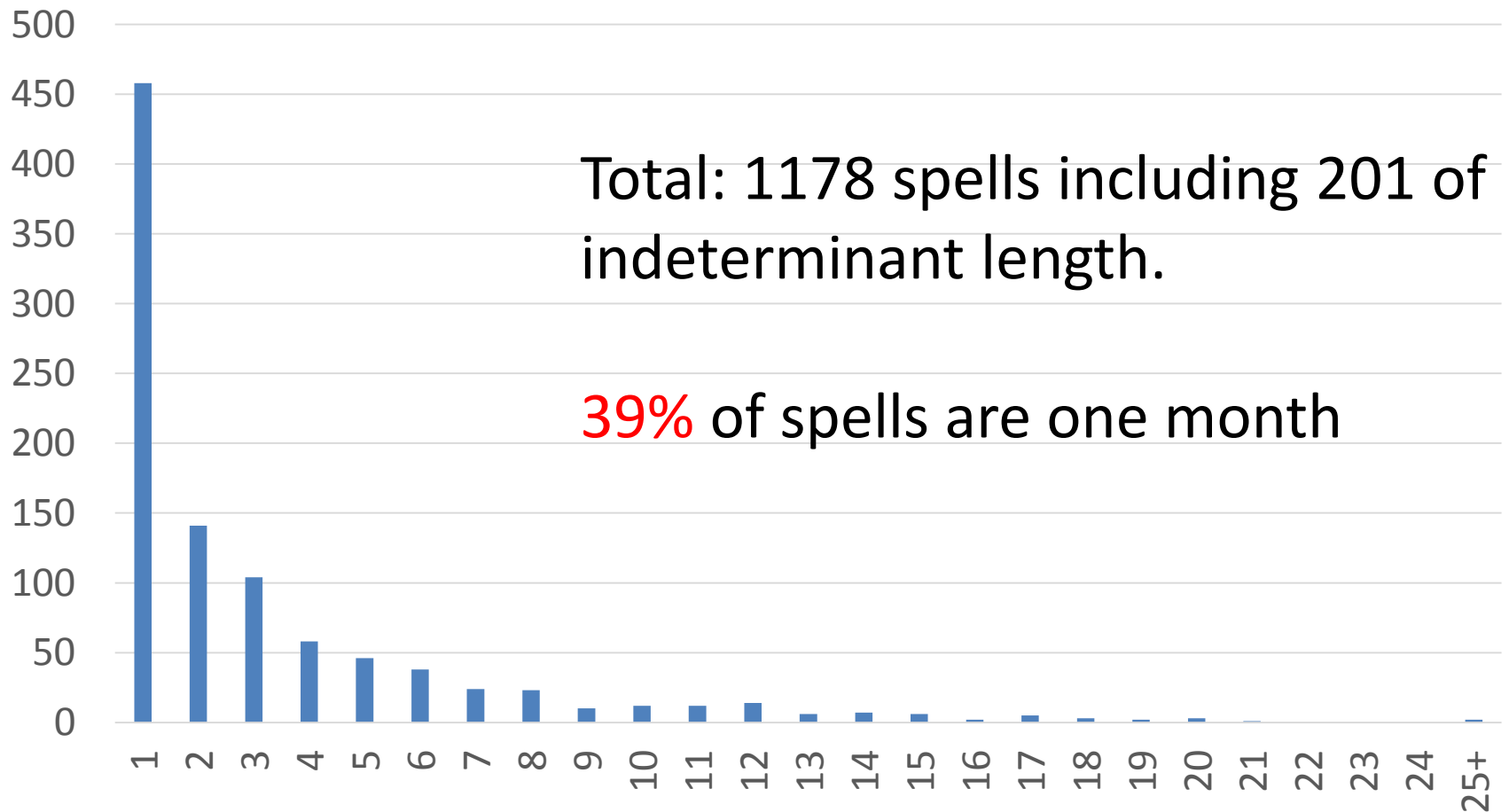


# In 34 monthly interviews

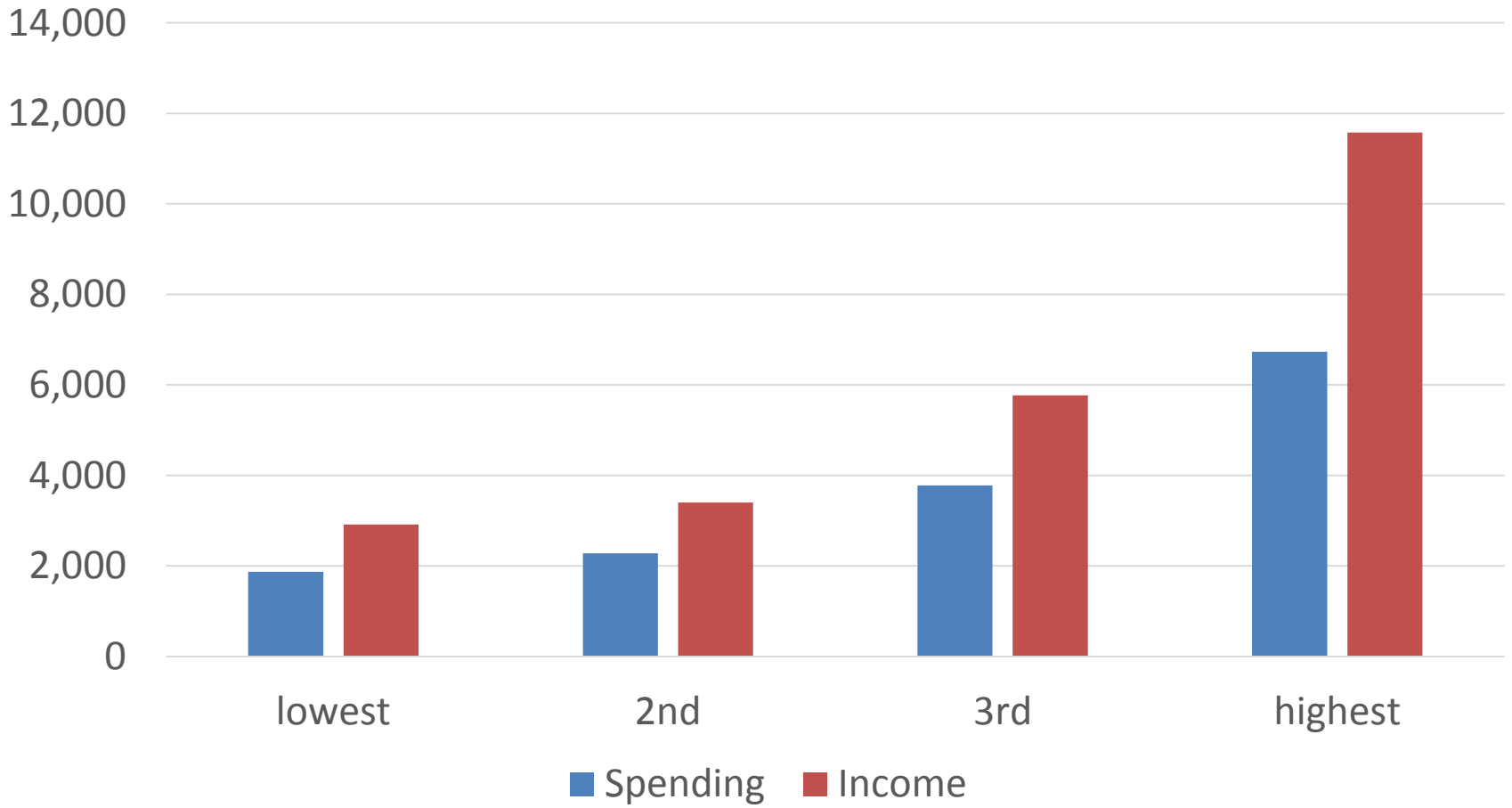
- Among those in labor force participation at least two months
- About 13% were unemployed at least one month.
  - Versus 7% in a month



# Number of unemployment spells by length of spell



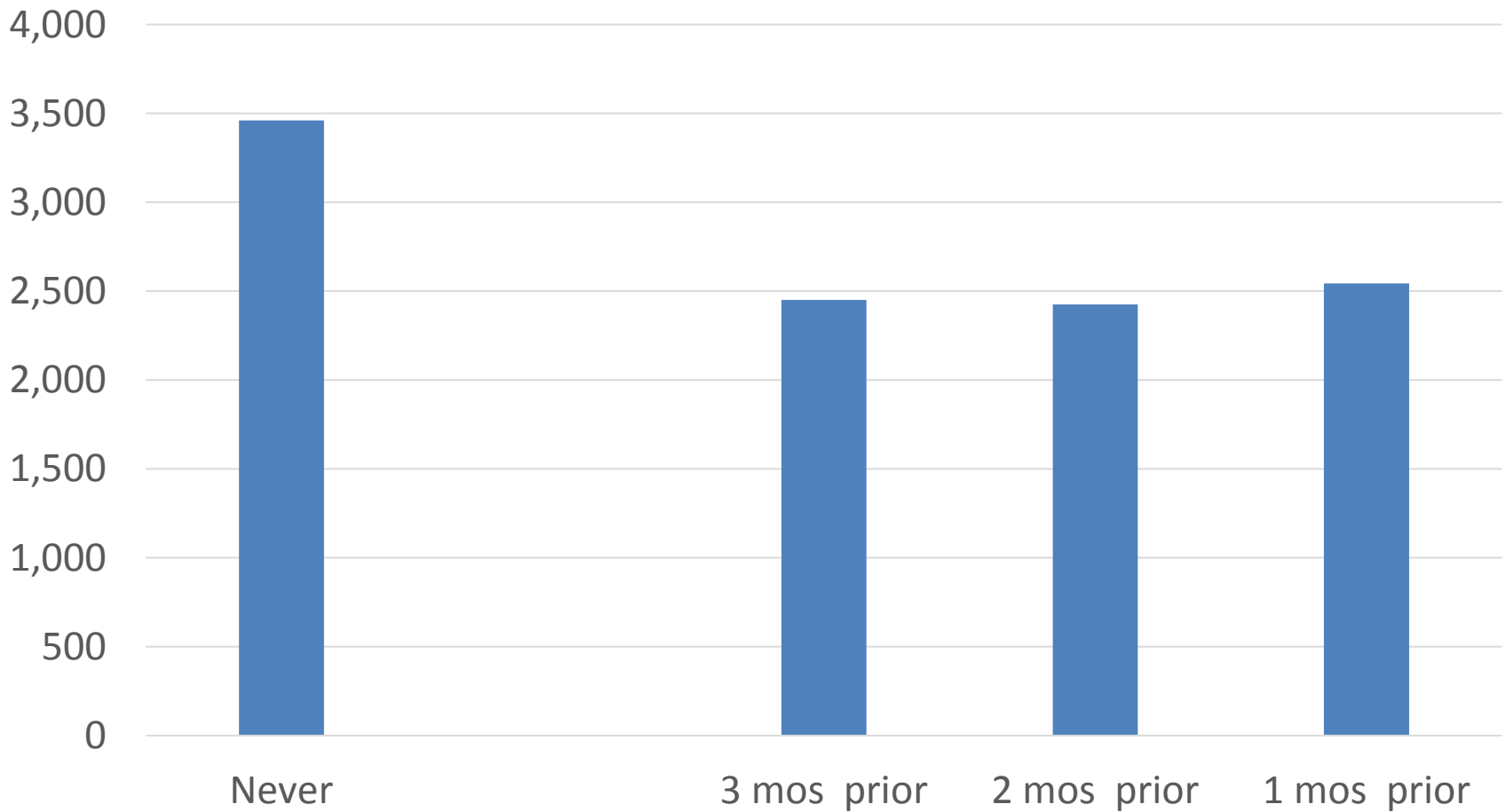
# Monthly spending and income (pre-tax), wealth quartiles



# Impact of unemployment on spending

- Those **ever** unemployed different from those **never** unemployed
- Extends to unmeasured characteristics
- Implication: Effect of unemployment cannot be found from variation across persons
  - Say by comparing spending of unemployed and employed
  - (cross-section)

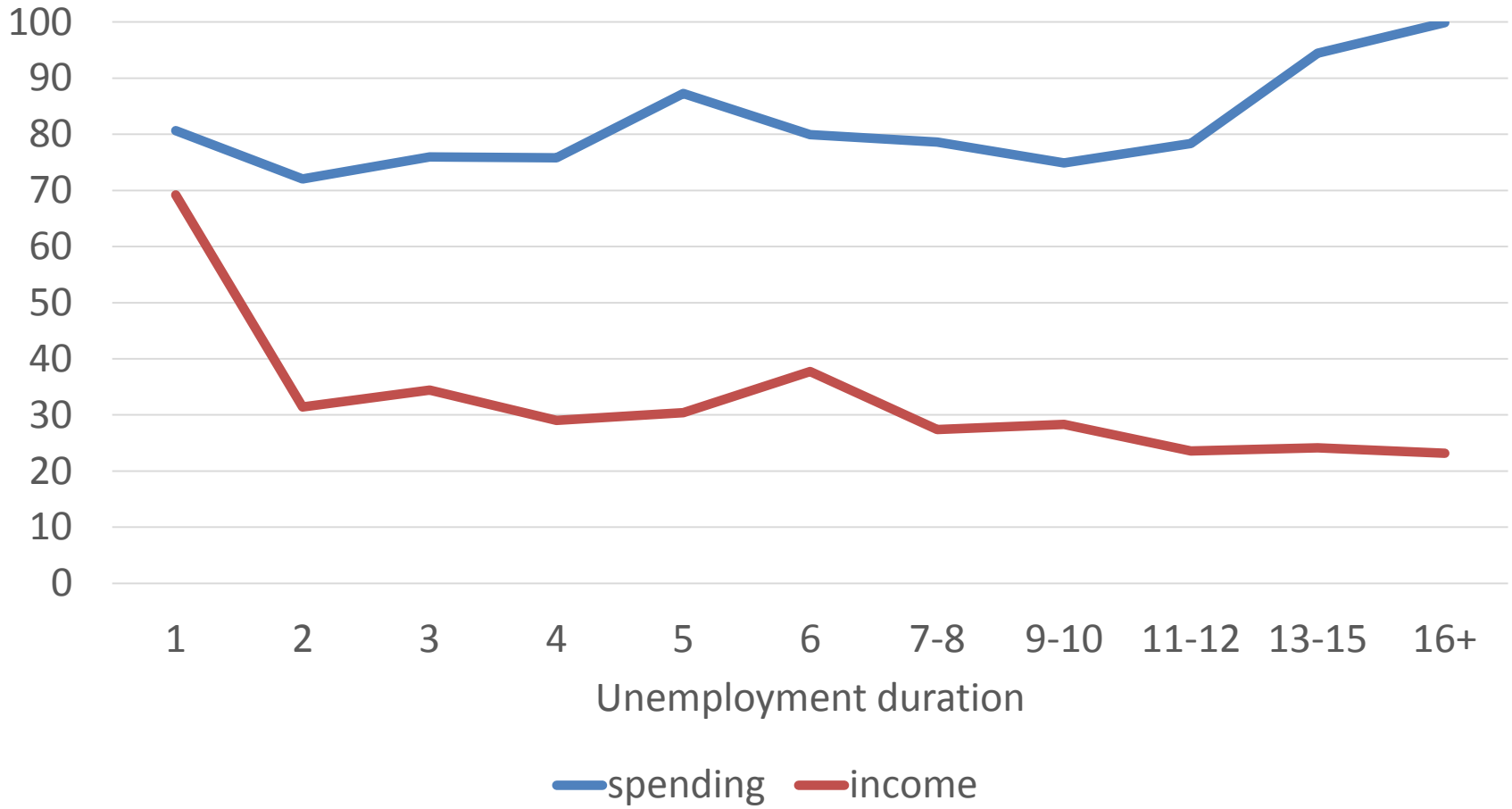
# Monthly income of single persons: never unemployed or prior to unemployment



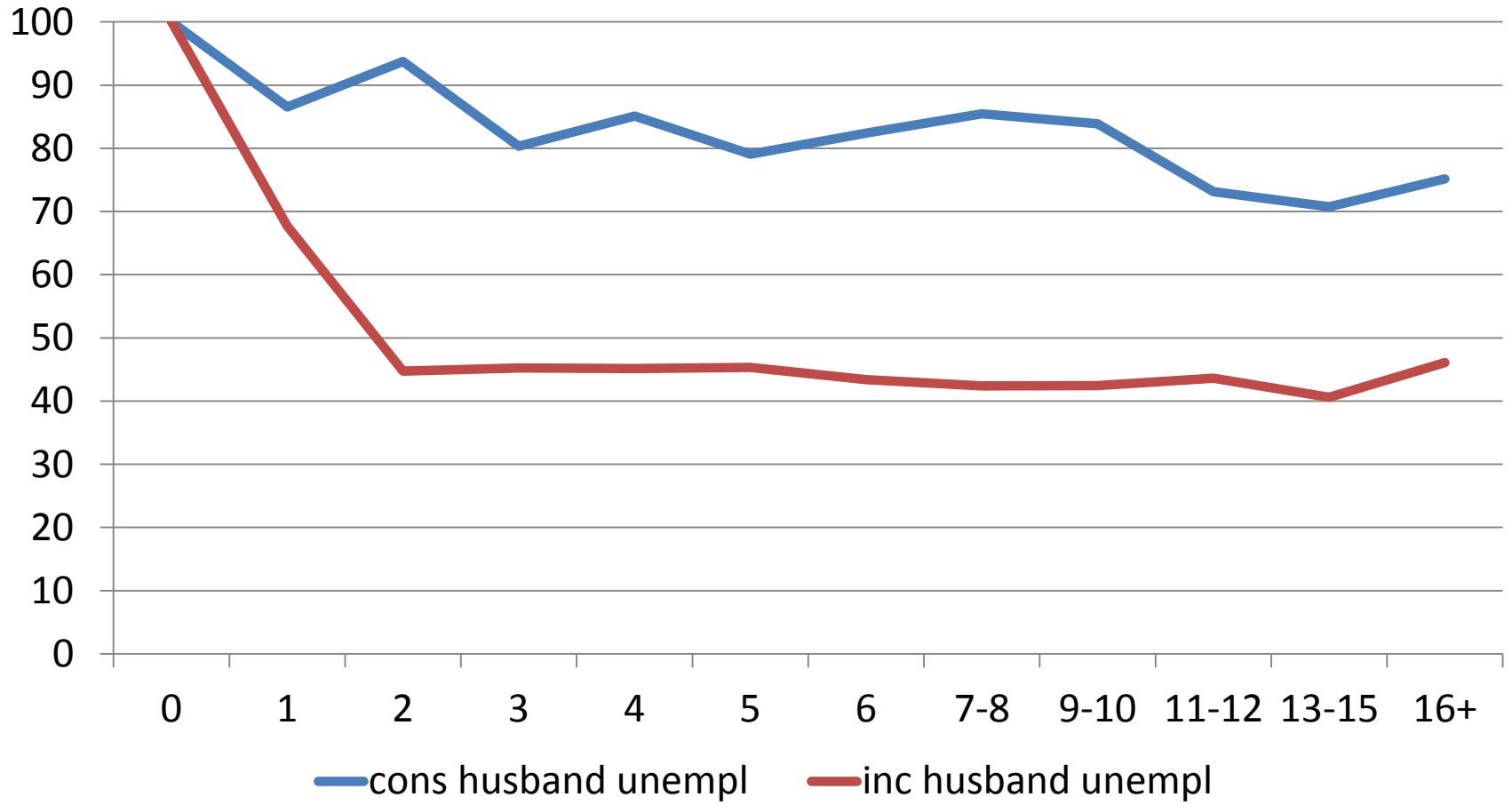
# Method

- Fixed effects regression
- Example: A single person
  - Spending during the employed state
  - Spending during the unemployed state
    - As a function of duration of unemployment
  - Compare spending levels
  - Thus hold constant personal characteristics that are not time varying
- Show difference (%) from employed levels

# Single persons, percent of spending and income following unemployment



# Married persons, percent of spending and income following unemployment of husband

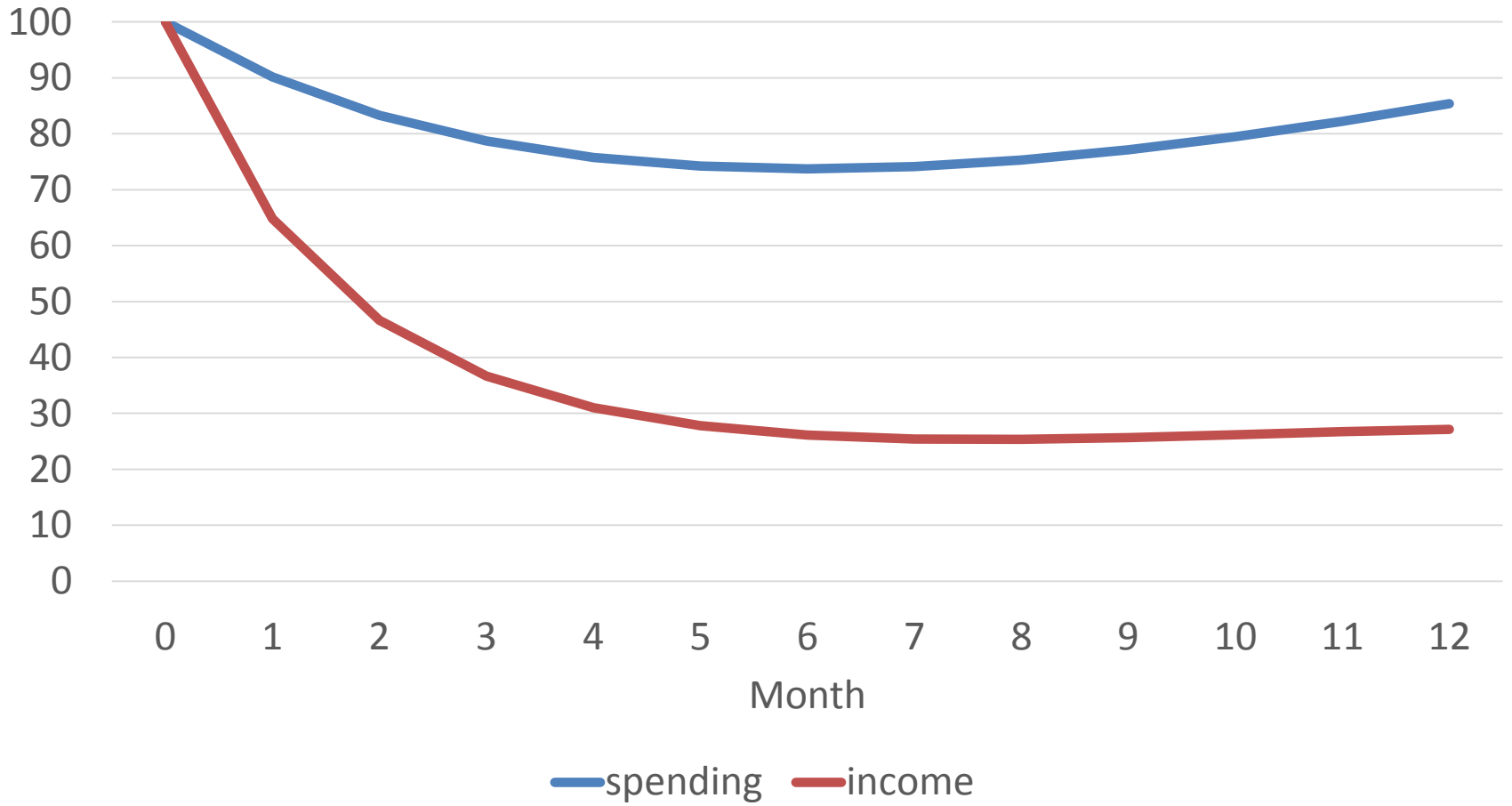


# Spending following unemployment: wealth differences

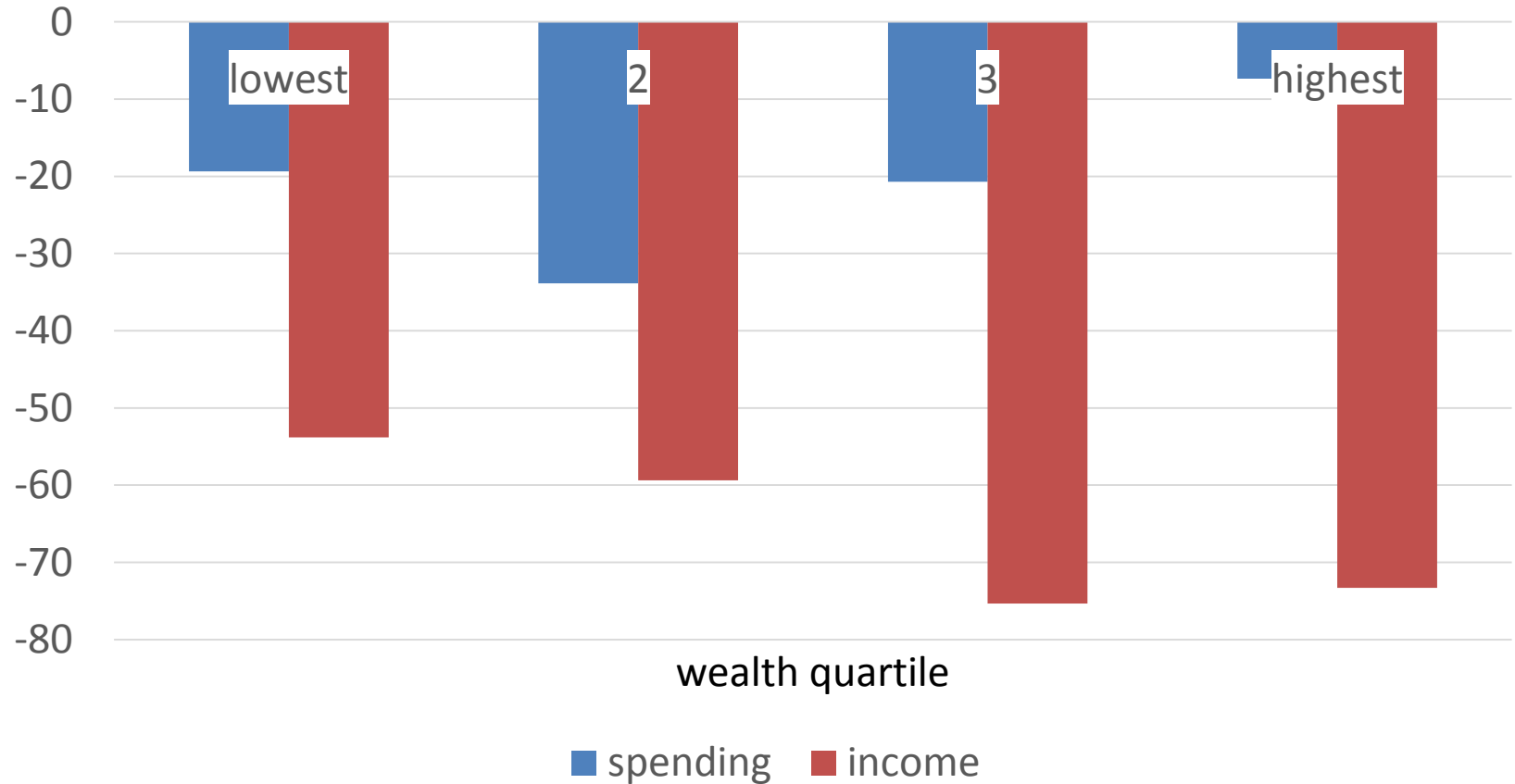
- Analyze spending path by wealth quartiles
- Fit quartic (4<sup>th</sup> power) to time path by wealth quartile
  - Due to small sample size



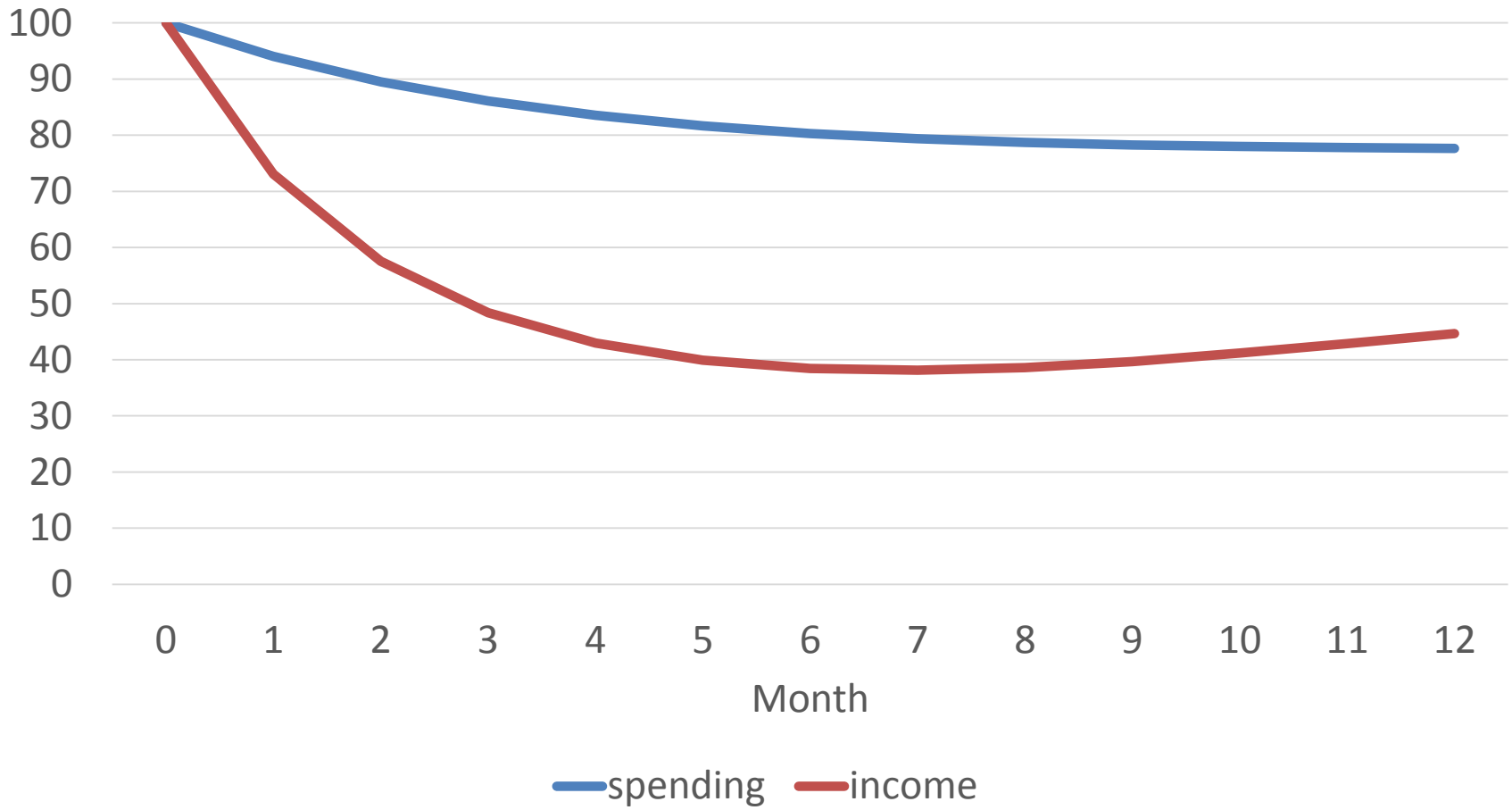
# Singles all quartiles



# Average 12-month percent change in spending and income, singles, wealth quartiles

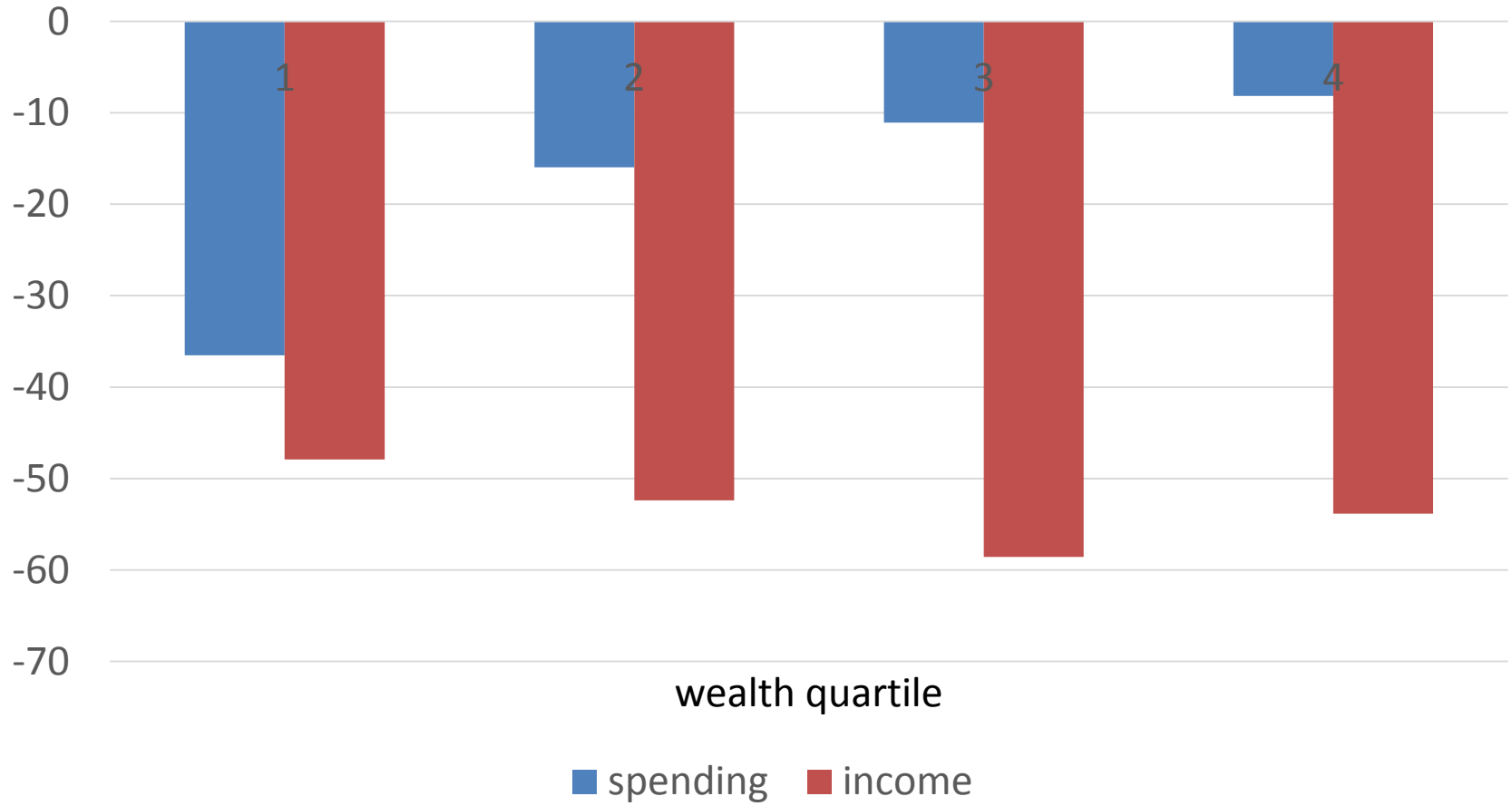


# Couples all quartiles



Husband's unemployment

# Average 12-month change in spending and income, couples, wealth quartiles



Husband's unemployment

# Subjective well-being

Taking all things together, how satisfied are you with your **life as a whole** these days?

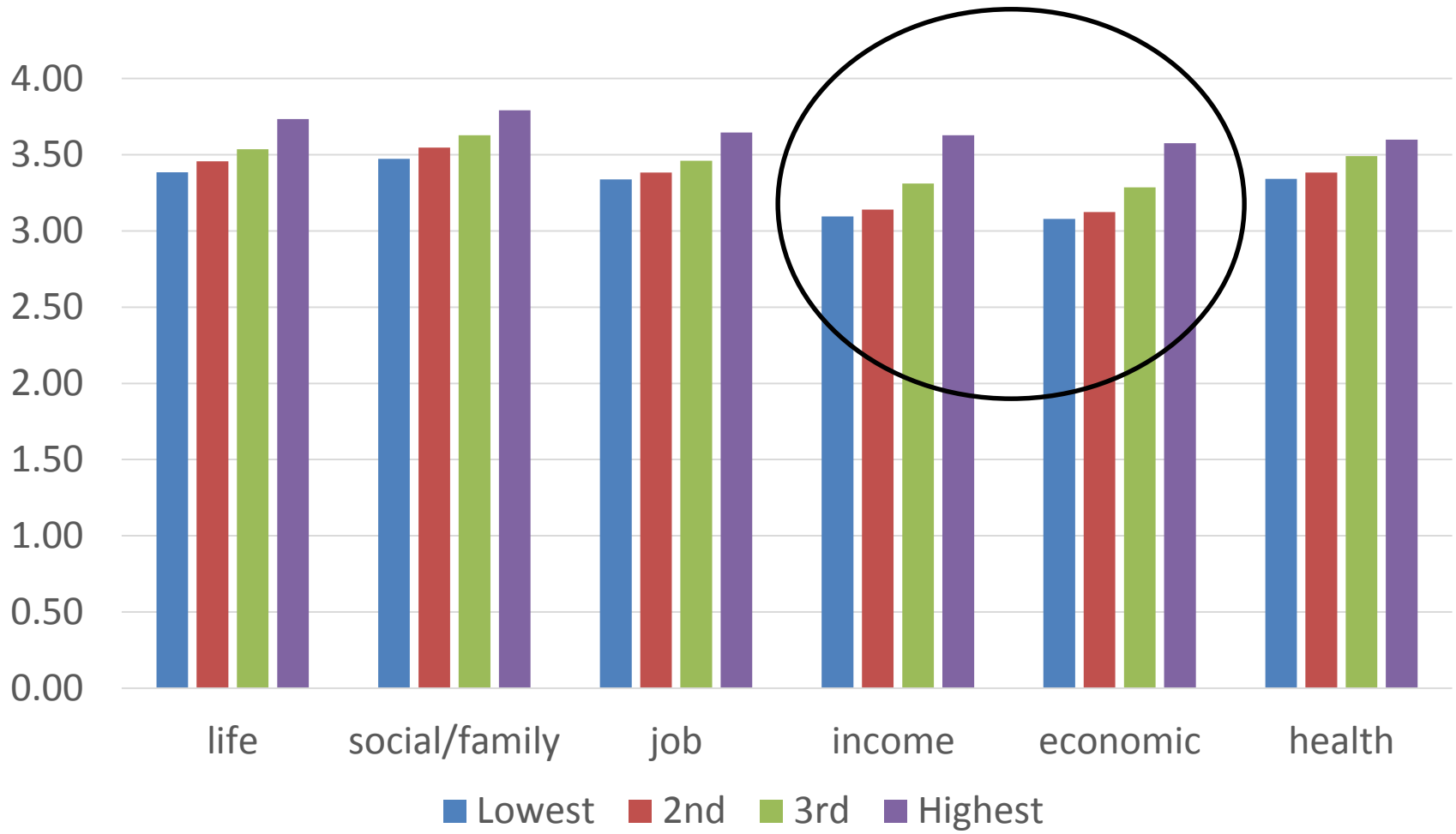
1. Very dissatisfied
2. Dissatisfied
3. Neither satisfied nor dissatisfied
4. Satisfied
5. Very satisfied

# Subjective well-being

- **Life as a whole**
- Social contacts and family life
- Daily activities and job
- Total household income
- Economic situation
- Health

1 to 5 scale: very dissatisfied to very satisfied

# Satisfaction, wealth quartiles

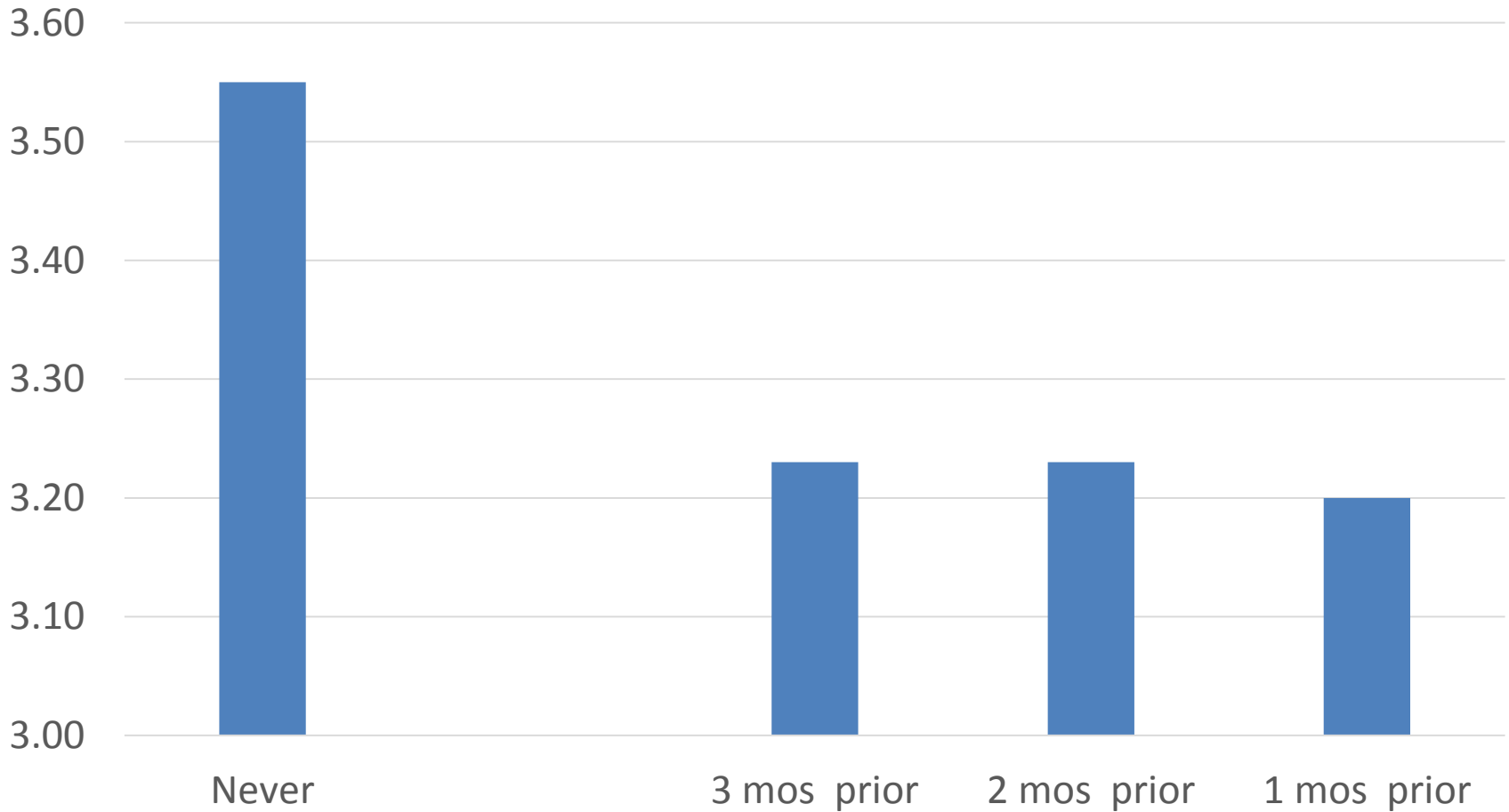


# Impact of unemployment on well-being

- Those **ever** unemployed different from those **never** unemployed
- Extends to unmeasured characteristics
- Implication: Effect of unemployment cannot be found from variation across persons
  - Say by comparing well-being of unemployed and employed
  - (cross-section)



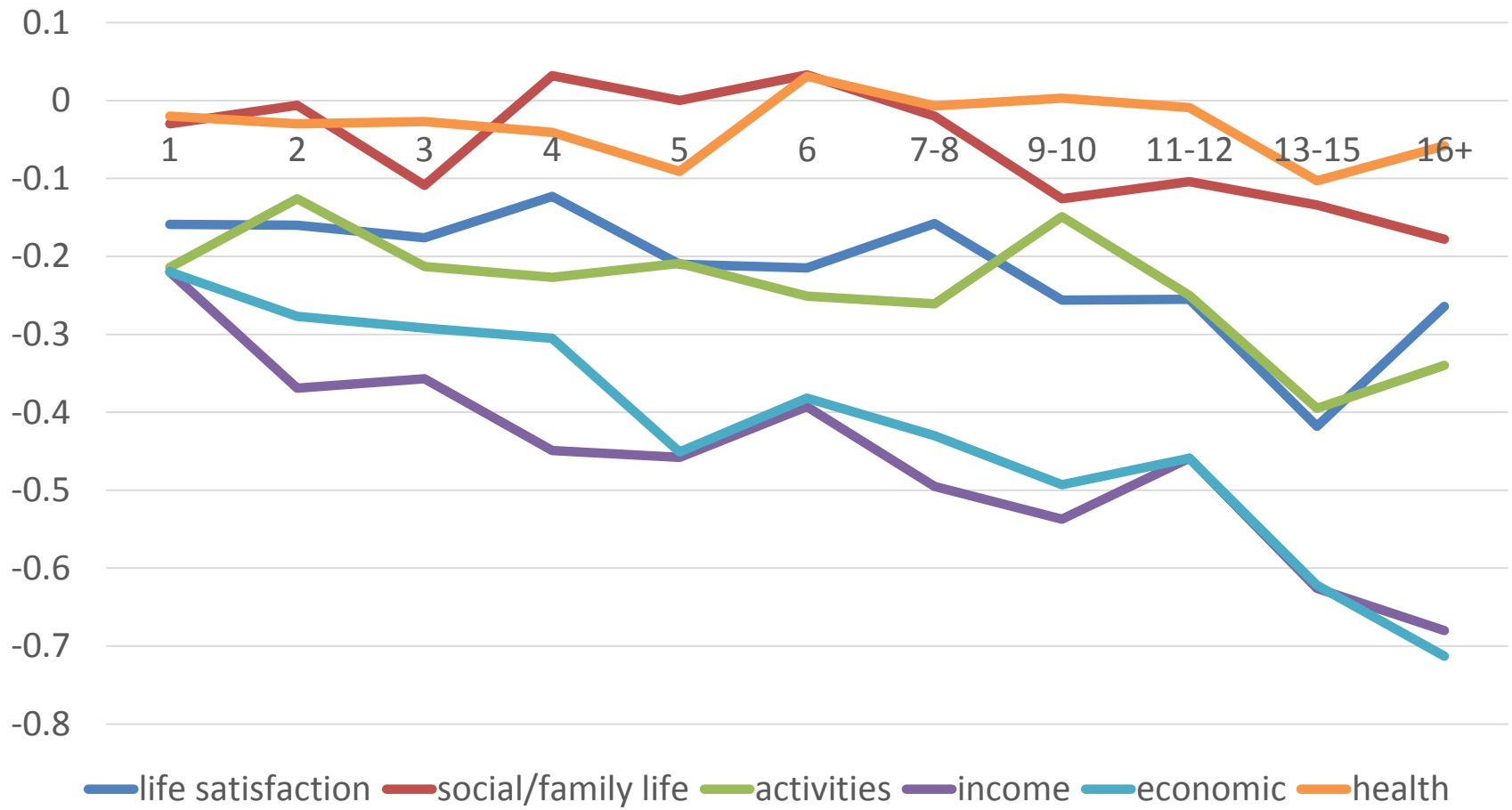
# Life satisfaction: single persons never unemployed, and by month prior to unemployment



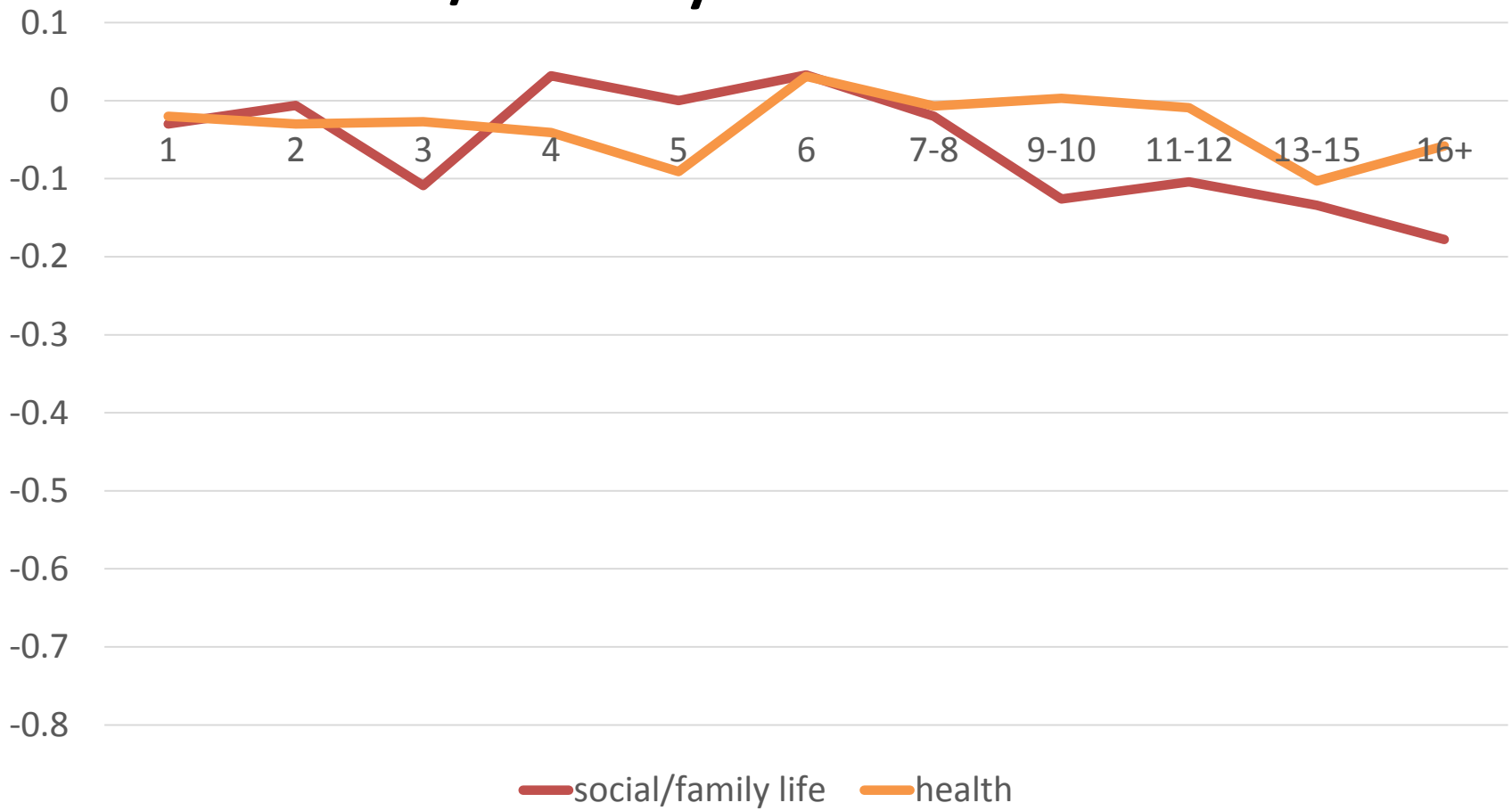
# Method

- Over same person: Subjective well-being
  - while employed
  - While unemployed by length of unemployment
- Show difference as a function of length of unemployment
- Fixed effects regression

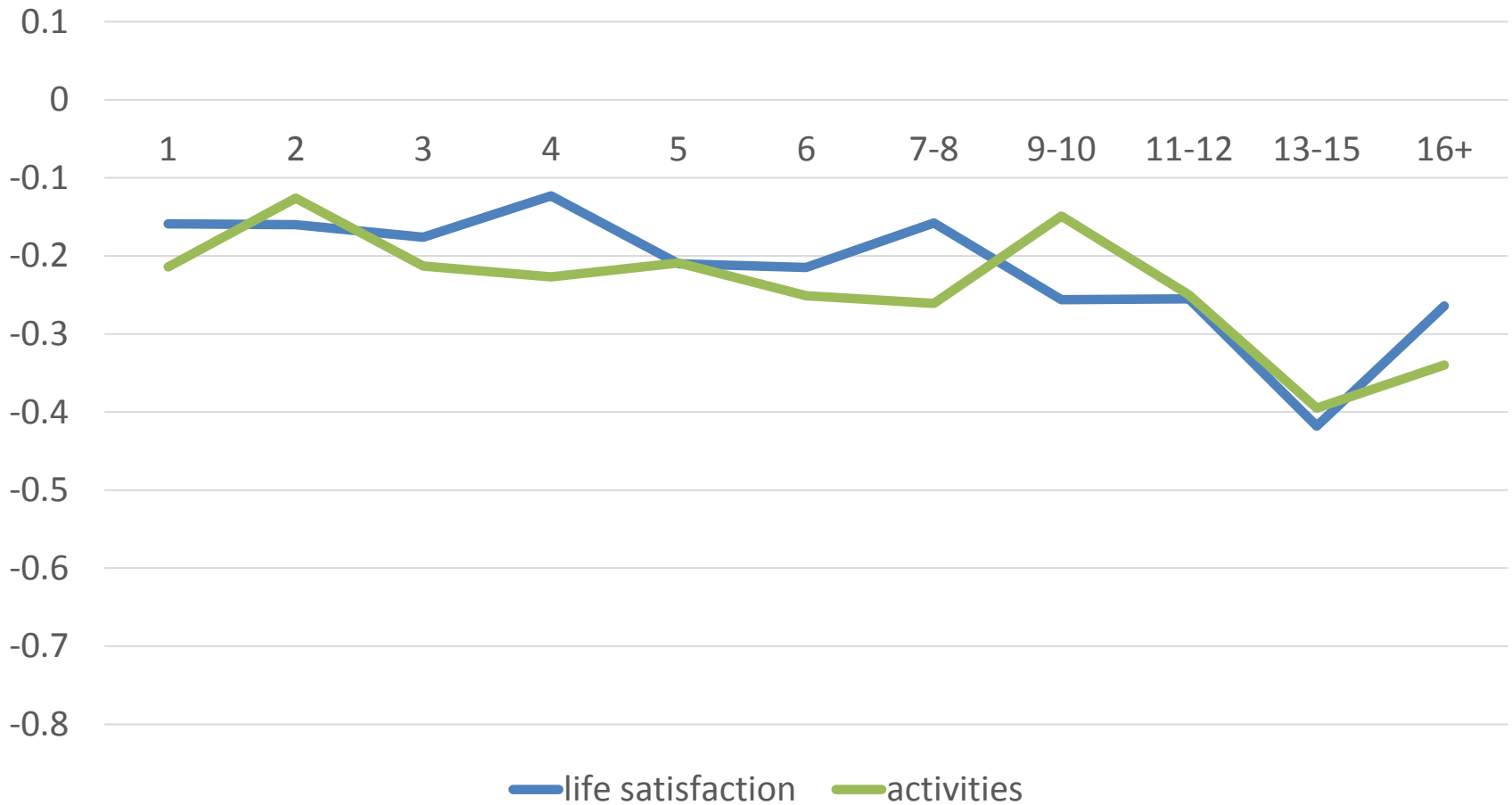
# Subjective well-being following unemployment, single persons



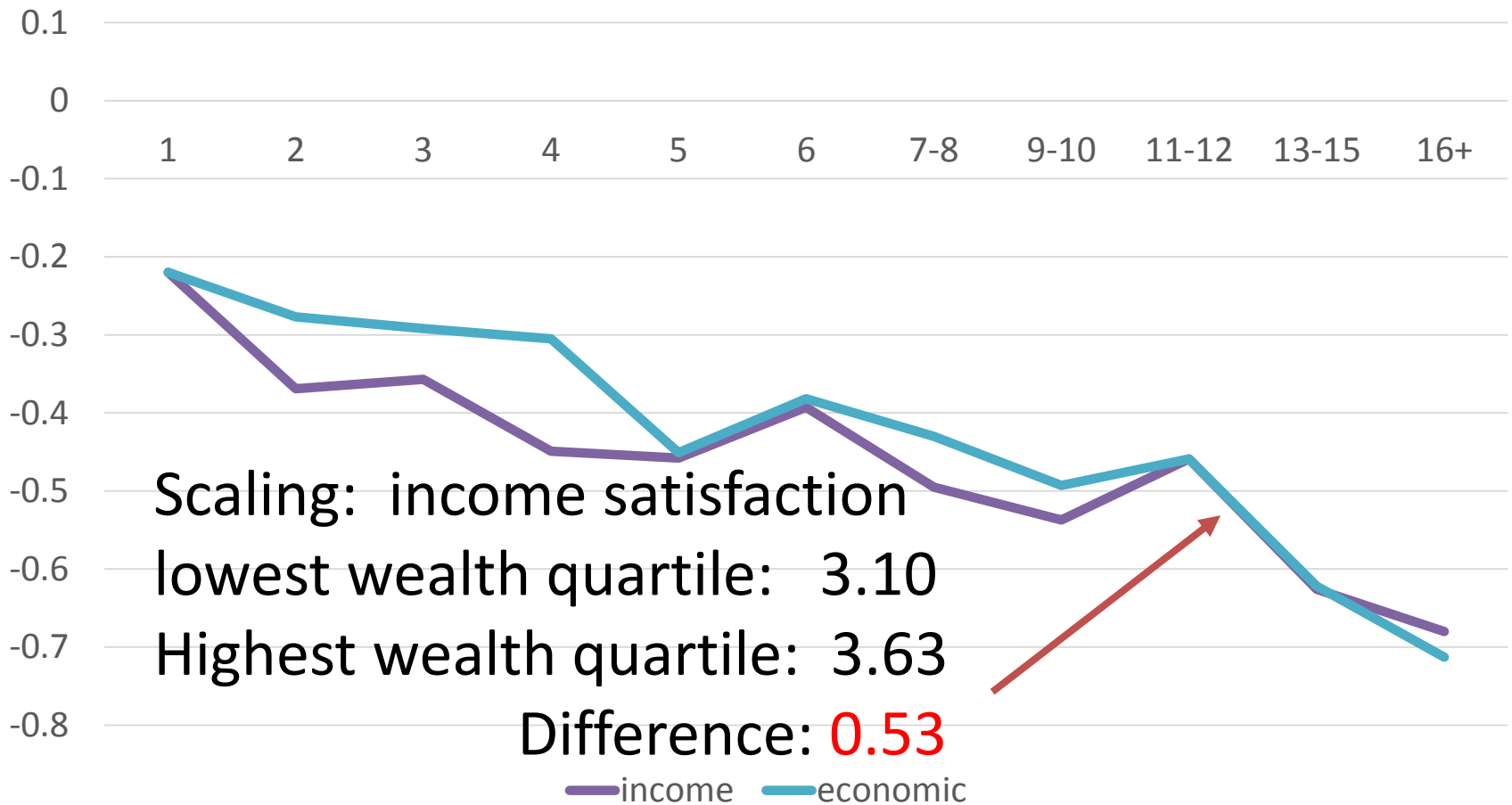
# Subjective well-being following unemployment, single persons, social/family life and health



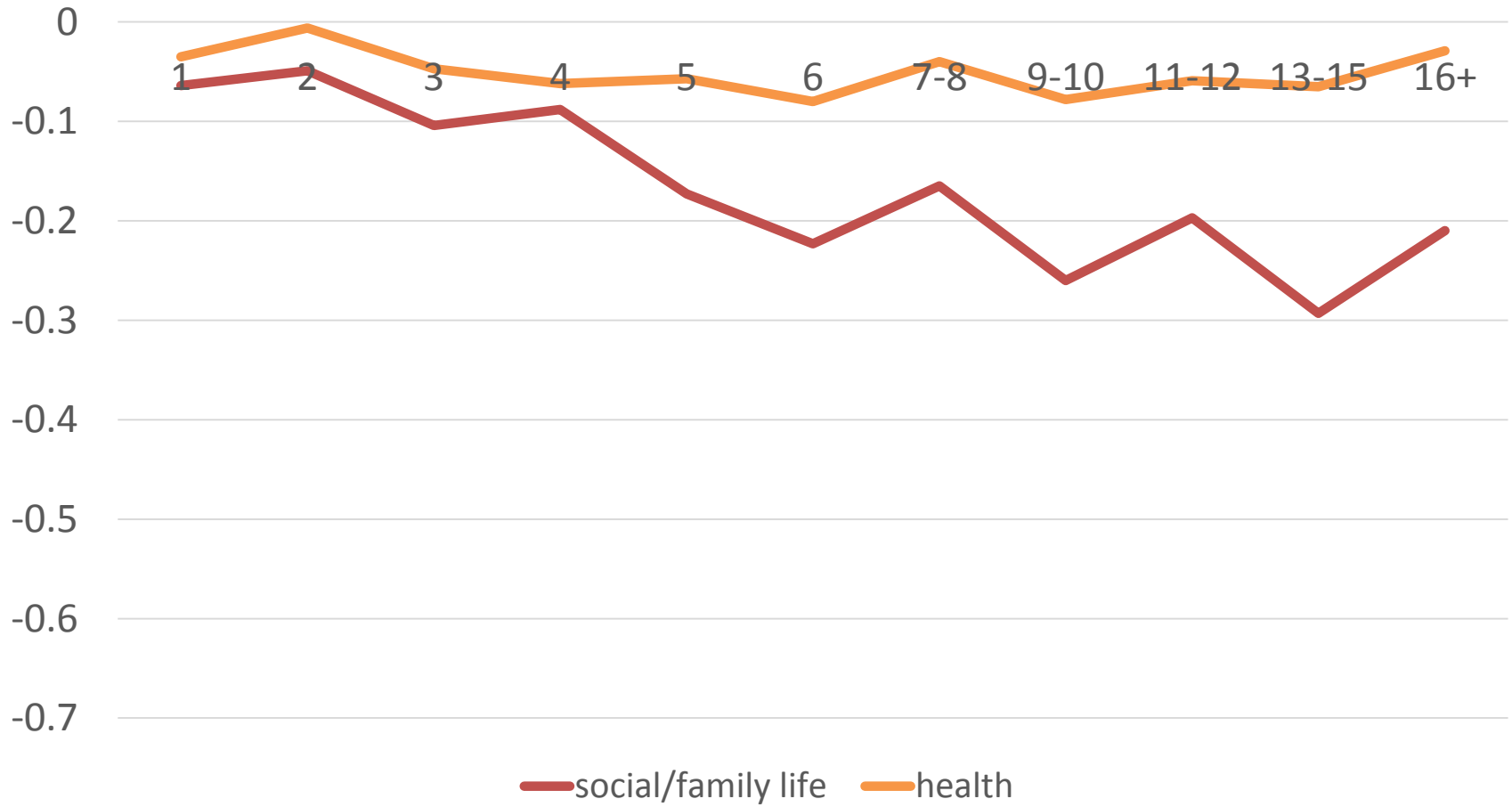
# Subjective well-being following unemployment, single persons, life satisfaction and activities



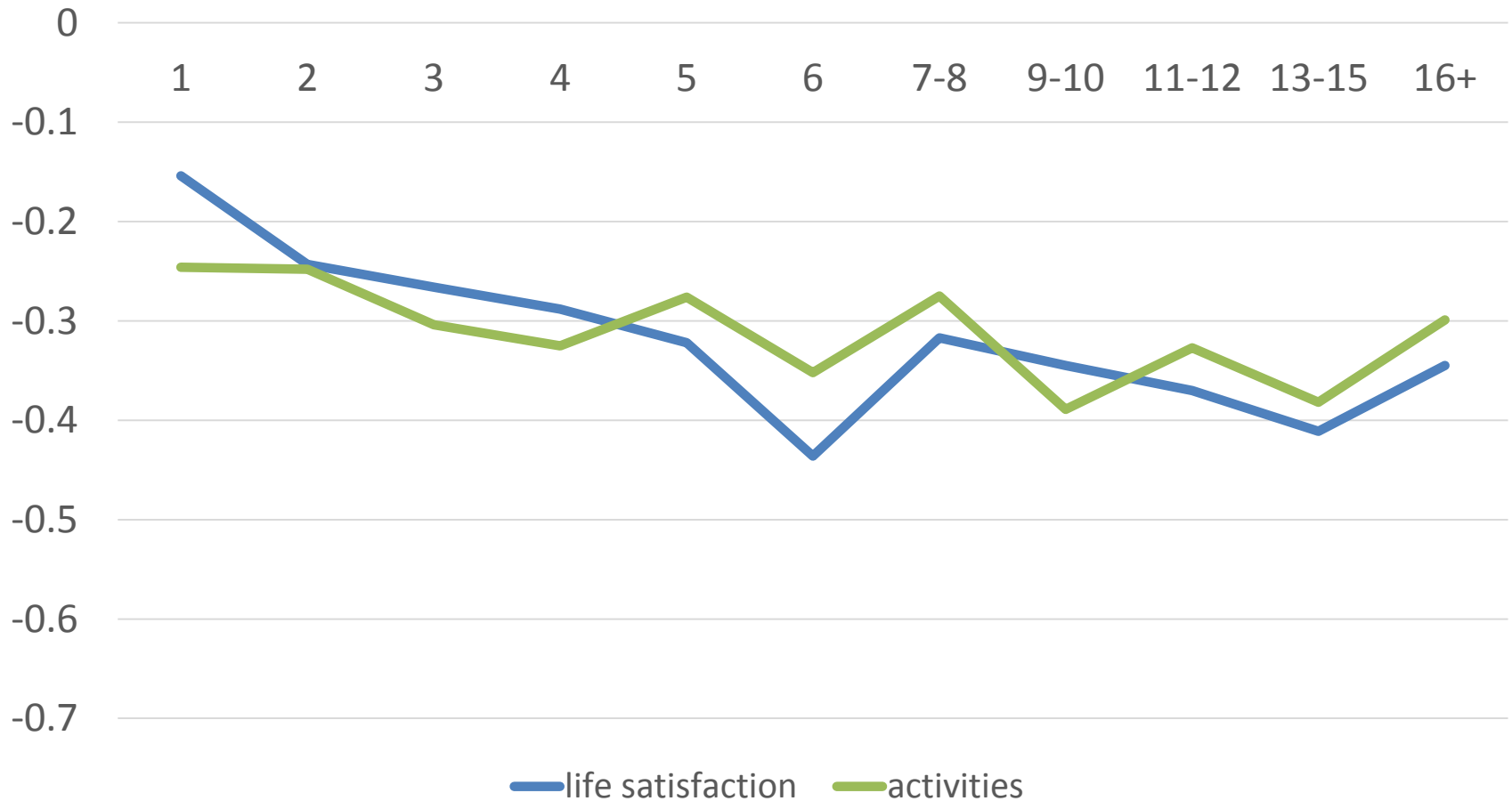
# Subjective well-being following unemployment, single persons, income and economic



# Subjective well-being of husband following husband's unemployment



# Subjective well-being of husband following husband's unemployment





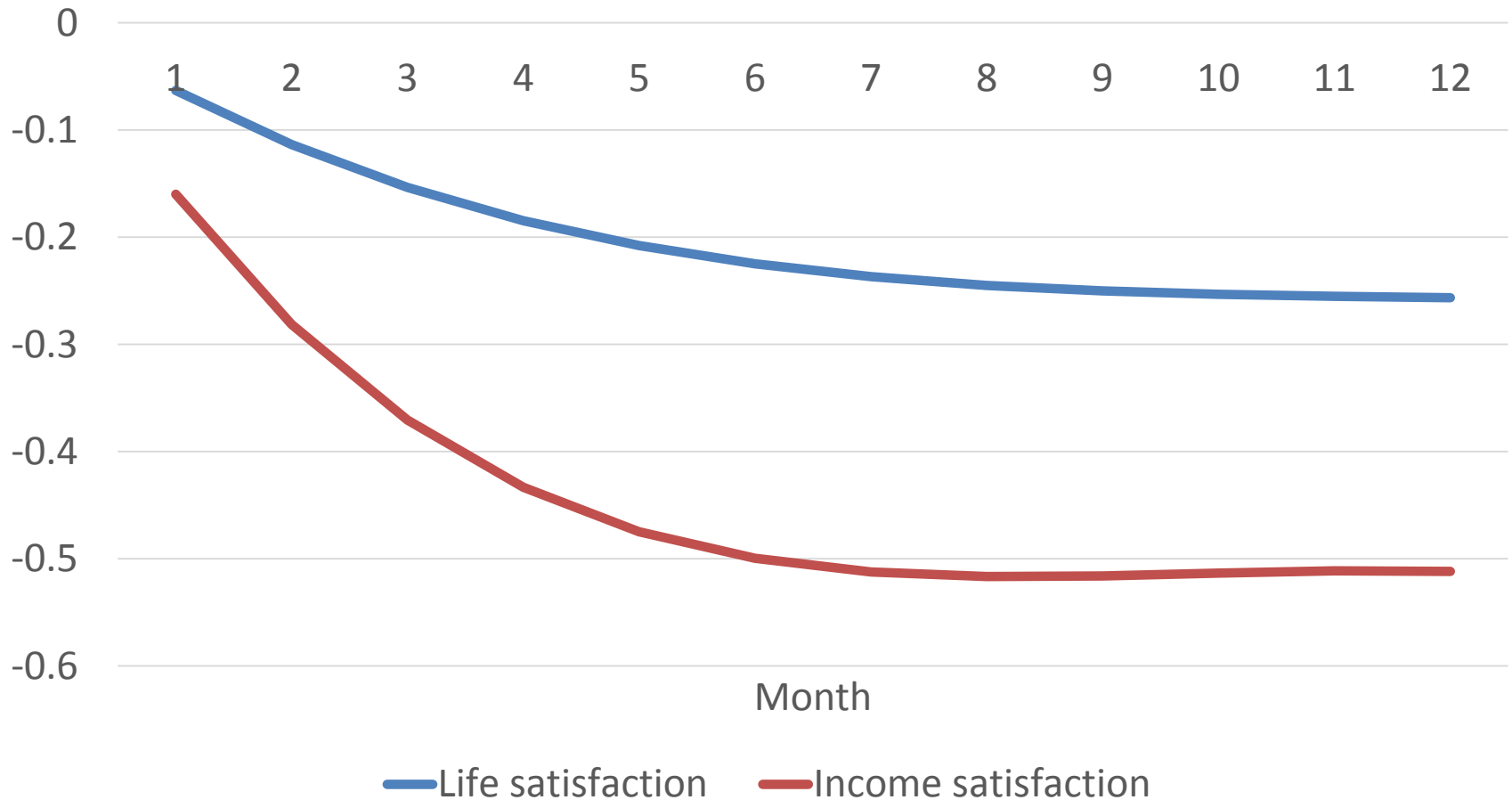
# Subjective well-being of husband following husband's unemployment



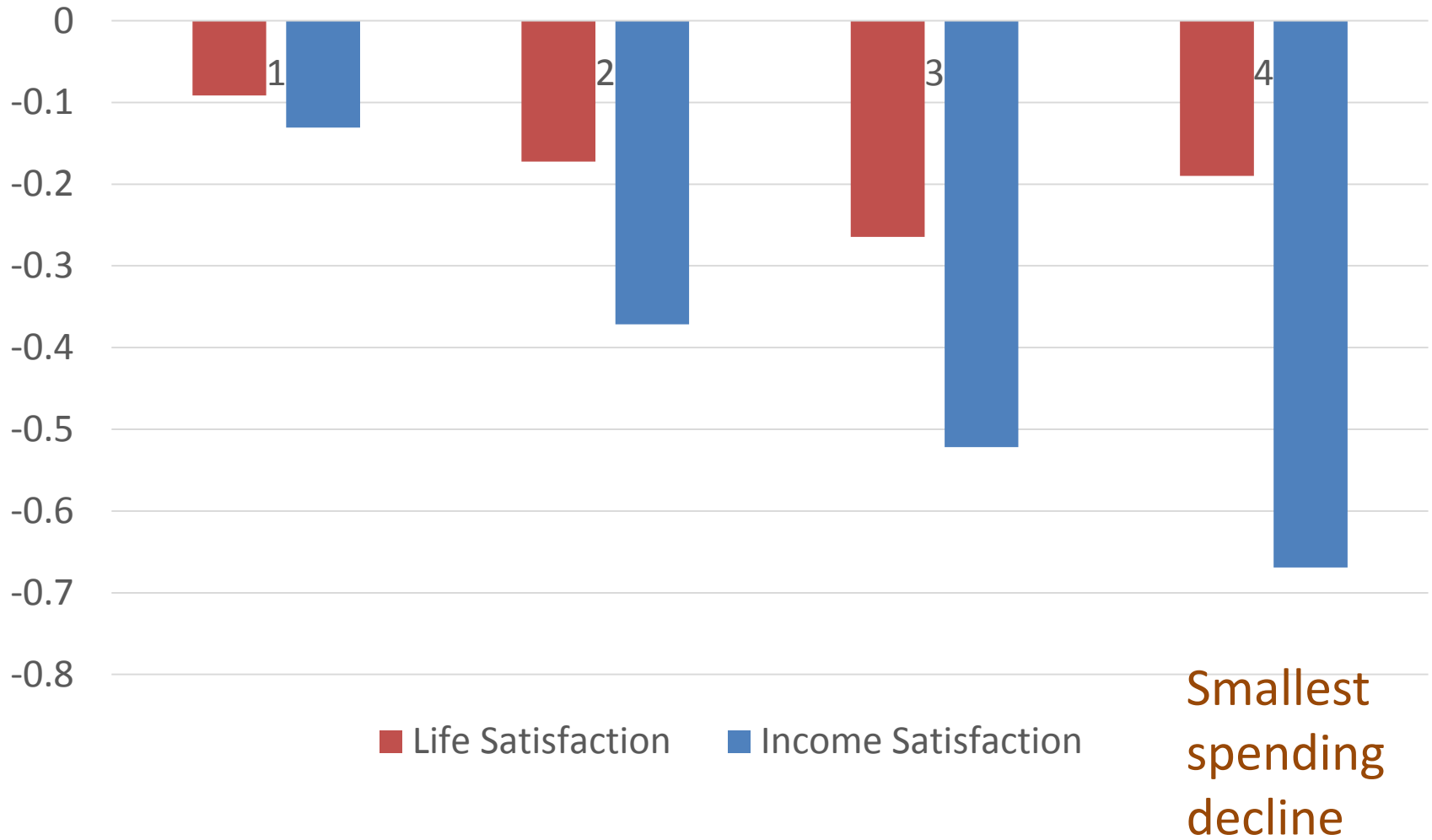
# Well-being following unemployment: wealth differences

- Analyze path of well-being by wealth quartiles
- Fit quartic (4<sup>th</sup> power) to time path by wealth quartile
  - Due to small sample size
- Life satisfaction and income satisfaction

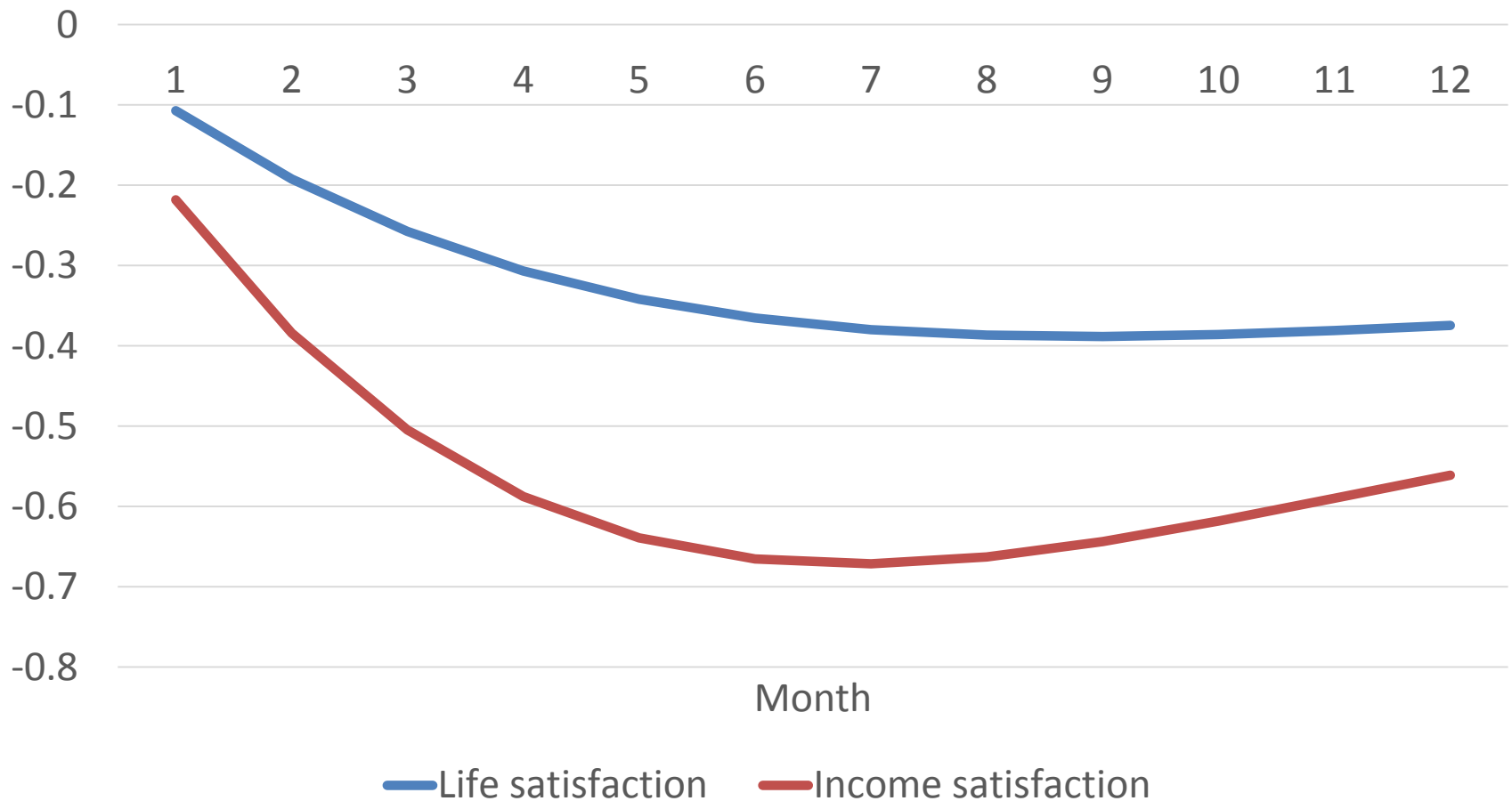
# Single persons life and income satisfaction following unemployment



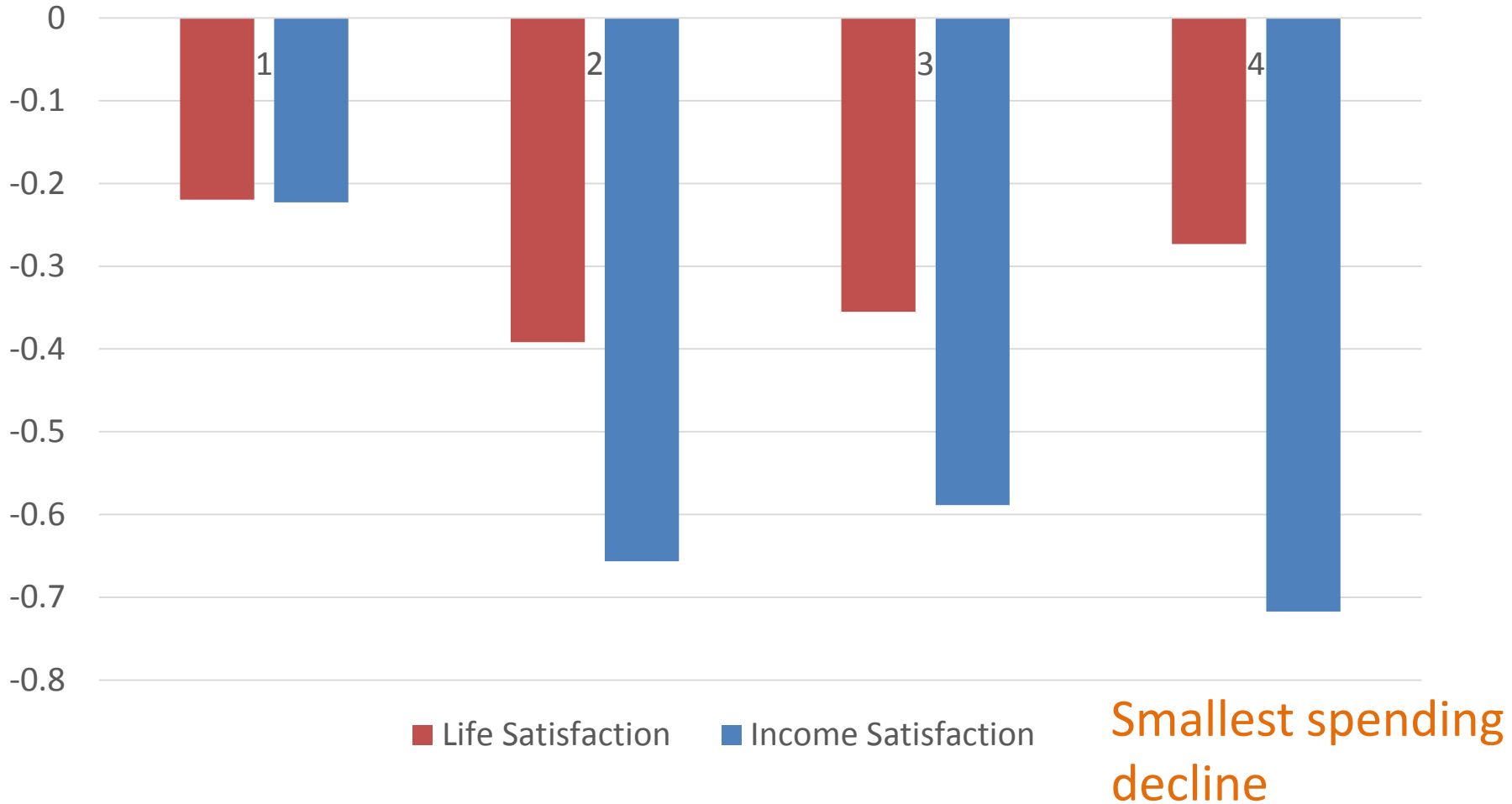
# Average 12-month change in satisfaction, singles, wealth quartiles



# Husband's life and income satisfaction following his unemployment



# Average 12-month change in satisfaction, husbands, wealth quartiles



# Summary

- Over almost three years
  - about 13% had some unemployment (excluding those with no labor force participation)
  - Monthly unemployment rate about 7%
- Consequences of unemployment depend on duration
  - Reduced spending
  - Reduced subjective well-being
- Wealth can buffer effects on spending
  - But not on well-being

Thank you for your attention