Are there negative health effects from losing the job? We analyze the causal effect of job displacement on diabetes type-2 incidence. Type 2 diabetes is an illness that is directly affected by lifestyle factors and psychosocial stress, and with severe side-effects deteriorating the quality of life. We use rich Swedish register data that allows us to identify workers displaced through downsizing of workplaces between 2004-2006, matched to information on diabetes status from the Swedish National Diabetes Register. As those displaced at large layoffs may still be a selective group with respect to health we control for a rich set of labor market, workplace and individual background characteristics. We find evidence of an increased risk to contract diabetes in the case an individual is displaced in a mass laid off: The effect particularly strong for women 3-6 years after the displacement. We also find that previous diabetes prevalence in the family increase the vulnerability, thus stressing the importance of a family component. However, few of the socioeconomic characteristics are important for the risk.