The Long-Term Labor Market Effects of Parental Unemployment

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I investigate the long-run impact of parental job loss around important decision milestones on children's long-run labor market outcome. Using the early tracking of children in the Austrian school system at age 10 to define such a milestone, I compare labor market outcomes until the age of 37 of children whose parents had an unemployment spell shortly before and after the track choice. Early parental unemployment lowers the child's probability of holding a university degree and this difference cannot be explained by different access to family resources. I show that early parental unemployment has a long lasting impact on children's unemployment days and income for those at the upper part of the distribution. A substantial share of these long-term losses can be explained by sub-optimal parental investment decisions at age 10.