

There is little doubt that our past experiences might have important long term implications. Such events as a serious health problem, an accident or significant financial difficulties can have their bearing on our lives after a number of years or even several decades. With growing availability of data at individual level there is more and more evidence confirming the role of major life events and their long-term implications. Naturally the experience of unemployment might also be considered as such life changing event. If unemployment spells have significant long-term implications, the costs of these experiences at individual and societal levels would go substantially beyond those associated directly with being out of the job for the specified period of time. It is thus important to understand the relationship between experiences of job losses and outcomes observed some years later to verify if such long term consequences exist, what is their nature and analyse if there are factors which could mediate the negative consequences in different areas of life. In this project our main objective is to understand the long-term consequences of the experience of unemployment in the early years of the economic transition from centrally planned to market economy in the early 1990s.

Since there is no data at individual level which would give us information on specific labour market experiences we will take advantage of the information collected in Poland and twelve other countries in Europe in the life-history part of the Survey of Health, Ageing and Retirement in Europe (SHARE). SHARE is an international survey focusing on individuals aged 50+. It is a longitudinal survey which collects information on the same individuals on regular intervals, usually every two years. Poland joined SHARE in its second wave in 2006/07 and participates in the current data collection in wave 6. Apart from these two waves data on Polish respondents is available also for waves 3 and 4. Wave 3 of the survey, SHARE-Life (2008/2009), collected information on life histories of the respondents covering such areas as family and marital history, residential mobility over the lifetime and health history. It also recorded very detailed labour market history including individual job spells and changes in labour market status as well as several main characteristics of all declared jobs. This information will allow us to examine details of employment histories of the Polish respondents across the transition threshold. Moreover, we will be able to link these life histories to current information on the same respondents. SHARE contains a very wide range of information which can be used to construct measures of quality of life in a number of important domains, such as health (physical and mental), material conditions and overall life satisfaction. Over the course of the project we shall construct a comprehensive set of such measures, on the one hand, to use them in the examination of long term effects of past job losses, and on the other, to examine the progress in the level of quality of life in Poland over time and across cohorts in an international comparison.

An important problem in the analysis of the consequences of past labour market experiences is the issue of potential correlation of factors which are unobserved to the researcher and which can affect both the probability of a job loss in the past and, say, poor health a number of years later. One such factor could be ability, as low ability might contribute to the probability of being fired and at the same time may affect health outcomes through life-style and health awareness. If such factors cannot be controlled for in the analysis we would associate job losses with poor health even if there in fact would be no direct causal link between them. In order to address this issue we will first of all examine a substantial set of characteristics available in the SHARE data (including proxies for ability). Secondly we will use econometric methods specifically designed to deal with this problem through the so-called "instrumental variable methods". As part of the project we will collect socio-economic information at regional level and use dynamics in employment in late 1980s and early 1990s. This regional data will be matched with individual level SHARE data and will help us identify the variation in the degree to which individuals were subjected to external economic shocks. This approach will allow us to identify a causal link between the experience of job losses in the early 1990s and wellbeing as measured in the current information in the SHARE survey.

The implications of our analysis will go beyond the specific case of Poland and the experience of the socio-economic transition, as the information on long term implications of labour market shocks could serve as evidence to support economic policy in other countries. It could in particular provide arguments with regard to the conduct of labour market policy in countries currently undergoing important socio-economic transformations and those which try to recover from the recent economic crisis.