

Effects of Mass Layoffs on Mental Health

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Abstract:

This paper provides insights into the issue of health costs associated with mass layoffs. We assess the impact of mass layoffs on mental health of stayers after downsizing. This analysis is based on French survey data matched with administrative health data registering mental health drug consumption prescribed by doctors for the period 2010-2013. Findings show that stayers after mass layoffs increase significantly their mental health drug use, which indicates a sizeable negative impact on their mental health status. Prescription medication rates, observed at a two-month frequency, increase by 41% in the group of stayers after the implementation of mass layoffs as compared with the pre-displacement period.

Further results show heterogeneous effects according to socioeconomic conditions: effects are more pronounced for workers in the lowest socioeconomic groups.

JEL: I10, J65

Keywords: mass layoffs, downsizing, mental health, mental health drug prescriptions