### Does intelligence shield children from the effects of parental unemployment?

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#### Research question
Parental job loss reduces children’s  
- education  
- labour-market outcomes  
- well-being, beliefs

**New evidence**  
How does intelligence change these effects?

#### Analysis

**Difference-in-differences framework**
Understanding Society (UK) data  
- wave 3 (2011-13)  
- parent unemp at age 14 ($UP$)  
- intelligence score ($IQ$)

#### Descriptive evidence

Gap = $\mathbb{E}[Y|UP=1] - \mathbb{E}[Y|UP=0]$

<table>
<thead>
<tr>
<th>Intelligence score terciles</th>
<th>Parent unemp</th>
<th>IQ</th>
<th>Parent unemp × IQ</th>
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</thead>
<tbody>
<tr>
<td>bottom</td>
<td>-0.085***</td>
<td>0.137***</td>
<td>-0.041***</td>
</tr>
<tr>
<td>middle</td>
<td>-0.099***</td>
<td>0.131***</td>
<td>-0.036***</td>
</tr>
<tr>
<td>top</td>
<td>-0.028***</td>
<td>0.095***</td>
<td>-0.033***</td>
</tr>
</tbody>
</table>

#### Results

- Parent unemp is more harmful for education of children with higher $IQ$  
- Children start at lower-paying jobs  
- Switch to stable and better-paying jobs later  
- Wages continue to suffer from foregone education

#### Conclusions

- Higher $IQ$ mitigates the effects of parental unemployment on labour supply and earnings  
- Start at lower-paying jobs and switch to better-paying over time  
- Wages continue to suffer from foregone earnings

#### References

