

Unemployment and mental health

The global recession has brought increased layoffs and a rise in the unemployment rate. In an earlier Issue Briefing, we looked at the evidence on the impact of recessions on workers' compensation claims (March 2009). In this note, we examine research findings on the effects of unemployment on mental health.

Researchers have been looking at how unemployment affects mental health since the Great Depression of the 1930s, if not earlier. One example is a 1938 review paper by Eisenberg and Lazarsfeld. They concluded that unemployment “tends to make people more emotionally unstable than they were previous to unemployment” (p. 359). There has been a great deal of research on the subject since then.

Sorting out the effects of unemployment on mental health is complicated by the fact that the cause-and-effect relationship can work in both directions: unemployment may worsen mental health, and mental health problems may make it more difficult for a person to obtain and/or hold a job. The latter is referred to as the “selection” effect. However, where data are available on the same individuals over time — which is called “longitudinal” data — it is possible to use statistical methods that sort out the causation. For example, researchers can control for the mental health of individuals before job loss to examine the effects of job loss on mental health. Not all studies do this: some just look at the relationship between unemployment and mental health at a point in time, in which case the findings can be difficult to interpret.

Theoretical considerations

When you lose your job, not only is your usual source of income gone, but also your personal work relationships, daily structures, and an important sense of self-purpose. Unemployment can be, and often is, a shock to your whole system. You can experience some of the same feelings and stresses that you would if you were seriously injured, going through a divorce, or mourning the loss of a loved one. You can go through some or all of the stages of grieving just as you would with any other major loss.

(Canadian Mental Health Association website, “Coping with Unemployment”: www.cmha.ca)

There are several ways that unemployment could lead to a worsening of mental health, as follows.

KEY MESSAGES

- There is clear evidence that becoming unemployed has a negative impact on mental health.
- There is also clear evidence that people with mental health problems are more likely than others to become unemployed.
- These findings add to the importance of helping laid-off workers find new jobs quickly. They also point to benefits, in terms of future employment, of helping workers to manage mental distress, and to the importance of adequate access to and levels of employment insurance benefits.

Standard of living

The loss of income that results from unemployment could lead to a decline in the standard of living of the individual or household. This, in turn, could affect health. “Income losses might force the unemployed to reduce their living standards drastically which, of course, could influence both the physical and mental health of unemployed workers” (Björklund, 1985, p.471).

The extent to which the standard of living declines depends on such factors as the unemployed person’s assets, the unemployment benefits available, the income and assets of other household members, and the duration of unemployment.

Insecurity of income

Even if there is no material deprivation, being unemployed could lead to anxiety about the length of income loss and the risk of a future drop in standard of living. Related to this anxiety is the possibility that joblessness can generate “a feeling that life is not under one’s control” (Darity and Goldsmith, 1996, p.123).

Of course, employed workers may feel insecurity to some degree, particularly temporary workers. “Those who are economically insecure, employed or unemployed, have a lower morale” (Eisenberg and Lazarsfeld, 1938, p.361).

Stigma and loss of self-esteem

Becoming unemployed can result in a drop in status among friends and family, and in the community at large. This can lead to a loss of self-esteem (Björklund, 1985).

Loss of social contacts

The loss of a job typically means a loss of contact with work colleagues and a shrinking of social networks. That loss of engagement and “social capital” can bring about a decline in personal well-being (Helliwell and Putnam, 2004).



The size of these potential effects of unemployment on mental health might vary with age and gender. For example, job loss could have a larger impact — through all of the above pathways — on prime-aged workers than on teenagers or young adults. Breslin et al. (2006), in summarizing previous research on the relationship between depression and activity limitations, noted that family and social events had more influence on the mental health of women than men, while work stress and financial difficulties appeared to have a greater impact on men's mental health.

The impact of unemployment on mental health might also vary with the duration of unemployment. There are competing theories about how it may vary. Some have argued that the trauma of job loss is most intense at the time it occurs, subsiding later. Others have pointed out that the stigma, social isolation, and (in some cases) material deprivation associated with unemployment are likely to be greater over time. As the Organisation for Economic Cooperation and Development (OECD) has pointed out (2008), it is plausible to combine these hypotheses into one U-shaped pattern: a large initial impact, tapering off over time, but growing again if the unemployment continues for a long period.

A 1933 study looked at a company town in Mariantal, Austria where almost all those with paid jobs became unemployed after the factory closed. The authors, Jahoda, Lazarsfeld and Zeisel, found that the closure initially produced a shock effect, with feelings of hopelessness, but that over time, most people adopted an attitude of resignation. The authors also noted that deteriorating economic conditions at the time put more people at risk of sliding into despair.

Defining “unemployed”

In studying this topic, it is also useful to distinguish unemployment from being out of the labour force. To be counted as unemployed, an individual must be actively looking for work. Those without paid employment who are not actively seeking a job are considered out of the labour force, or “inactive.” Some researchers refer to the combination of the unemployed and the inactive as the “non-employed.”

Some (but not all) forms of inactivity could have a similar impact on mental health as unemployment. In particular, people who really want paid work but have become so discouraged that they have stopped active job searching might fall into this category. Some studies compare the effects of unemployment and inactivity on mental health, and some group the unemployed together with people who are inactive or with the subset of them who are “discouraged” workers.

What does the evidence say?

There are many published studies of the relationship between unemployment and mental health. The vast majority of those that we reviewed found that unemployment adversely affects mental health.

One particularly helpful publication is a 1999 review paper by Murphy and Athanasou. They reviewed 16 longitudinal studies

published between 1986 and 1996 that looked at the effects on mental health, measured by standardized psychological tests, of moving from employment to unemployment or vice-versa. In all, 14 of the 16 studies showed a significant, negative association between unemployment and mental health: job loss reduced mental health; re-employment improved it.

Murphy and Athanasou acknowledged the risk of a “selection” effect in some of the studies they reviewed. However, several studies in the review addressed this by controlling for mental health status prior to job loss, or by excluding people with pre-existing health problems. All of these studies supported the conclusion that unemployment had a negative effect on mental health. The two highest quality studies, Graetz (1993) and Morrell (1994), which had large sample sizes and many controls for other variables likely to influence mental health, both supported this conclusion.

Research in this area has, of course, continued since this review paper. For example, Hamilton, Merrigan and Dufresne (1997) looked at factors affecting mental health among residents of east Montreal, aged 20–49, who were surveyed four times between 1985 and 1987. About half were unemployed or not in the labour force at the first survey date. (The unemployed and the “inactive” were grouped together in their analysis.) Hamilton et al. used a statistical technique to account for the bi-directional relationship between mental health and non-employment. They found that being unemployed or inactive was significantly and negatively associated with mental health. Other variables controlled included prior mental health, the number of other stressful events, age, gender, education and marital status. They also found evidence for a causal effect in the other direction: improved mental health significantly improved the likelihood of being employed.

Paid jobs differ in quality

Dooley, Prause and Ham-Rowbottom (2000) argued against simply comparing the unemployed with the employed, because paid jobs can differ greatly in quality. Poorer quality jobs are more likely to be associated with mental health problems than better quality jobs. This point implies that comparing all employment with the unemployed will underestimate the effects of losing a good job.

Dooley et al. addressed this issue by creating a category called “inadequate employment.” It was defined to include involuntary part-time work as well as work for very low wages. Low wages were defined with reference to the poverty threshold for single individuals in the U.S. If weekly earnings were not at least 25 per cent higher than the poverty threshold, wages were considered low. Dooley et al. defined the unemployed to include discouraged workers, but not other forms of inactivity. (Other non-employed individuals were recorded as out of the labour force.)

The focus of their study was the link between change in employment status and depression. They drew upon data from the National Longitudinal Survey of Youth in the U.S. Their study was based on about 5,000 respondents who were “adequately” employed in 1992, and who were interviewed in 1992 and 1994.

Dooley et al. found that becoming unemployed, inadequately employed or inactive were all significantly associated with increased depression compared with those remaining adequately employed. Being married reduced this impact, while being highly educated increased it. They also looked at the selection effect: being depressed at the first interview was significantly associated with the likelihood of becoming unemployed at the second interview. However, it was not significantly associated with the likelihood of becoming inadequately employed or inactive.

Ferrie, Shipley, Stansfeld and Marmot (2002) looked at feelings of job insecurity among employed workers. With controls in place for prior health status, they examined the health effects of self-reported job insecurity among British civil servants, measured at the

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beginning and end of a two-and-a-half year period. The greatest impact of job insecurity was on psychological well-being. Mental distress at the end of the period was highest for those reporting insecure jobs at both time points. Those reporting insecurity at one point, but not both points, also experienced significantly more distress than those reporting secure jobs at both times.

The Institute for Work & Health's research has also contributed to work in this area. In a 2003 paper, IWH Scientist Curtis Breslin and President Cameron Mustard looked at whether the impact of unemployment on mental health varied between young adults and those over age 30. Breslin and Mustard analyzed longitudinal data from the National Population Health Survey in Canada, from over 6,000 respondents aged 18-55. They were first interviewed in 1994-95 and followed up two years later. Breslin and Mustard separately examined the effects of causation (from unemployment to mental health problems) and of selection (from mental health problems to unemployment).

Mental health was measured in two different ways: with a six-item scale to assess mental distress or with another instrument to assess major depression. When testing the effects of causation, the researchers controlled for change in employment status, gender, age and initial mental health.

Breslin and Mustard found that becoming unemployed was associated with an increased likelihood of mental distress for the 31-55 age group, but not for the 18-30 age group. This is consistent with an earlier study by Clark and Oswald (1994), who found that the impact of unemployment on psychological distress was greatest for those aged 30-49.

Breslin and Mustard initially obtained similar results when measuring major depression. However, for both groups, becoming unemployed did not have a significant impact on the incidence of major depression when sociodemographic factors and initial depression levels were controlled. As well, people who were unemployed at both time periods did not show increasing distress over time.

There was evidence of a selection effect in both age groups: those with high mental distress initially were much more likely than others to become unemployed. (Results were not significant with depression as the measure of mental health.)

In its Employment Outlook 2008, the OECD examined many of these issues through an analysis of longitudinal data in five countries: Australia, Canada, Korea, Switzerland and the United Kingdom (U.K.). The OECD's analysis used statistical methods to sort out the possibility of a bi-directional cause-and-effect relationship between mental health and change in employment status. The results showed that moving from employment to unemployment or inactive status (out of the labour force) had a large, negative impact on mental health, with a larger impact on men than women. In Canada, Australia, the U.K. and Switzerland, the increase in mental distress was greatest when there was a change from employment to inactivity due to illness. A movement from employment to unemployment also had a significantly negative impact on mental health.

The OECD's analysis also found that when people's status changed from non-employment to employment, their mental health improved (with exceptions for men in Australia and women in Korea and Switzerland). In Canada, there were significant gains for both men and women, with somewhat greater gains for men.

Duration of unemployment mattered, but the impact varied across countries. For example, in the U.K., there was evidence of a "habituation" effect. Psychological distress was greater for those just unemployed or inactive than for those who had been unemployed or inactive for over two years. However, in Australia, long-term unemployment worsened mental health for males. (Duration analysis was not possible for Canada.)

Financial versus non-financial pathways for the effect of job loss

As outlined above, the impact of job loss on mental health could occur through both financial and non-financial effects, such as worries about income security, social stigma, loss of self-esteem and loss of social contacts. It is difficult to sort out the relative size of these effects, since they may occur at the same time. Several studies that have attempted this suggest that the non-financial pathways may be more important than the financial loss:

- The negative non-financial effects of unemployment far outweighed the drop in life satisfaction that could be attributed to loss of income, a German longitudinal study from 1984-1989 concluded. Winkelman and Winkelman (1998) looked at the effects of unemployment on self-reported life satisfaction of men aged 20-64. They also found that the size of the effect was unrelated to the duration of unemployment.

- The psychological costs of unemployment went beyond those arising from the loss of income, according to a study by Dollard and Winefield (2002). They reviewed theoretical and empirical literature on the relationship between various aspects of employment and unemployment and the mental health of workers.
- Unemployment was associated with much lower subjective well-being, and the reduction was much larger than would be expected just from the drop in income, Helliwell and Putnam (2004) found. They looked at determinants of subjective well-being, which was measured by self-reported happiness levels or self-reported life satisfaction. They used cross-sectional data from the World Values Survey, the U.S. Social Capital Benchmark Survey, and the Canadian Survey of Equality, Security and Community. Helliwell and Putnam suggested that this finding likely reflected a loss of “workplace social capital,” increases in family stress and loss of self-esteem.

Conclusion

There is much evidence that becoming unemployed has a negative impact on mental health. Fewer studies look at the impact of becoming inactive — leaving the labour force — but those that do also report a negative effect on mental health. There is also clear evidence of the reverse causality: people with mental health

problems are more likely than others to become unemployed. The evidence is unclear on whether and how the effect of job loss on mental health varies with the duration of unemployment. Most studies that look at workers’ ages conclude that unemployment’s impact is larger in the 30 to 50 or 55 age range than it is for younger adults. Based on the work of the OECD, it appears that unemployment has a greater effect on the mental health of men than women.

Policy implications

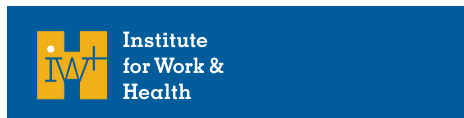
As noted by Dooley, Prause and Ham-Rowbottom (2000), since an adverse change in employment status increases the risk of mental health problems, and since mental health difficulties increase the risk of job loss, it is important not only to help laid-off workers find new jobs quickly, but also to help workers manage mental distress.

Since financial constraints are among the pathways from unemployment to mental health difficulties, adequate access to and levels of employment insurance benefits can be helpful in reducing the incidence of mental health problems among the unemployed and, thereby, facilitating re-employment.

One useful feature of the current employment insurance scheme in Canada is that a person who becomes ill while receiving regular benefits may receive sickness benefits that allow continued income support even if the individual is no longer able to work.

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