

Psychological Impacts of Unemployment – Evidence from the Literature

Asfiya Kidwai
Institute of Business Management

Zain Sarwar*
Institute of Business Management

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

In the past decade, after the global recession, the rate of unemployment increased exponentially. This high ratio of unemployment may have a number of psychological impacts among both males and females. Our methodology is based on secondary data gather from the literature of 2007 till 2015. This research explores the psychological impact of unemployment and aims to find out the reasons of those impacts. Some of the impacts identified include mental illness, social isolation, crime, and suicide.

Keywords: psychological disorders, mental illness, social isolation, crime, suicide and unemployment

1. INTRODUCTION

The Bureau of Labor Statistics (BLS) defines unemployment as people who do not have a job, have actively searched for it in previous four weeks, and are ready for work, In addition to that, people who for a time being were called off from the job but are expecting that they will be recalled for the job will also be counted in unemployment statistics. (Unemployment_define.html, 2015)

Since 1940s BLS is conducting its surveys on a monthly basis as a government's policy to the great depression. From 1948 till 2011 there were in total 10 recessions as quoted by the National Bureau of Economic Research. Out of these 10 recession the latest was between December 2007 till June 2009, when a general decrease in GDP and downturn of business cycle and overall reduction to the quantity of goods and services produced and sold was observed (US BLS recession, 2015)

The Great Depression of 1929, which lasted ten years. In 2008, the economy contracted .3%, and in 2009 it shrank 3.5%. (GDP product/depression,2015)

Unemployed usually feel worried about their new job; unemployment deals with different stages;

- **The first stage** is when the individual is usually in shock and he feels unbroken.
- **The second stage** is when individual becomes optimistic.

- **The third stage** is when individual becomes fatalistic. (Eisenberg & Lazarsfeld 1938).

Psychologists demonstrate that mental health is worsened by unemployment. Several studies ranging from the research papers in medicine to those in the social sciences and economics have shown that unemployment is associated with worse health outcomes e.g. Bjocklund et al. (1998); Mathers et al. (1998), Bockerman et al. (2009) Social isolation has been reported as a risk factor for psychosis, studies of the relationship between unemployment and mental health suggest that the opportunity for interpersonal contact may be an important contributing factor. Reininghaus et al.(2008). And in some cases it even convinces a person to commit crime and suicide. There is widespread concern that suicide rates might increase in countries affected by the global economic crisis, In view of evidence that economic downturns and associated rises in unemployment are followed by increases in suicide. Chang et al.(2013).

2. OBJECTIVES OF THIS STUDY

The main aim of this article is to analyze unemployment as the cause of increasing psychological disorders among individuals of all ages, focusing mainly on the increasing unemployment and worsening of mental health after the great depression of 2007. The article also focuses on determining the nature of the relationship between the two variables.

The objectives of the research are divided in a way to determine, firstly, how unemployment leads to poverty. Secondly, the effect of poverty and unemployment on individual's mental health problems like anxiety, depression, stress, social isolation, crime, and suicide.

3. MATERIALS AND METHODS

The methodology for this paper is based on secondary data from online peer-reviewed journal articles which have been thoroughly reviewed and analyzed. There is a wealth of information for the review of unemployment leading to psychological disorders since it is a current topic of interest for economics and psychology professionals. Articles from Google Scholar, American Psychology Association (APA), World Health Organization (WHO) and Bureau of Labor Statistics (BLS) were used for analyzing the literature and for determining the nature of relationship between unemployment, poverty, and psychological disorders. The Internet was used as a source because of its limitless networking of resources. Sources used from the internet were written by professionals in their respective fields and were published in recognized journals and on reliable sites.

The author evaluated the information with the following criteria:

- Articles must be published in English.
- The year of publication must be between 2007-2015

Few researchers were included from previous decades to establish foundational concepts. We selected 300 articles for title discussion out of which 200 were selected for the review of abstract. Furthermore, out of 200 articles 100 were selected for full paper review

4. FINDINGS AND DISCUSSION

Unemployment, particularly when unexpected or involuntary, a colossal body of logical facts demonstrates that unemployed people have the lower level of psychological well-being than those who are employed. Joblessness has been related alongside a number of psychological disorders such as anxiety, depression and other hazardous behaviors encompassing suicide (LexixNexix, 2009)

People everywhere are confronting job loss as the factories are going out of businesses. In January, 598,000 new people were unemployed in the United States for a finished joblessness rate of 7.6 %.

The total number of unemployed in 2009 was 11.6%, most forecasters explain that it will go much higher (Blog/anxiety,2009)

Many studies link the health effect of unemployment directly to financial problems. Due to financial problems in OECD countries, the world is face economic downturn since the 1930s. The impact of earlier increases in the cost of food and fuel are estimated to have topped more than 100 million people back into poverty (WHO, 2009) Jackson and warr report demonstrates in GHQ survey that there is a drastic change in family income in unemployed and employed individual Reininghaus et al. (2008)

In studies by White et al, demonstrate that borrowing money create depression as measured by the GHQ score (4 5), which was double that of those who did not have to borrow (2 0). These researchers also found that borrowing leads to deterioration in physical health Jackson et al.(1984). Many others documented that that saving should be replaced as it causes social isolation among unemployed people. Poverty sometimes acts as a stressor as it effects on mental health and it is a risk factor. Patel et al.(2003). According to the epidemiological survey, it demonstrates that lowest socioeconomic group usually faces major depressive disorder risk. The national Comorbidity survey shows higher risk in people out of work than those currently working. Goldberg et al..

The unemployed face risk of drinking, depression, and suicide. There is a decreased quality of mental health, life satisfaction, and objective physical well-being. The unemployed is usually worried about new job as it is a difficult time—but not an impossible one. (Blog/anxiety2009).

Research demonstrates that unemployment can cause depression. According to Gallup Inc. surveys 356,599 Americans in 2013 found high rates of depression in people who have been unemployed for a long period. 10.1% reported as being treated for depression. (WHO,2003).

In 2000, Death is 25th leading cause of suicide in Eastern Mediterranean Region (EMR) of the World (Cooper, J.. 2005). One of the risk factors is a mental disorder for suicide. Kaplan et al.(2005) For instance; the depression is the most important mood disorder that is strongly associated with suicide. Kreitman et al.(1991). It seems that lower groups experience more suicide. Gunnell et al.(2000) and the reasons are may be poverty and unemployment. Gunnell et al (1995). Poverty is easily understood as an individual-level risk factor, an ecological perspective on suicide that analyzes the problem at a community level also suggests that poverty, unemployment, and poor education are associated with higher suicide rates. Cooper et al.(2005). Studies have shown higher rates of mental disorders face the high rate of suicide because of unemployment. Croudace et al (2009), Whitey et al. (1999). Other studies point to broad social ills associated with long-term joblessness. **Loyola University of Chicago economist Timothy Classen and Texas A&M economist Richard Dunn** found that long-term unemployment causes higher rates of suicide.(WHO,2015)

Psychiatric epidemiological surveys since the late 1930s have reported higher rates of mental illness in low-income communities such as major mental illnesses called schizophrenia. Kaplan et al.(2005). Recent evidence suggests this is the case with other groups of psychiatric disorders as well. Reijnveld et al. (1998). Faris and Dunham in 1939 showed that schizophrenia was usually found in the inner city, lower socioeconomic areas of Chicago. This was supported by other studies followed. Gunnell et al (2000) Macroeconomic models of crime predict that an increase in the unemployment rate decreases the opportunity cost of crime, thus increasing the crime rate. Becker (1967) and Ehrlich (1973). UNODC (2005) report stated that crime was a cause of poverty and joblessness. Regier et al. (1993). Carmichael and Ward (2001) examine the relationship between male unemployment and crime in Britain from 1989 to 1996. They found that male unemployment is the most influencing factor to the crime rate in Britain. Kurvilla A et al. (2007). Unemployment correlates with poverty, which leads to crime. Blazer et al. (1994). The impact of poverty was found in the residents of a mental health care facility. Individuals reported difficulty meeting basic needs, such as clothing, shoes and personal care items and then they move towards crime. Tang et al. (2009).

Social isolation is a risk factor between unemployment and mental health suggest that the opportunity for contacting may be an important contributing factor twenty years ago. Warr found a link between the interaction with friends and level of mental health

in unemployed individuals. Thus, social isolation not only exert main effects but also interaction with each other. Reinighaus et al. (2008)

When we read about stress and crisis we often think that unemployment is both a stressor and a psychosocial crisis. A crisis is a turning point: an important, recessive situation. From a psychological point of view, the crisis is a traumatic and stressful change in a person 's life . It contains a danger and also a possibility . Csürke et al. (2009). Stress level is higher because of a poor financial situation of an unemployed person. Lazar (2006). Stress is held to affect physical health rather further down the line, as a result perhaps of chronology increased level of anxiety. Jackson et al. Around Six out of 10 unemployed faced anxiety which stopped them from sleeping well, around 41% people claimed that it stopped them from leaving the house, according to a survey report of prince trust charity demonstrated that young people become socially isolated. Around 20% people polled to the statement that they were "falling apart" 46% of unemployed avoid meeting new people, approximately 39% faced difficult to make eye contact with other people. Clark et al. (1987). Research shows long-term unemployment is associated with depression.

According to our perspective after analyzing the literature review of unemployment leading to psychological impacts an equation arises that:

Unemployment (DIRECTLY PROPORTIONAL) **Poverty** (DIRECTLY PROPORTIONAL)
Psychological impacts (RESULTING IN)

- Social Isolation
- Mental disorders
- Crime
- Suicide

Our equation is twofold. First, we analyze that how unemployment leads to poverty Since Unemployment is directly proportional to poverty. In the mid-1970s at the very time when prospects for full employment were about to disappear, the poverty commission identified unemployment as a major cause of poverty. About one in six (16.6 percent) of the unemployed were below the poverty line in 1972-73 (Peterson,2002). Lack of employment opportunities brings about mass poverty in most of the developing and developed countries of the world. "It takes time for **poverty** to recover after **unemployment** starts to go down," said LaDonna (2010). The unusually high unemployment of 2009 and the likely high unemployment of 2010 and later years point to near-term poverty rates much higher than the poverty rates of previous years.

Our second approach analyzes that how poverty leading to psychological disorders. The relationship between poverty and psychological health has been well studied and both have been proved as positively related. With an increase in poverty, the person's mental health keeps worsening. Living with persistent

poverty is toxic for one's psychological health. Studies examined the relation between poverty and psychological disorders conclude that income and poverty-related stress act as variables causing the wide range of psychological problems including anxiety, depression, aggression, social isolation, crime, and suicide. Bergen (2008) found that mental retardation occurs in three to five per 1,000 individuals in high-income countries but occurs in as much as 22 out of 1,000 individuals in developing countries. Hetzner et al.(2010) found that children from poor families are more likely to experience developmental delays than middle-class peers

The World Health Organization report on mental health states 'mental disorders occurs in persons of all genders, ages, and backgrounds. No group is immune to mental disorders, but the risk is higher among the poor, homeless, the unemployed, and persons with low education...

This equation clearly states that unemployment leads to a wide range of psychological problems including anxiety, depression, aggression, social isolation, crime, and suicide.

5. Results:

**6.1 Table 1:
Unemployment and Poverty**

Author	Year	Title	Key Points
Emily et al.	2010	Simulating the effect of the great depression on poverty	This paper analyze that the unemployment have dramatic impact on poverty over the several year
Crick and et al.	2010	Poverty and common mental in low and middle-income countries, A systemic review	This paper explains that poverty is leading to psychological disorders
Algis et al.	2013	Theoretical issue of relationship between unemployment poverty and crime in sustainable development	This paper analyzes the issues of relationship between unemployment and poverty which cause crime rate

Manuscript:

From the above mention papers and survey from literature review we analyze that unemployment leads to poverty which further leads to psychological disorders, hence unemployment is a major cause which should be taken into control otherwise poverty will increase which affect many individuals badly

**6.2 Table 2:
Unemployment and Psychological impacts**

Author	Year	Title	Key Points
LexixNexix	2009	The psychological impact of unemployment	Studies showed the effect of unemployment on mental health to explain the psychological distress ranging from mental disorders and abuse to commit violent crimes and suicide
And Reichert et al.	2009	The causal impact of fear of unemployment on psychological health	This paper analyzes the effect of Joblessness on psychological health, the result shows that increase in fear of unemployment decreases the mental health
Clarke et al	2009	Unemployment as a stressful life event	Mr. Csurke explains that crisis and a stressful change in a person life
GoldSmith et al.	2012	Exploring the link between unemployment and mental health outcomes	Our result shed light that long-term unemployment has large effect on mental health
John Hilsenrath	2014	Studies show a link between long-term joblessness and depression	According to Gallup survey, noted that unemployment cause variety of

			psychological impacts, including depression, anxiety, and low self-esteem
--	--	--	---

Manuscript:

From the above mentioned literature review, surveys, discussion, conclusion we analyze that unemployment is the root cause of psychological disorders such as depression, anxiety, bipolar, stress, mental illness, suicide crime and social isolation. So new policies should be implementing in order to cater to control the increasing rate of psychological disorders

6. CONCLUSION

Evaluated on the basis of scoping review, the evidence suggests strong, positive correlation between unemployment and many adverse mental health outcomes. This article is an attempt to summarize some pieces of useful and interesting information about one of the most dangerous problems in life, which is unemployment. The reason the author concentrated on this topic was to analyze unemployment as the cause of increasing psychological disorders amongst individuals of all ages, originating after the great depression of 2007. Psychological disorders are an extensive illness that affects millions of people worldwide every single year. The second reason that the author selected to write this review was to inspire researchers. . The unemployed are anticipated to display poorer mental condition, which is further worsened by poverty. Unemployment and poverty are playing major role in causing different levels of frustration, disappointment, depression, stress, social isolation, crime and suicide More research projects are needed to study the psychological aspects of unemployment and compare the results from the literature around the globe.

7. APPENDIX

1. Abstract
2. Introduction
3. Objective of this study
4. Materials and methods
5. Finding and Discussion
6. Results
 - 6.1 Table 1
 - 6.2 Table 2
7. Conclusion

8. Appendix
9. Acknowledgement
10. References

ACKNOWLEDGEMENT

Sincere gratitude is extended to the following who never ceased in helping until this paper is structured:

Prof. Dr. Lubna Baig, Dean and Director, APPNA institute of Public Health (AIPH), Jinnah Sindh Medical University for sharing their precious time and positive insights.

Dr. Mubashir Ali, faculty of College of Computer Science and Information Systems, for the unwavering guidance.

REFERENCES

- [1] Anndt Reichert et al 2009. The causal impact of fear of unemployment on psychological health .
- [2] Algis et al. 2013. Theoretical issue of relationship between unemployment poverty and crime in sustainable development.
- [3] Böckerman, P., & Ilmakunnas, P. (2009). Unemployment and self-assessed health: Evidence from panel data. *Health economics*, 18(2), 161-179.
- [4] Baron, S. W. (2008). Street Youth, Unemployment, and Crime: Is It That Simple? Using General Strain Theory to Untangle the Relationship 1. *Canadian Journal of Criminology and Criminal Justice/La Revue canadienne de criminologie et de justice pénale*, 50(4), 399-434.
- [5] Bradshaw, J., Cooke, K., & Godfrey, C. (1983). The impact of unemployment on the living standards of families. *Journal of social policy*, 12(04), 433-452.
- [6] Blazer, D. G., & Kessler, R. C. (1994). The prevalence and distribution of major depression in a national community sample: the National Comorbidity Survey. *Age (years)*, 15(24), 24-7
- [7] Bergen, D. C. (2008). Effects of poverty on cognitive function A hidden neurologic epidemic. *Neurology*, 71(6), 447-451 Blog anxiety-file/2009
- [8] Crick lond et al 2010. Poverty and common mental in low and middle income countries.
- [9] Csurke et al 2009. Unemployment as a stressful life event

- [10] Chang, S. S., Stuckler, D., Yip, P., & Gunnell, D. (2013). Impact of 2008 global economic crisis on suicide: time trend study in 54 countries. *Bmj*, 347, f5239
- [11] Cooper, J., Kapur, N., Webb, R., Lawlor, M., Guthrie, E., Mackway-Jones, K., & Appleby, L. (2005). Suicide after deliberate self-harm: a 4-year cohort study. *Suicide*, 162(2).
- [12] Croudace, T. J., Kayne, R., Jones, P. B., & Harrison, G. L. (2000). Non-linear relationship between an index of social deprivation, psychiatric admission prevalence and the incidence of psychosis. *Psychological medicine*, 30(01), 177-185.
- [13] Clark, M. (1978). The Unemployed on Supplementary Benefit: Living Standards and Making Ends Meet on a Low Income. *Journal of social policy*, 7(04), 385-410.
- [14] Emily et al 2010. Simulating the effect of the great depression on poverty.
- [15] Eckholm, E. (2010). Recession raises poverty rate to a 15-year high. *New York Times*, 16.
- [16] Faris, R. E. L., & Dunham, H. W. (1939). Mental disorders in urban areas: an ecological study of schizophrenia and other psychoses
- [17] Gunnell, D. J. (2000). The epidemiology of suicide. *International review of psychiatry*, 12(1), 21-26.
- [18] Gunnell, D. J., Peters, T. J., Kammerling, R. M., & Brooks, J. (1995). Relation between parasuicide, suicide, psychiatric admissions, and socioeconomic deprivation. *Bmj*, 311(6999), 226-230.
- [19] Goldberg EM, Morrison SL. Schizophrenia and social class. *Br J Psychiatry* 1963;109:785–802
- [20] Goldsmith et al 2012. Exploring the link between unemployment and mental health.
- [21] http://useconomy.about.com/od/supply/f/unemploy_define.htm (Accessed on 15 May, 2015)
- [22] http://useconomy.about.com/od/supply/f/unemploy_define.htm (Accessed on 15 May, 2015)
- [23] <http://useconomy.about.com/od/grossdomesticproduct/f/Depression.htm> (Accessed on 15 May, 2015)
- [24] http://useconomy.about.com/od/grossdomesticproduct/a/recession_histo.htm Accessed on 15 May, 2015)

- [25] Hetzner, N. P., Johnson, A. D., & Brook-Gunn, J. (2010). Poverty, Effects of on social & emotional development. In S. Jarverla (Ed.), *Social & Emotional Aspects of Learning*. Elsevier, Ltd: Kindlington, Oxford.
- [26] Jackson PR, Warr PB. Unemployment and psychological illhealth: the moderating role of duration and age. *Psychol Med* 1984;14:605-14.
- [27] Jütting, J. P., & Laiglesia, J. R. (2009). Employment, poverty reduction and development: What's new. *Is informal normal*, 17-26.
- [28] John Hilsenrath 2014. Studies show a link between long term joblessness and depression.
- [29] Krug, E. G., Mercy, J. A., Dahlberg, L. L., & Zwi, A. B. (2002). The world report on violence and health. *The lancet*, 360(9339), 1083-1088.
- [30] Kaplan & Sadock's comprehensive textbook of psychiatry. Vol. 1. Philadelphia, PA: lippincott Williams & wilkins, 2005.
- [31] Kreitman, N., Carstairs, V., & Duffy, J. (1991). Association of age and social class with suicide among men in Great Britain. *Journal of epidemiology and community health*, 45(3), 195-202.
- [32] Kuruvilla, A., & Jacob, K. S. (2007). Poverty, social stress & mental health. *Indian Journal of Medical Research*, 126(4), 273.
- [33] Lexixnexix 2009, psychological impacts of unemployment
- [34] Patel, V., & Kleinman, A. (2003). Poverty and common mental disorders in developing countries. *Bulletin of the World Health Organization*, 81(8), 609-615.
- [35] Peter Saunders (2002). The Direct and Indirect Effects of Unemployment on Poverty and Inequality. Social policy research Centre (SPRC) Discussion Paper No.118. <https://www.sprc.unsw.edu.au/media/SPRCFile/DP118.pdf>
- [36] Reininghaus, U. A., Morgan, C., Simpson, J., Dazzan, P., Morgan, K., Doody, G. A., ... & Craig, T. K. (2008). Unemployment, social isolation, achievement–expectation mismatch and psychosis: findings from the ÆSOP Study. *Social psychiatry and psychiatric epidemiology*, 43(9), 743-751.
- [37] Reijneveld, S. A., & Schene, A. H. (1998). Higher prevalence of mental disorders in socioeconomically deprived urban areas in The Netherlands: community or personal disadvantage? *Journal of Epidemiology and Community Health*, 52(1), 2-7.

- [38] Regier, D. A., Farmer, M. E., Rae, D. S., Myers, J. K., Kramer, M. R. L. N., Robins, L. N., ... & Locke, B. Z. (1993). One-month prevalence of mental disorders in the United States and socio demographic characteristics: the Epidemiologic Catchment Area study. *Act Psychiatric Scandinavia*, 88(1), 35-47.
- [39] Santiago, C. D., Wadsworth, M. E., & Stump, J. (2011). Socioeconomic status, neighborhood disadvantage, and poverty-related stress: Prospective effects on psychological syndromes among diverse low-income families. *Journal of Economic Psychology*, 32(2), 218-230.
- [40] Saunders, P. (2002). The direct and indirect effects of unemployment on poverty and inequality. *Australian Journal of Labour Economics*, 5(4), 507.
- [41] Tang, C. F. (2009). The linkages among inflation, unemployment and crime rates in Malaysia. *International Journal of Economics and Management*, 3(1), 50-61.
- [42] US Bureau of Labor Statistics, The recession of 2007-2009, February, 2012, http://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf
- [43] Vroman, W. (2010). The Great Recession, Unemployment Insurance and Poverty.
- [44] World Health Organization. (2009). The financial crisis and global health: report of a high-level consultation, Geneva, Switzerland, 19 January 2009.
- [45] Whitley, E., Gunnell, D., Dorling, D., & Smith, G. D. (1999). Ecological study of social fragmentation, poverty, and suicide. *BMJ*, 319(7216), 1034-1037.
- [46] Weich, S., & Lewis, G. (1998). Poverty, unemployment, and common mental disorders: population based cohort study. *Bmj*, 317(7151), 115-119.
- [47] White, M. (1991). *Against unemployment* (Vol. 686). London: Policy Studies Institute.
- [48] World Health Organization. Investing in mental health, 2003. http://www.who.int/mental_health/media/investing_mnh.pdf (Accessed on 15 May, 2015)
- [49] World Health Organization. Investing in mental health.2003. http://www.who.int/mental_health/media/investing_mnh.pdf