



The scarring effect of unemployment throughout adulthood on psychological distress at age 50: Estimates controlling for early adulthood distress and childhood psychological factors

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ABSTRACT

Unemployment is an established predictor of psychological distress. Despite this robust relationship, the long-term impact of unemployment on human welfare has been examined in relatively few studies. In this investigation we test the association between the life-time duration of unemployment over a 34 year period from 1974 to 2008 and psychological distress at age 50 years in a sample of 6253 British adults who took part in the National Child Development Study (NCDS). In addition to adjusting for demographic characteristics, we account for the role of childhood psychological factors, which have been shown to predict adult occupational and mental health outcomes and may determine the connection between unemployment and distress. We find that intelligence and behavioral/emotional problems at age 11 predict both unemployment and psychological distress later in life. Furthermore, as predicted, the duration of unemployment throughout adulthood was associated with elevated levels of psychological distress at age 50, after adjusting for demographic characteristics including labor force status at age 50. The emotional impact of unemployment was only marginally attenuated by the inclusion of childhood factors and early-life distress levels in the analyses. Thus, unemployment may lead to worsening distress levels that persist over time and which cannot be attributed to childhood or early-life well-being or cognitive functioning early in life. Our analysis further supports the idea of psychological scarring from unemployment and the importance of employment outcomes for adult well-being.

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Introduction

The 2007 financial crisis and subsequent deep recession have led to a substantial increase in unemployment levels. At the end of 2007 the unemployment rate in both the UK and the US was 5% (OECD, 2010; U.S. Bureau of Labor Statistics, 2011). Joblessness has since grown to over 8% in the UK and the US, with young adults bearing the greatest part of this burden (Bell & Blanchflower, 2011). Similar effects have been seen across the developed world with many countries experiencing 2–3 fold increases in unemployment. Emerging evidence suggests that the recent rise in unemployment may have had adverse psychological effects such as an increase in alcoholism and suicide (Stuckler, Basu, Suhrcke, Coutts, & McKee, 2009, 2011). However, the ways in which the current economic

downturn may affect well-being in the longer term are unclear. A particularly worrying possibility is that unemployment could lead to permanent psychological scars in the form of reduced well-being later in life (Clark, Georgellis, & Sanfey, 2001). The current study aims to identify whether unemployment may have a long-run effect on later life psychological distress that is distinct from influential confounding variables.

In prior studies, investigators have utilized a variety of research designs to test the immediate impact of unemployment on well-being. Cross-sectional studies have shown that a strong association exists between unemployment and psychological well-being (Wanberg, 2012). However, cross-sectional studies can rarely rule out the possibility that people with worse mental health are selected into unemployment. To account for the role of selection, longitudinal studies have examined the short term effects of transitions from employment to unemployment and unemployment to employment (McKee-Ryan, Song, Wanberg, & Kinicki, 2005). Such longitudinal studies, while they have the potential to demonstrate a causal link, are not necessarily sensitive or timely enough to

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distinguish fluctuations in distress brought on by anticipation of unemployment or employment rather than unemployment and employment in their own right. For example, a recent meta-analytic review of longitudinal studies showed that those who lost their jobs had worse mental health than other employees prior to unemployment (Paul & Moser, 2009). Due to the restricted duration of the studies reviewed it is unclear if the low levels of well-being observed prior to unemployment can be attributed to anticipation of unemployment or selection into unemployment.

A small set of longitudinal studies have attempted to account for participants' well-being several years prior to unemployment in order to establish a more accurate account of the immediate psychological effect of leaving the labor force (Goldsmith, Veum, & Darity, 1996; Montgomery, Cook, Bartley, & Wadsworth, 1999; Winkelmann & Winkelmann, 1998). For instance, Montgomery et al. (1999) use the British National Child Development Study (NCDS) to show that the onset of depressive symptoms requiring medical attention was preceded by unemployment in the previous year. Importantly, this study adjusted for participants' pre-existing vulnerability to poor mental health in adulthood and childhood. This and other carefully designed longitudinal studies (e.g. Bell & Blanchflower, 2009) provide robust evidence that the lower well-being experienced in the aftermath of unemployment cannot be entirely attributed to selection effects. Rather, leaving the labor force appears to have a direct detrimental effect on human welfare.

Whether the adverse psychological effects of unemployment are sustained over time, potentially producing long-term scarring effects on well-being remains an important question. Unemployment has been shown to make a distinct contribution to later life well-being over and above later experiences of unemployment (Clark et al., 2001; Gallo et al., 2006). However, as yet, studies have not adequately accounted for the role of early life behavioral, emotional, and cognitive difficulties in explaining longitudinal change in well-being. It is essential to consider the role of childhood psychological factors as these may determine later life socioeconomic status, psychological distress, and their interrelation (Deary et al., 2005; Goodman, Joyce, & Smith, 2011; Zammit et al., 2004).

The impact of childhood mental health on outcomes such as adult education and income has been the focus of considerable investigation in the economics literature. For example, Farmer (1995) used data from the British NCDS and found that boys who had externalising behavior problems had lower earnings, lower levels of educational attainment and were less likely to be employed at age 23. In a study which retrospectively asked individuals about their mental health during childhood, Smith and Smith (2010) calculated that the cost of mental health problems in childhood was on average \$300,000. Goodman et al. (2011) used the NCDS to establish that children who had poor mental health in childhood had incomes which were 14–18% lower than controls in adulthood. It is therefore likely that childhood emotional and behavioral problems may increase the likelihood of unemployment later in life.

Furthermore, children who display excessive externalising (such as aggressive and anti-social behavior) or internalising behavior (such as withdrawal, anxiety, depression and somatic complaints) early in life have been shown to go on to experience psychological distress and specific psychiatric problems later in life (Caspi, Moffitt, Newman, & Silva, 1996). Thus, an association between unemployment and subsequent low well-being may mask the unfolding of patterns of childhood maladjustment that may draw people out of the labor force and into poor mental health. Similarly, emerging evidence points to the importance of childhood intelligence as a potential determinant of both later life occupational status (Deary et al., 2005; Nettle, 2003) and mental health outcomes (Koenen et al., 2009; Zammit et al., 2004). However, the extent to which the link between unemployment and well-being

can be accounted for by intelligence levels in childhood is unclear. The evolving work on the development of cognitive and non-cognitive traits by Heckman, Stixrud, and Urzua (2006) points to the importance of dynamic development of these traits from childhood. By including a model of scarring along with a full set of measures of early conditions, we provide an empirical bridge between these two important and largely unconnected literatures.

Thus, the current paper aims to enhance understanding of the potential long-term effects of life-time unemployment levels on psychological distress among middle-aged adults while controlling for childhood psychological factors that may be the source of adult unemployment outcomes, distress, and covariance between both outcomes. Our study is conducted through a number of stages. Firstly, we replicate standard models of the association between unemployment and the psychological distress of adults. Secondly, we examine the extent to which the duration of unemployment throughout adulthood influences distress at age 50, a test of the 'scarring' hypothesis. Thirdly, we evaluate the degree to which controlling for childhood maladjustment and intelligence influences the relationship between unemployment and distress. Finally, we examine the extent to which controlling for early-life adult distress influences the estimates of the effects of unemployment on psychological distress.

Method

Study population

Participants were drawn from the National Child Development Study (NCDS), an ongoing longitudinal study of a cohort of 17,634 children born in Britain during the week of 3rd–9th of March 1958. To date there have been eight follow-up sweeps that have traced members of the cohort throughout childhood (age 7, 11, and 16 years) and into adulthood (age 23, 33, 42, 46, and 50 years). The current study aimed to test the relation between the duration of unemployment from age 16 to 50 and experiences of psychological distress at age 50, adjusting for a range of potential confounding factors including childhood behavioral and emotional factors and cognitive ability at age 11, distress at age 23, and demographic characteristics including unemployment at age 50 years. This analysis required data from six sweeps of the NCDS (ages 11, 23, 33, 42, 46, and 50).

The final sample was composed of 6253 cohort members with available life-time unemployment data, combined with data detailing childhood intelligence and behavior problems, distress at age 23 and a comprehensive set of demographic and background control variables provided at age 50 years. NCDS has very low attrition and this has been analyzed in a number of other papers. Hawkes and Plewis (2006) show that there is very little evidence for differential attrition based on observable socioeconomic characteristics. While unemployment is a statistically significant component of drop-out by wave 6, the mean predicted probabilities of being a non-respondent from a model including unemployment and several other demographic variables are .130 for the non-responders and .105 for the responders. As the current study utilized secondary data it was exempt from the ethical review process of the Stirling Management School Ethics Committee.

Measures

Childhood behavioral and emotional problems

Behavioral and emotional problems at age 11 years were assessed using the Bristol Social Adjustment Guide, a teacher-rated measure which identifies emotional maladjustment and behavioral difficulties in school-aged children (Stott, 1969). In this study we

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