



What childhood characteristics predict psychological resilience to economic shocks in adulthood?



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ABSTRACT

This paper investigates whether people's psychological resilience to one of the most important economic shocks – job loss – can be predicted using early childhood characteristics. Using a longitudinal data that tracked almost 3000 children into adulthood, we showed that the negative effect of unemployment on mental well-being and life satisfaction is significantly larger for workers who, as adolescents, had a relatively poor father-child relationship. Maternal unemployment, on the other hand, is a good predictor of how individuals react psychologically to future unemployment. Although the results should be viewed as illustrative and more research is needed, the current article provides new longitudinal evidence that psychological resilience to job loss may be determined early on in the life cycle.

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1. Introduction

There is a growing body of literature in economics over the last decade on the causes and consequences of human psychological resilience, i.e. the evidence of a lower volatility in well-being and a quick return to a baseline level of happiness following a significantly bad life event (Graham & Oswald, 2010; Perez-Truglia, 2012; Rayo & Becker, 2007). This recent surge of interest among economists is fuelled by the releases of new longitudinal evidence of people adapting quickly and completely in terms of mental well-being and life satisfaction to negative life shocks, including adaptation to unemployment, disability, and bereavement (Clark, Diener, Georgellis, & Lucas, 2008; Frijters, Johnston, & Shields, 2011; Oswald & Powdthavee, 2008), as well as by the potential implications of how people adapt to bad shocks in life have in public policy and welfare evaluation (Frederick & Loewenstein, 1999; Layard, 2006; Loewenstein & Ubel, 2008).

According to psychologist George Bonanno (2004), psychological resilience in adulthood is defined as,

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“the ability of individuals in normal circumstances who are exposed to isolated and potentially highly disruptive event such as the death of a close relation or a violent or a life-threatening situation to maintain relatively stable, healthy levels of psychological functioning ... as well as the capacity for generative experiences and positive emotions. (pp. 20–21).”

As one of the leading scholars in this area, Bonanno and colleagues have documented evidence that, on average, people are remarkably resilient to bereavement (Bonanno et al., 2002; Bonanno, Moskowitz, Papa, & Folkman, 2005) and, more recently, to direct exposure of the September 11th, terrorist attack in 2001 (Bonanno, Rennie, & Dekel, 2005; Bonanno, Galea, Buccoarelli, & Vlahov, 2006). Using a measure of posttraumatic stress disorder (PTSD) as the outcome variable of interest, they were able to show that although an average adult tends to experience some short-term drop in his emotional and physical well-being following a traumatic event, his reactions to it tend to be relatively brief and usually do not impede his ability to function to a significant degree.

While studies by Bonanno and other scholars¹ have shown that evidence of psychological resilience to traumatic events is common, little continues to be known about the heterogeneity and the determinants of the heterogeneity that forms the average (Bonanno, 2005). For instance, such questions as ‘Why are certain individuals better than others at bouncing back from a bad life event?’ and ‘Why are they initially hurt less by such a shock?’ continue to be imperfectly understood.

There is little theoretical work on psychological resilience. One of the more notable studies is the work by economists Graham and Oswald (2010), in which psychological resilience is conceptualized as a by-product of how much stock of hedonic capital the individual has accumulated over the years. According to them, their definition of hedonic capital could include

“social relationships with partners, friends and colleagues; health; self-esteem; status; and meaningful work. For some people, religious faith may also play a part. These things are stocks in that they rely on past inputs and are carried across time periods. (p. 373).”

What this implies is that our ability to cope with stress and adversity could have been accumulated early on in our childhood, and if we have lost a lot of psychological resources while we were young, it is likely that we will grow up to be less psychologically resilient in the future.

The conceptual framework of Graham and Oswald's model is arguably implicitly embedded in the household production model developed by Becker (1981) and the technology of skill formation model developed by Cunha and Heckman (2007). According to these models, early family and school inputs play a very important role in determining outcomes in adulthood, including cognitive and non-cognitive skills, earnings, employment, marital stability, health, and satisfaction with life overall.² It is thus possible that individual's ability to cope with stress and adversity is also determined in the same way as cognitive and non-cognitive skills. What this implies is that we may be able to use measures of family and school inputs, as well as indicators of different experiences in childhood and adolescence, to predict the extent of psychological resilience in adulthood.

The empirical evidence in this area comes primarily from studies in the psychology literature.³ Findings range from the experiences of adversity in childhood – e.g. from having been sexually abused or a victim of violent crime – being detrimental (Compas, Howell, Phares, Williams, & Guinta, 1989; Enoch, 2011; Flores, Cicchetti, & Rogosch, 2005) to its having a positive influence on later resilience (DuMont, Widom, & Czaja, 2007; Flynn & Biro, 1998; Flynn, Ghazal, Legault, Vandermeulen, & Petrick, 2004). A number of studies, however, have reported having a good parent-child relationship to be one of the single most important moderators of adverse life events on child resilience and resilience in adulthood (DuMont et al., 2007; Masten, Best, & Garmezy, 1990). In addition to this, Brennan, Brocque, and Hammen (2003) have found that low levels of parental psychological manipulation, high levels of maternal warmth, and low levels of maternal overinvolvement all interacted with maternal depression to predict resilience outcomes in youth. Other studies have found objective measures of life successes which may have been accumulated since childhood such as income and wealth to have a protective effect on people's risk of developing a post-traumatic stress disorder (PTSD) following a negative life event such as the September 11th attacks and a death of loved ones (Bonanno, Galea, Buccoarelli, & Vlahov, 2007; Galatzer-Levy & Bonanno, 2012; Hobfoll, 2002).

The current paper contributes to the economics literature on psychological resilience by asking a relatively unexplored question: Can certain childhood characteristics predict the extent of the psychological cost to one of the most important economic shocks, i.e. job loss? We know from previous studies in the well-being literature that unemployment induces, on average, one of the largest negative effects on individual's mental well-being and life satisfaction (e.g. Clark & Oswald, 1994; Darity & Goldsmith, 1996; Powdthavee, 2012; Winkelmann & Winkelmann, 1998). When economists have started looking more closely at the data, however, they found the negative effect of unemployment on individual's psychological well-being is significantly smaller in areas of high unemployment rates (Clark, 2003; Clark, Knabe, & Rätzl, 2009; Powdthavee, 2007). What this implies is that other people's unemployment has a stress-buffering effect on individual's own unemployment. Although this finding of unemployment as a social norm supports the idea that people from different contexts and backgrounds may react emotionally differently to becoming unemployed, the empirical evidence is small and the nature of the phenomenon continues to be imperfectly understood in the economics literature.

¹ See, e.g. Freedy, Shaw, Jarrel, and Master (1992), Galea et al. (2002) and Boscarino et al. (2004).

² For empirical evidence of this, see, e.g. Todd and Wolpin (2007), Cunha, Heckman, and Schennach (2010) and Frijters, Johnston, and Shields (2014).

³ For a few exceptional studies in the economics literature, see the work by Clark and Lelkes (2005) and Boyce and Wood (2011) who found religion and personality traits help buffer shocks on individual's well-being.

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