Freud (1961) argued that the two great wellsprings of mental health are love and work. If Freud is correct, then job loss—the loss of one’s work—may entail human disruption and pain worthy of our attention and understanding. In what follows we review research and theory on job loss, especially as it influences well-being, and in so doing, consider the evidence available concerning Freud’s assertion about the importance of work for mental health. We begin by identifying three orienting assumptions that inform our review of job loss.

First, we consider job loss to mark a transition in the life course. Life transitions are not discrete events. They are processes marked by a beginning, or entry and an ending or exit. As people attempt to negotiate life transitions, their sense of purpose and agency becomes closely tied to their social context (Elder & O’Rand, 1995). Therefore, an analysis of the transition sparked by job loss must pay close attention to both the individual and the social context.

Second, we regard job loss as a network event, rather than as a loss with consequences only for the individual. For example, we expect that family ties, friendship networks, and other aspects of the job loser’s social network are critically implicated in the job loss and its consequences. Job loss and the many other events it triggers reverberate through the social network and family relationships of the person, sometimes producing a cascade of subsequent strains in personal and family relationships.

Third, and building from the last point, we assume that the impact of job loss will differ for the individual depending on the type and quantity of personal and social resources available and how those resources are mobilized to cope with the loss. In line with this assumption, we suggest that intentionally designed organizational efforts to aid the individual in mobilizing their resources to make the transition back to employment can be of real benefit.

In the remainder of the chapter we will try to assess the validity of Freud’s observation and offer suggestions for how the loss of work may be related to the

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loss of mental health. We will begin with a brief review of what is known about the impact of job loss. While a number of reviews have documented an extremely wide range of impacts of job loss, ranging from increased risk for traffic accidents to increased crime (Leigh & Waldon, 1991; Catalano, Dooley, Novaco, & Wilson, 1993), we will confine our review primarily to physical health, mental health, and economic impacts on individuals and families. We will briefly examine two of the important early theoretical interpretations of people's reaction to job loss. These early accounts foreshadow two of the recent research streams that have linked the economic and identity implications of job loss to the health of job losers. The next section of the paper will examine these two separate streams of research. After reviewing that research, we will consider some ways in which these two streams may be combined to provide us with a fuller and more detailed account of the impact of job loss. Finally, we will consider how this synthesis of theory and research illuminates how people may make the transition back to employment or into other life trajectories.

DOCUMENTING THE IMPACT OF JOB LOSS ON INDIVIDUALS AND FAMILIES

In the modern economy, job loss is a pervasive phenomenon. As economic changes trigger workplace shutdowns and reductions in the work force, large numbers of workers who would never have thought themselves vulnerable in the past are experiencing job loss (Price, 1990). According to a report by the Organization for Economic Cooperation and Development for the year of 1994, approximately 8 million people were unemployed in the United States (OECD, 1995). Of those 8 million people, between sixty and sixty-five percent of them were unemployed because they lost their jobs (U.S. Department of Labor, 1995).

Findings from the Great Depression to the present have documented the psychological and social costs of job loss for the unemployed person, for individual members of the person's family, and for the family as a whole (for a recent review, see Dew, Penkowski, & Broeml, 1991). Though it is clear that some people may lose their jobs because of previous mental health problems, several studies have demonstrated that job loss produces mental health problems that extend significantly beyond any prior problems (Dooley, Catalano, & Wilson, 1994; Kessler, Turner, & House, 1987).

Job loss has adverse effects on the job seeker's social and psychological functioning (Vinokur, Caplan, & Williams, 1987). Research indicates that job loss leads to increased depressive symptoms (Catalano, 1991; Catalano & Dooley, 1977; Kessler, Turner & House, 1988; 1989), increased anxiety (Catalano, 1991), decreased subjective perceptions of competence (Warr, Jackson, & Banks, 1988), and decreased self-esteem (Jackson & Warr, 1984). Job loss is also associated with increased risk of suicide attempts (Platt & Kreitman, 1985), increased risk of alcohol abuse (Catalano, Dooley, Wilson, & Hough, 1993), and increased propensity for violent behavior (Catalano, Dooley, Novaco, & Wilson, 1993).

The effects of job loss are not limited to the lives of the individuals who lose their jobs. Job loss also affects members of the job seeker's family (Dew et al., 1991; Elder & Caspi, 1988). For example, the job seeker's increased propensity for aggressive, even violent, behavior often manifests itself in the context of the family. Positive correlations have been found between job loss and both spousal abuse (Windschuttle, 1980) and child abuse (Gill, 1970; Parke & Collmer, 1975). Also, research indicates that the wives of job losers have a higher prevalence of psychiatric disorders than wives of people who remain employed (Bebbington, Hurry, Tennant, Stuart, & Wing, 1981). Finally, job loss has been linked to marital family dissolution (Liem & Liem, 1988). Even this brief summary makes it clear that job loss can have a range of adverse effects on the lives of individuals and their families. The evidence seems to support Freud's claim that the absence of work has adverse effects on mental health. To better understand the processes by which job loss is linked to these outcomes, we now turn to a review of theory and research on the nature and consequences of job loss.

HISTORICAL PERSPECTIVES ON JOB LOSS: JAHODA AND BAKKE

Some of the earliest and most insightful theoretical work on the impact of job loss on well-being was done by Jahoda, Lazarsfeld, and Zeisel (1933) and Bakke (1933, 1940a, 1940b). Jahoda and Bakke based their writings on intensive case studies of job loss and community during the Great Depression. Marie Jahoda focused on job loss as the loss of psychological and social functions of work (Jahoda, 1979, 1981, 1982). Jahoda's work began with her research on a community she called Marienfeld that was devastated by unemployment during the Great Depression (Jahoda et al., 1933). Much of her theoretical work on the psychological and social impact of unemployment was based on her observations in this community. Jahoda believed that there were a number of social and psychological functions served by work that are critical to the well-being of the individual. When people lost their jobs, she argued, these social and psychological functions were also lost. Critical "manifest functions," such as the capacity to earn money, and other "latent functions" were lost to the individual. Among these latent functions were a required and regular set of activities and time structures in one's life, the status and identity conferred by employment, the sense of participation in a collective effort and purpose, and the opportunity to carry on social activities with co-workers. Thus, for Jahoda, it was these manifest and latent psychosocial functions that constituted the crucial losses in the job loss experience.

Jahoda also argued that the psychological impact of job loss was largely due to the loss of these critical functions. She observed that in other societies, where formal employment as an institution did not exist, these same psychological functions were fulfilled through community activities, rituals, and religious practices that provided a sense of shared purpose and identity to those who participated in them (Jahoda, 1982; Feather, 1982). Thus, for Jahoda, the psychological needs...
Economic Hardship and the Impacts of Job Loss

Job loss has also been described as a stressful life event that influences health and mental health (Pearlin, 1989; Pearlman, Lieberman, Menaghan, & Mullan, 1991). This perspective suggests that job loss is a primary stressor that can lead to an array of secondary stressors, most notably economic hardship. In this view, the health and mental health consequences of job loss depend not only upon the extent of job loss itself, but also on the number and strength of secondary stressors, such as increased debt and family conflict, triggered by the event. From the perspective of understanding human loss, this framework also recognizes that job loss events unfold over time and may be causally linked to one another, and that some features of the loss experience may be much more consequential for well-being than others.

Economic hardship. A number of studies have identified economic hardship as a key influence mediating between job loss and depressive symptomology (e.g., Kessler et al., 1987; Vinokur, Price, & Caplan, 1996; Vinokur & Seuil, 1994). When conceptualizing economic hardship, it is important to recognize that it is both objective and subjective. Objective economic hardship occurs when people are experiencing a reduction in financial status and have to cope with that by cutting back on their expenses. Subjective economic hardship, often referred to as financial strain, occurs when people perceive that they are under financial constraints or are anticipating future financial problems. Both objective and subjective economic hardship are critically important for understanding the relationship between job loss and mental health. Furthermore, there is evidence that suggests that the relationship between economic hardship and health outcomes is more general than job loss and is critical in understanding the impact of widowhood for some women, for example (Umberson, Wortman, & Kessler, 1992).

The deprivation that results from economic hardship may affect physical health and general well-being both because of its impact on basic needs such as nutrition (Beasley, 1991; Pollitt, 1994) and because of loss of access to health care. Price (1990) people or observed that families experiencing job loss will often reallocate limited health benefits among family members. For example, a family may seek treatment for children while neglecting acute conditions among parents. Individuals may fail to either seek preventive services or care for acute and chronic conditions. In these circumstances, acute conditions can become chronic, and chronic conditions may deteriorate still further.

Cascade of secondary stressors. Economic hardships can produce a cascade of stressful economic life events that challenge the coping capacities of families and individuals both in the short and long term. In the short term, economic hardship forces people to worry about facets of life that had been previously taken for granted (Conger et al., 1990). Inability to meet payments for housing may lead to the threat of or actual foreclosure of mortgages or eviction. Loss of an automobile means not only the loss of family transportation, but also a key resource which helps to sustain an effective job search. Economic hardship can also have delayed effects on health and mental health. People may cope with their financial difficulties by drawing heavily on savings and taking on additional debt, and create a spiral of financial problems that will continue even after employment is regained.

MOVING FROM THE PAST TO THE PRESENT: FOCUSING IN ON ECONOMIC HARDSHIP AND IDENTITY IN JOB LOSS RESEARCH

Both Jahoda and Bakke were prescient in their early theoretical work on the nature of job loss. Their recognition that economic hardship and personal identity were critical features of the job loss experience foreshadowed much of the later research and theory on job loss. Their insights have held up after further case study analysis as well as large-scale quantitative longitudinal research. In this next section of the chapter, we move on to discuss the pathways through which economic hardship and identity are linked to job loss and mental health.
Job loss disrupts the roles and the sense of personal identity and mastery they provide. Job loss introduces new psychological demands into the family relationship, and may cause stress by redefining family roles, responsibilities, and power dynamics (Kohout, 1991).

When job loss involves shifts in authority and autonomy, it can undermine the self-confidence of the job holder, and personal and economic responsibilities for both partners may end in separation and divorce (Conger et al., 1990; Menaghan, 1991).

Job loss and exercise of self-control can also place strains on parent-child relationships (Elder & Caspi, 1988). These strains not only undermine the parent's sense of identity and mastery in the parental role but often contribute to increased parental irritability, conflicts, and feelings of ineffectiveness (Hamilton & Hoffman, 1990).

In a real sense, job loss marks an interruption in the natural process of grief, as the individual's loss identity is a component of primary grief (Kohout, 1991). Job loss is also a component of secondary grief (Wakefield, 1988). Short-term job loss is not always associated with negative consequences. If the job loss occurs in the wake of a more positive change, such as the birth of a child, it may be less stressful than a job loss that occurs when the individual feels vulnerable and needs a sense of control (Krause, 1994). The situation of job loss is often more stressful when the individual feels less able to control the process (Krause, 1994). When these stressful events are perceived as adverse, they are more likely to lead to negative outcomes.

Stress and the perception of stressors, such as job loss, can be critical to maintaining mental health (Barnes, 1991). Positive perception of stressors is vital to the development of coping resources. Negative perception of stressors is to allow a new identity, a negative consequence of job loss (Barnes, 1991). If people are unable to negotiate new identities that are satisfying, the negative effects of job loss may be minimized.

Job loss can also be a source of stress. People who experience job loss are more likely to feel stressed than those who do not. Combining the message of this research with the vivid image of the risk, workers who lose their jobs face a significant challenge in maintaining their mental health.
mastery before job loss are likely to be especially vulnerable to the stresses they encounter as a result of job loss.

Social stigma and mental health. Job loss may also influence an individual’s sense of personal and social identity because unemployment is a stigmatized social status. Though some jobs are low in status, few are as stigmatized as unemployment. The fact that unemployment status represents a form of “spoiled identity” (Goffman, 1968) is nicely illustrated by the fact that job losers will often construct an alternative work identity such as “consultant” or “student” rather than describe themselves as unemployed. This tactic avoids the erosion of self-esteem and de-moralization often associated with socially devalued roles and statuses (Hughes, 1945).

Kelvin and Jarrett’s work (1985) raises the important point that the degree to which the unemployed feel stigmas from their social status depends heavily on the social context they occupy. In eras such as the Great Depression, when levels of unemployment were very high, being unemployed was less stigmatized than it would be in periods where fewer people were unemployed. This notion that the social context shapes and guides the judgments people make about themselves and others is critical to understanding how people respond to and experience unemployment.

RISK GROUPS AND EVENT RESOLUTION

Our review of the literature makes it clear that job loss has its impact through two distinctly different pathways. One pathway is material; the other is symbolic. The loss of these material and symbolic resources results in both short-term problems for individuals and their families. As detailed earlier, the consequences of job loss include mental health problems, increased risk of family disruption, divorce, and conflict. However, not all individuals and their families are equally affected by these two influences on well-being. It also follows that loss of a job that offers little material reward, is of low status, and provides little sense of control or satisfaction of activities may even have a positive influence on mental health. For some individuals and their families, material loss will be paramount, and many of the negative impacts of job loss may be due largely to loss of material resources. On the other hand, even when material losses are not threatened, for other individuals and their families, job loss may represent a significant loss of identity and self-esteem and a diminished sense of mastery (Kaufman, 1982).

Risk Groups

A recent study by Turner (1995) drawn from a national probability sample of unemployed persons supports and extends this argument. Turner found that negative mental health consequences of unemployment were associated with both identity strains and economic hardship. However, these two types of strains were differentially important for different groups of job losers. Those highly educated and affluent job losers suffered more from the loss of identity than from the loss of material resources. On the other hand, less affluent and less well-educated job losers suffered more from increases in financial strain associated with unemployment.

These differences have implications for the tactics and strategies most appropriate for job seeking and reentry into the labor force. A job loss resulting in only mild economic and identity loss may require only minor adjustments over a long period of time, and may even provide the opportunities for new career explorations. On the other hand, job losses where the economic loss is severe may place heavy demands on the job loser and his or her family to find sources of income replacement. Over the last decade the United States has experienced large numbers of job losses of this type, particularly in the industrial sector, where work was relatively high in pay relative to its status (Reich, 1991).

Event Resolution

We argued earlier that job loss marks a transition in the life course. An implication is that the mental health outcomes of the transition triggered will depend on whether the economic and personal identity consequences of the job loss can be successfully resolved. Research conducted by Turner and Avison (1992) has shown that whether a life event has an enduring mental health impact depends on the degree to which the individual is able to resolve the consequences of the event. In a national study of social factors in health and mental health, Turner and Avison (1992) showed that when negative life events such as loss of a close relationship or a job, or onset of illness were successfully resolved, they had no enduring effects on mental health. On the other hand, when the consequences were not resolved, the individual continued to experience poor mental health.

We have seen that economic hardship is a key consequence of job loss that influences mental health. Resolution of the economic consequences of job loss may vary dramatically, with predictable effects on long-term mental health. A new source of income from reemployment or some other source such as marriage will help mitigate the financial strain to the degree that it restores a previous level of income. On the other hand, eroded savings, a foreclosed mortgage, or foregone opportunities may be restored only slowly or not at all. Furthermore, if the new source of income, whether from a job or elsewhere, is inadequate, the person will continue to experience a stream of secondary stressors that produce continuing turmoil and distress for the person and his or her family. Danziger and Gottschalk (1995) have documented the growing disparity of income among individuals at the top and the bottom of the income distribution in the United States. We may expect that for those unable to adequately resolve the economic hardship brought on by job loss, continuing economic strain will produce chronic individual and familial distress and poor mental health.

The personal identity aspects of job loss including the inability to maintain a clear sense of personal identity, lost feelings of control and mastery, and a stigmatized status may involve different social and psychological mechanisms. For those who have to accept a less prestigious job, stigma may be difficult to overcome. Loss of income and status may lead to a devaluing of work and career goals to maintain a sense of identity. Still other people may cope with threats to personal identity by reframing their sense of self, pursuing a simpler life, retiring, and seeking other
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sources of life satisfaction. Finally, even if reemployment is successfully achieved, the individual’s sense of mastery and control may be shaken if the new job is markedly less secure.

Organized social efforts to help individuals gain new employment or otherwise successfully make the transition from job loss to a new life trajectory must address both the coping challenges presented by economic hardship and the assault on identity and the sense of mastery that job loss produces. Recent research (Caplan, Vinokur, Price, & van Ryn, 1988; Price, van Ryn, & Vinokur, 1992; Vinokur, Price, & Schul, 1995; Vinokur, van Ryn, Gramlich, & Price, 1991) has shown that such organized efforts can be successful and can prevent depression and produce better paying jobs for those who participate and gain economic benefits to society as well. Ultimately, such programmatic efforts must address the impact of job loss on family life and on economic well-being while at the same time helping individuals take up a new life course trajectory.

Freud (1961) argued that work is essential to mental health because it helps to maintain benefits for individuals that they could not obtain in isolation and because it helps establish and maintain vital identity-affirming social relationships. The research reviewed here amply confirms Freud’s observations and helps us to understand why work that provides adequate material resources and a sense of personal identity is essential to mental health.

REFERENCES


JOB LOSS: HARD TIMES AND ERODED IDENTITY


SYNTHESIZING COMMENTARIES ON LOSS THEORY AND RESEARCH