



“Summary of article by Andrew E. Clark and Andrew J. Oswald: Unhappiness and Unemployment” in Frontier Issues in Economic Thought, Volume 4: The Changing Nature of Work. Island Press: Washington DC, 1998. pp. 371-372

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INTRODUCTION

Unemployment in most of the western industrialized economies is worryingly high. How serious a problem this is depends in part on whether people are voluntarily or involuntarily unemployed. Yet economists have done little empirical work to investigate this question. This paper, using psychological methods, relies on British survey data to test whether the unemployed are more or less happy than those who have jobs, the implication being that people would not voluntarily choose unemployment if it makes them unhappier.

As in much statistical research, this study cannot prove causation. Relative unhappiness among the unemployed might not be a function of their job status, but of their pre-existing personality or other factors. However, the study does show that the unemployed are more unhappy - and the authors suspect that there is a causal relationship.

UNEMPLOYMENT AND UNHAPPINESS

The British Household Panel Study, surveying a random sample of about six thousand Britons active in the labor market in 1991, asked a series of 12 questions relevant to well-being, such as: "Have you recently: Felt constantly under strain? Been able to enjoy your normal day-to-day activities? Been feeling unhappy and depressed?"

A simple scale can be constructed by counting the number of questions on which an individual reported being fairly or highly stressed. The highest possible level of distress is 12, the lowest is zero. For the 522 unemployed persons in the survey, the average level was 2.98, about twice the figures for those who were employed (1.45) and self-employed (1.54). The significance of the average for those without jobs is made stronger by looking at the distribution of answers: more than half of all respondents reported a mental distress score of zero, with 76 percent reporting two or less.

Mental distress is also found disproportionately among women, people in their thirties and forties, and to a small degree among those with higher levels of education. Within each of these groups, distress is higher for those who are unemployed. Comparing across regions of the country, it appears that it is less harmful psychologically to be unemployed in regions where

average unemployment is higher-- i.e. where there are many other people in situations similar to your own.

Regression results, using four different equation specifications, all yield results in which unemployment is a statistically significant predictor of high mental distress. Other factors that predict relative unhappiness are being separated or divorced, and having children, especially one child; but joblessness is the strongest predictor. Factors that were not significant include race and income. The regression results suggest that, in terms of the 12-point "distress scale" described above, losing your job is equivalent to moving from 0 to 2, or from 1 to 4.

The authors conclude that their results justify a rejection of the idea that unemployment is voluntary. They therefore suggest that "British policy measures aimed at cutting out supposedly high levels of voluntary joblessness would be misguided." Instead, since unemployment appears to be involuntary, "the State may have to look elsewhere for ways to tackle unemployment, and perhaps consider methods of directly raising the number of jobs rather than reducing the number of benefit claimants." (648).