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Why Jobless Americans Experience Deep and Prolonged Distress

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Many American workers have not yet regained their footing in the aftermath of the Great Recession, yet unemployment insurance has become politically controversial even though jobs are still scarce. Critics claim that America's unemployment insurance program "subsidizes leisure" by "paying people not to work." Some critics have lampooned extended unemployment benefits for supposedly turning "our social safety net into a hammock." Congressional Republicans deferred to such criticisms in January, 2014, when they blocked the sort of renewal of long-term unemployment aid that has been traditional after previous severe economic downturns. As a result, roughly one million of the long-term unemployed saw their benefits abruptly cut off.

How much truth is there in these criticisms of unemployment benefits? By easing the financial harm of job loss, does unemployment insurance actually undermine people's desire to find work? Does it make work less attractive or encourage the jobless to enjoy their added "leisure" time?

To address these questions, I used data from the Panel Study of Income Dynamics to track thousands of people over time as many experience events that change their life circumstances – not just job loss, but other disruptions such as changes in income, giving up their house, suffering a debilitating illness or injury, having a child, and watching children leave the family nest. What comes through loud and clear in my study is that job loss is a severely disruptive occurrence that proves psychologically devastating to many people who experience it. The effects can also persist long after formerly unemployed people find new jobs.

Job Loss as an Especially Difficult Life Setback

My results reveal that it is easier for people to give up their home or to see their children grow up and move away than it is for them to lose their job. Of course, the "empty nest" syndrome is real – parents really do experience a downturn in happiness when their children move away. But that kind of emotional stress is modest compared to the suffering associated with what we could call the "missing job" syndrome.

Emotionally, in fact, people more readily cope with physical illness and injury than with job loss. People suffering injuries or illnesses that put them out of work show less severe declines in their emotional wellbeing than do people who lose their jobs. Empirically, it feels better to be sick than to be unemployed.

Why do people take loss of jobs so hard? Unemployment amounts to a highly visible and stigmatizing loss of personal identity. Why me? – the jobless often ask. Many blame themselves, even though unemployment, like car accidents, can strike many people at any time. Psychologically, job loss is in some ways harder for people to deal with than physical injury.

Moreover, the psychological trauma inflicted by unemployment lingers. Finding a new position does not fully make up for losing an earlier job, either economically or emotionally.

- Research shows that unemployment taints a person's future job applications and weakens their prospects to be hired. Companies tend to rank unemployed applicants at the bottom of their hiring queue. Most of the unemployed eventually find new jobs, but at substantially lower pay. An episode of unemployment therefore inflicts long-lasting financial harm.

- My research shows that *emotional* scars from unemployment persist well after re-employment. Although finding a new job greatly improves the sense of wellbeing, it only makes up about two-thirds of the emotional harm caused by the original job loss. A palpable sense of distress, doubt, and anxiety lingers.

Scholars do not yet fully understand why emotional distress persists after people lose jobs. Lingering distress may be due to the heightened sense of economic and social insecurity that remains even after a formerly jobless person finds new employment. Or it may reflect the very real drops in job quality and work satisfaction that happen for many reemployed people after spells of involuntary joblessness.

Do unemployment insurance benefits help? Yes, but only modestly. Not all Americans who lose jobs are eligible for unemployment insurance, and when benefits are not available the experience of job loss is more distressing than when benefits are provided. Collecting unemployment benefits eases the distress of job loss by about 25 percent. However, even jobless people who do get help from regular unemployment insurance payments still experience most of the usual heightened and prolonged distress associated with this devastating life event.

Benefits Help, but Creating New Jobs Would be Better

My research about the material and emotional consequences of job loss compared to other disruptive life events points to important lessons for U.S. policymakers and citizens.

Unemployment insurance certainly does help people cope with the financial hardship of job loss, and when job openings remain scarce – as they have during the current prolonged economic recovery – it makes little sense to eliminate benefits for Americans who remain unemployed. As long as the economy is burdened by long-term unemployment, there is little risk of the U.S. social safety net turning into a "hammock." Jobless people are not enjoying carefree leisure.

But no matter how widely available or extended, unemployment benefits fail to strike at the heart of the setbacks jobless men and women experience. Job loss causes a crisis of identity and deep social-psychological distress that unemployment benefits alone cannot fully alleviate. What people out of work need most is new employment. Creating new jobs should therefore become a higher priority for public officials than arguing about unemployment benefits. If public officials and politicians had better insight into the experience of job loss, they would worry less about disincentives in unemployment insurance and worry more about getting the jobless back to work.

Read more in Cristobal Young, "Losing a Job: The Nonpecuniary Cost of Unemployment in the United States." *Social Forces* 91, no. 2 (2012): 609-634.