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 wellbeing, 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...
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. Then, 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 workforce, 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 fifty 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, Penkower, & Bromet, 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 (Gil, 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 and 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 Marienthal 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 junctions 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 coworkers. 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, 1981). 

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 research and theory on job loss. Their recognition that economic hardship and personal identity which may be tied to the particular work role or the more general social role of breadwinner in a family. She also documents how paid employment can provide people with a sense of social identity or shared purpose. People identify with the organization they work for or the profession they work in. When people lose their jobs, their claims on the financial and identity resources provided by work become more tenuous.

The early contributions of Bakke (1933, 1940a, 1940b) illuminated additional dimensions of the job loss experience. Bakke observed that loss of income and the fear of poverty were profound influences on the lives of the unskilled Greenwich workers and their families that he studied. This focus on perceived and anticipated economic problems is closely tied both to Jahoda's description of the manifest functions of work and to more recent work on economic hardship. In addition to highlighting the issue of economic hardship, Bakke observed how the previous work experience of the unemployed has a powerful effect upon the experience of unemployment. Bakke's work primarily focused on how unskilled workers experienced unemployment. He observed that unemployed unskilled workers generally believed that they had little control over their lives. Bakke traced these control beliefs to the content of the workers' jobs before they became unemployed. The content of unskilled work provided little opportunity to make decisions, plan, or control their work. Working under those conditions over time fostered the belief that they were relatively powerless to shape their world and that their fate was largely controlled by others. One of the great strengths of Bakke's work is that it reminds us that the experience of unemployment is shaped not only by the experience of job loss but by the lingering effects that previous employment has on people's lives.

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

Before proceeding to discuss the work of Bakke, we would like to draw out several of Jahoda's ideas that have foreshadowed the course of research on job loss. First, her attention to the manifest function of work—earning money—parallels more recent trends that focus on job loss and economic hardship. Second, her discussion of the latent functions of work highlight the issues of personal and social identity and their relation to loss that more recent research has emphasized (Kelvin & Jarrett, 1985). Jahoda makes the point that work provides people with a sense of personal identity which may be tied to the particular work role or the more general social role of breadwinner in a family. She also documents how paid employment can provide people with a sense of social identity or shared purpose. People identify with the organization they work for or the profession they work in. When people lose their jobs, their claims on the financial and identity resources provided by work become more tenuous.

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Still another set of mechanisms reflecting the interplay of economic hardship and family dynamics can influence the job loss experience. Several studies suggest that the distress displayed by job losers affects the well-being of their spouses (Liem & Liem, 1988; Penkower, Brotem, & Dew, 1988) as well as their children (Elder & Caspi, 1988; Justice & Duncan, 1977; Steinberg, Catalano, & Dooley, 1981). Recent results reported by Vinokur, Price, and Caplan (1996) implicate couple dynamics in influencing the mental health of the unemployed person. Their analyses suggest that economic hardship can increase depressive symptoms in both job losers and their spouses. Depressed spouses or partners may then withdraw social support and undermine the job loser, producing even greater distress.

Identity and the Impacts of Job Loss

Research and theory have examined many facets of the relationship between identity and job loss. In this section of the chapter, we focus on three ways in which identity is related to mental health as a result of job loss. The first perspective concerns identity during transition between role states. The second perspective concerns job loss and perceptions of control or mastery. The third perspective concerns job loss and social stigma.

Difficulty maintaining a sense of personal identity. Job loss involves the loss of a social role. Because roles are used to construct the self (Callero, 1992, 1994; Turner, 1978) the loss of the central role of worker represents a major challenge to a person's identity. Ezzy (1993) argues that job loss is a form of status passage that directly disrupts an individual's attempt to sustain consistent and positive selfimages and therefore increases the risk of mental health problems. This image of job loss as a status passage is critical for several reasons. Viewing it as a status passage highlights that job loss marks the beginning of a transition cycle or passage from one position in the life course to another. The transition presents challenges to a person's identity by making it more difficult to sustain consistent selfevaluations. Furthermore, because multiple life domains are interrelated, role loss in one domain has radiating effects on other domains. Thus, loss of an occupational role also presents identity challenges to the individual in their role as a friend, spouse, or parent.

Job loss may also present a challenge to identity and self esteem by altering an individual's network of friendships and social support. The loss of a job may result in the loss of a primary source of contact with friends (Bolton & Oatley, 1987). Since friendships often arise and are maintained by proximity (Whyte, 1956), the bonds of friendship are more difficult to maintain when people are no longer employed by the same organization. Over time, the frequency of contact with friends from the previous job decreases (Atkinson, Liem, & Liem, 1986). There is some evidence that loss of friendship networks can erode mental health. Kessler et al. (1988) found that being integrated into an affiliative network reduced the impact of unemployment on anxiety, depression, somatization, and physical illness of job losers. Their findings underline the importance of supportive friendships for identity and well-being.

One's identity and sense of mastery and competence are normally sustained in valued social roles as provider, spouse, and parent within the family (Thoits, 1991). Job loss disrupts these roles and the sense of personal identity and mastery they provide. Job loss introduces new and pressing agendas into the family that can disrupt previously stable household role allocations and relationships, including coping with financial hardship and mobilizing to find reemployment (Conger et al., 1990; Menaghan, 1991).

When role reallocation due to job loss involves shifts in authority and status in the family, the resulting shift in power dynamics can lead to conflicts that threaten the short-term stability of the couple relationship (Atkinson et al., 1986). Such a realignment can undermine the self-confidence of the job seeker and partner in coping with job loss individually, and as a couple (Howe, Caplan, Foster, Lockshin, & McGrath, 1995; Vinokur & Caplan, 1987). It can also reduce the likelihood that the couple will develop workable solutions to the concrete demand of the crisis and, consequently, increase the risk of depression for both partners (e.g., Kowalk & Goltlb, 1987; Vinokur et al., 1996). This destabilizing process can result in a downward trajectory in the marital relationship that may end in separation and divorce (Gottman, 1993).

Job loss and economic hardship can also place strains on parent-child relationships (Conger et al., 1990; Elder & Caspi, 1988). These strains not only undermine the parent's sense of identity and mastery in the parental role, but often increase the likelihood of parental irritability, conflictual interactions between parent and child, harsh punishment, and family violence and child abuse (Broman, Hamilton, & Hoffman, 1990).

In a real sense, job loss marks an interruption in the natural process of reaffirming identity that is essential to maintaining mental health (Burke, 1991; Thoits, 1991). These identity interruptions are stressful, and the key to preventing their negative consequences is to allow a new identity to be affirmed. If people are able to negotiate new identities that are satisfactory, the negative effects of job loss may be minimized.

Perceptions of mastery or control and mental health following loss. Research on well-being and mental health suggests that perceptions of mastery or control are critical to sustaining mental health. Some authors view perceptions of mastery explicitly as components of well-being (Ryff & Keyes, 1995). Others view mastery as a critical mediator between stress and mental health (Vinokur & Schul, 1997). Research suggests that stress erodes perceptions of mastery and control in the roles where stress occurs (Krause, 1994). This erosion of mastery is most evident in roles that are valued by the individual (Krause, 1994; Thoits, 1991). Thus, much research on identity and stress has posited that stress in salient social roles is more detrimental to health than stressors in less valued social roles.

While stress erodes perceptions of mastery, people with low levels of mastery are more vulnerable to the stressors they encounter in their lives. The work of Bakke (1933, 1940a, 1940b), O'Brien (1986), and Kohn and Schooler (1983) reminds us that the content of work in a person's previous occupation can influence their perceptions of mastery and control. People who work in jobs that do not afford opportunities for self-direction exhibit lower levels of mastery and control. Combining the message of this research with the research that links mastery to health and well-being provide a vivid image of risk. Workers with low levels of
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 demoralization 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 stigma 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- and long-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 satisfying relationships may even have a positive impact 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 (Kauffman, 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. More 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

**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 resolve 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 family 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
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, 1989; 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 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.

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