

The Social Effects of Hard Times

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The Hard Times project

- Collaborative project between Manchester (ISC) and Harvard (Bob Putnam)
- Aims – to explore the social effects of recessions in the US and GB
- Separate reports by Yaojun Li, Siobhan McAndrew, Lindsey Macmillan, James Laurence, Chaeyoon Lim, Paul Hepburn, Maria Grasso
- Book in preparation by Tom Clark (Guardian leader writer)

What kinds of effects might hard times have?

The classic literature on the great depression suggests that hard times, associated with mass unemployment, had destructive effects on individuals and communities, leading to apathy, social isolation and lack of civic engagement, undermining social solidarity (NB contrast with effect of war on promoting solidarity)

Marienthal by Marie Jahoda, Paul Lazarsfeld and Hans Zeisel was the classic study – study of an extreme case of a small Austrian town experiencing mass unemployment at a time when welfare benefits were minimal

But the focus on the damaging effects of unemployment on individuals and communities may remain relevant even if the scale of unemployment or financial loss due to unemployment is not as great now as it was then

Continuities with Marienthal

- Focus remains unemployment and on groups vulnerable to unemployment – we do not expect major effects on people who retain their jobs (though effect of squeeze on living standards is needs to be investigated)
- Focus continues to be on social consequences of hard times – for civic life, ethnic relations, family life and divorce, apathy and (absence of) collective protest, suicide and subjective well-being
- But a new focus is on the long-term scarring effects of hard times

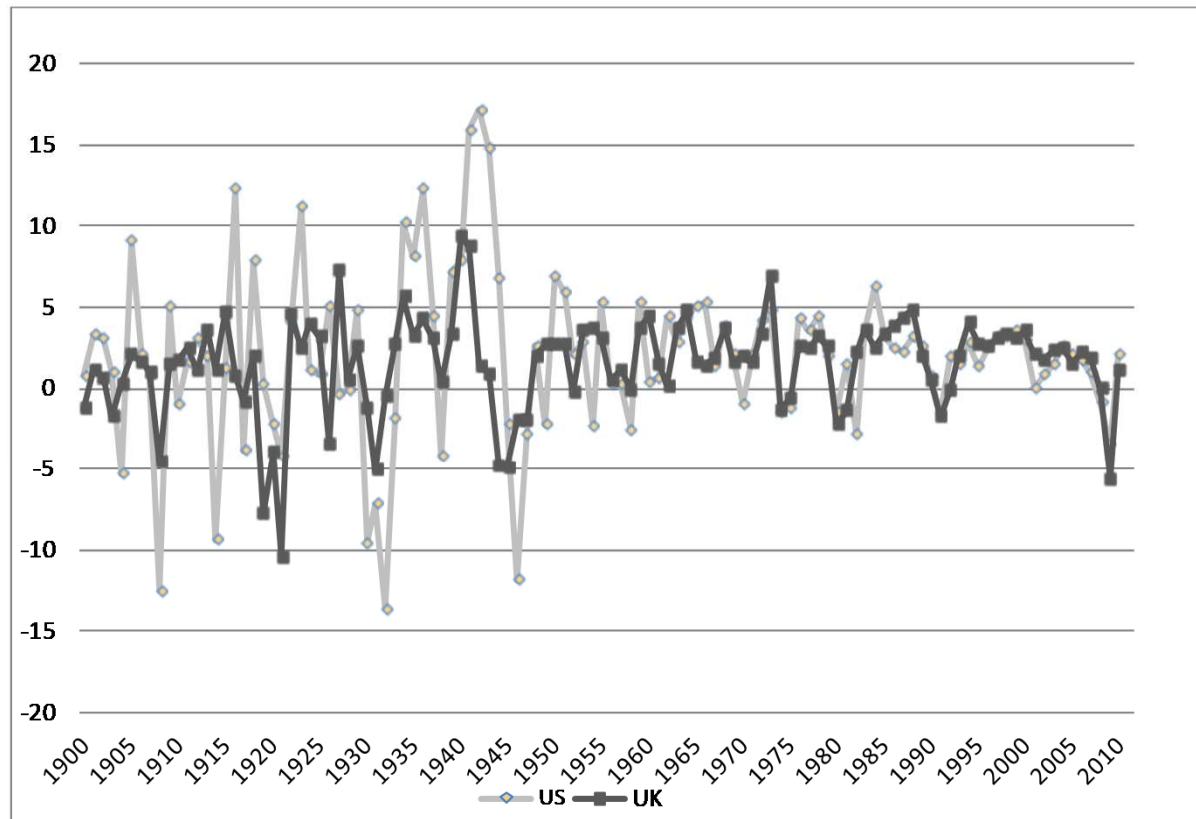
What might the mechanisms be?

The classic studies emphasized the psychological mechanisms involved

- “Loss of feeling of control has important consequences. It causes the worker to feel a minimum of responsibility for his own fate, for responsibility goes with control” (E W Bakke 1933)
- “In those early months, a feeling of irrevocability and hopelessness had a much more paralyzing effect than economic deprivation itself” (Jahoda 1933)

“psychological deprivation is one of the chief components of poverty ... And the terrible thing that is happening to these people is that they feel themselves to be rejects, outcasts ... They tend to be hopeless and passive ... lonely and isolated. To be poor is not simply to be deprived of the material things of this world, it is to enter a fatal, futile universe, an America within America with a twisted spirit”
(Harrington, *The Other America*, 1963)

Change in real GDP per capita on preceding year, US and UK, 1900-2009(%)



Source: MeasuringWorth.com

A brief digression

- Standard British way of defining a recession – two successive quarters of negative growth - is arbitrary and pretty uninformative. US peak-to-trough measure seems better
- No particular theoretical or empirical reason to expect changes in growth rates in themselves to have negative social effects (especially if all the benefits of what growth there was previously had gone to the top 1%)
- So focus throughout remains primarily on unemployment and displacement

Effects of unemployment on happiness

Imagine that your household income increased by 50%, and how much happier that would make you. Imagine that this is 100 units. Compared with that:

A household income *cut* ... cuts your well-being by of 33%... 100

Being unemployed *not* ... cut by 300 employed...

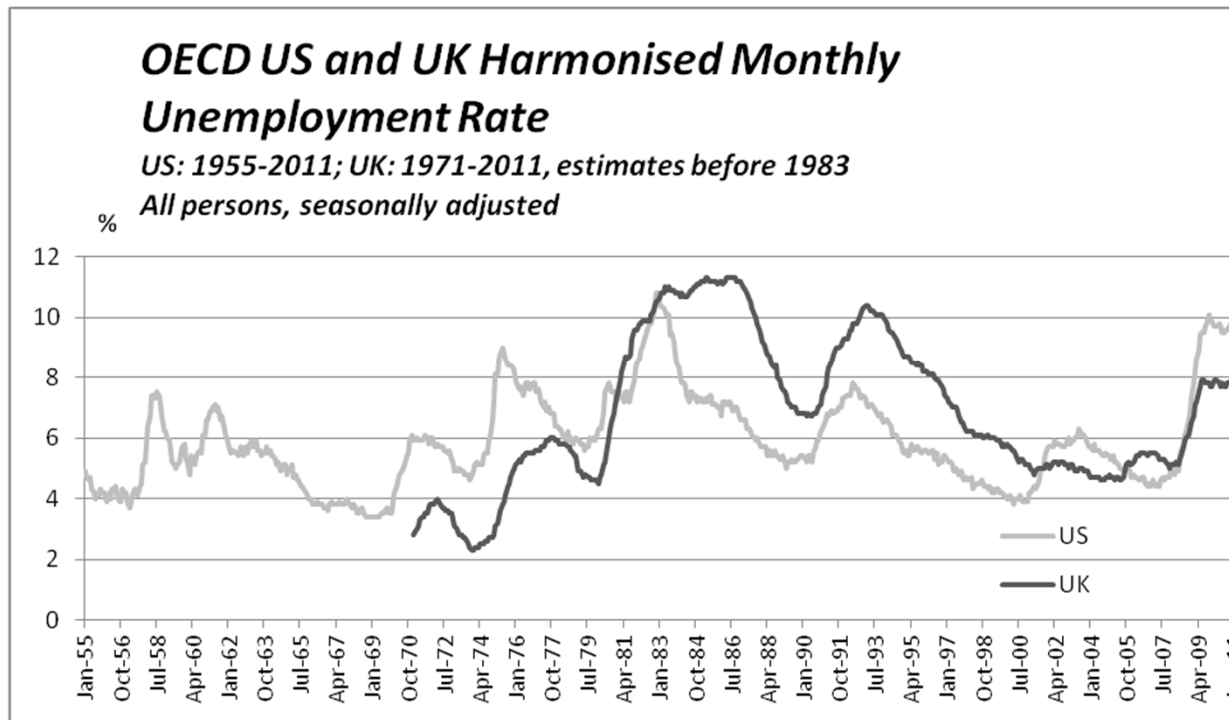
Having an insecure rather ... cut by 150 than secure job...

Being divorced rather ... cut by 250 than married...

Reporting that most ... rises by 100 people can be trusted...

Source: Drawn from Layard, 'What Would Make a Happier Society?'

Harmonised measures of the monthly unemployment rate, US and UK



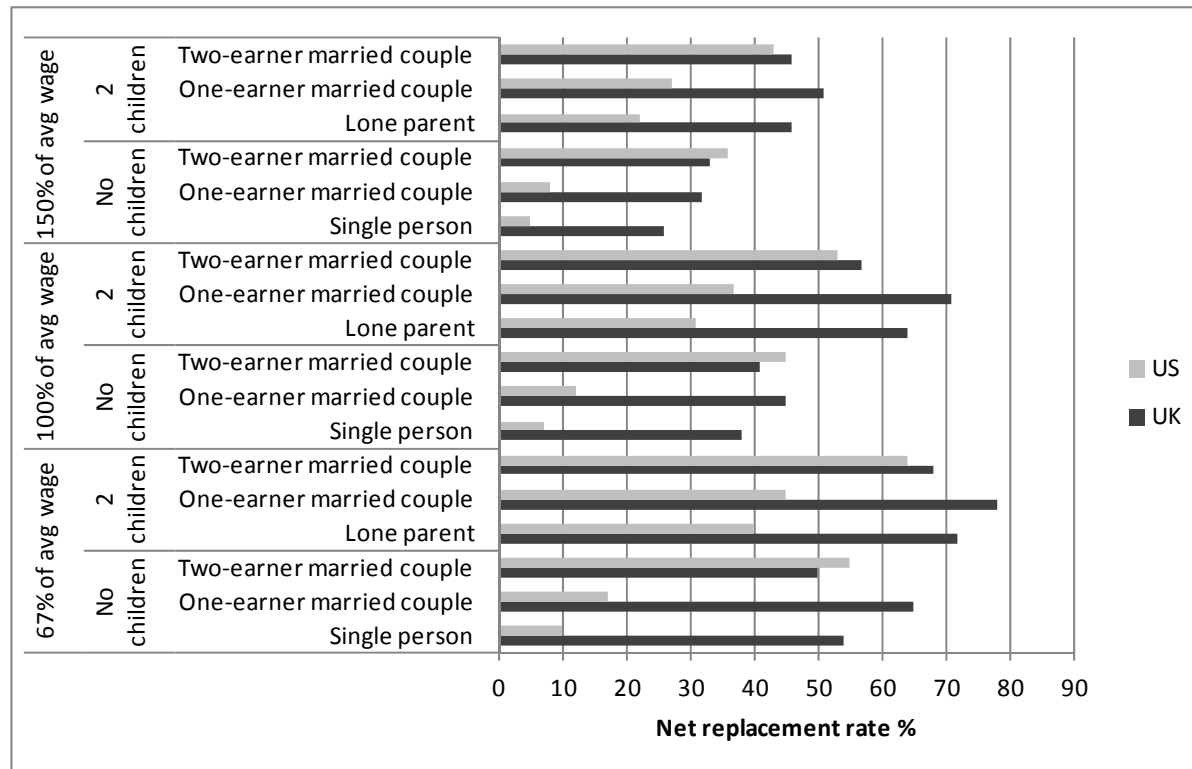
How might GB and US differ?

In many ways GB and US are similar – both are highly unequal societies, with liberal welfare systems and deregulated labour markets, high divorce rates and continuing ethnic divisions

But GB continues to have more generous welfare benefits (albeit eroding over time), which might in turn have crowded out voluntary and community charitable action

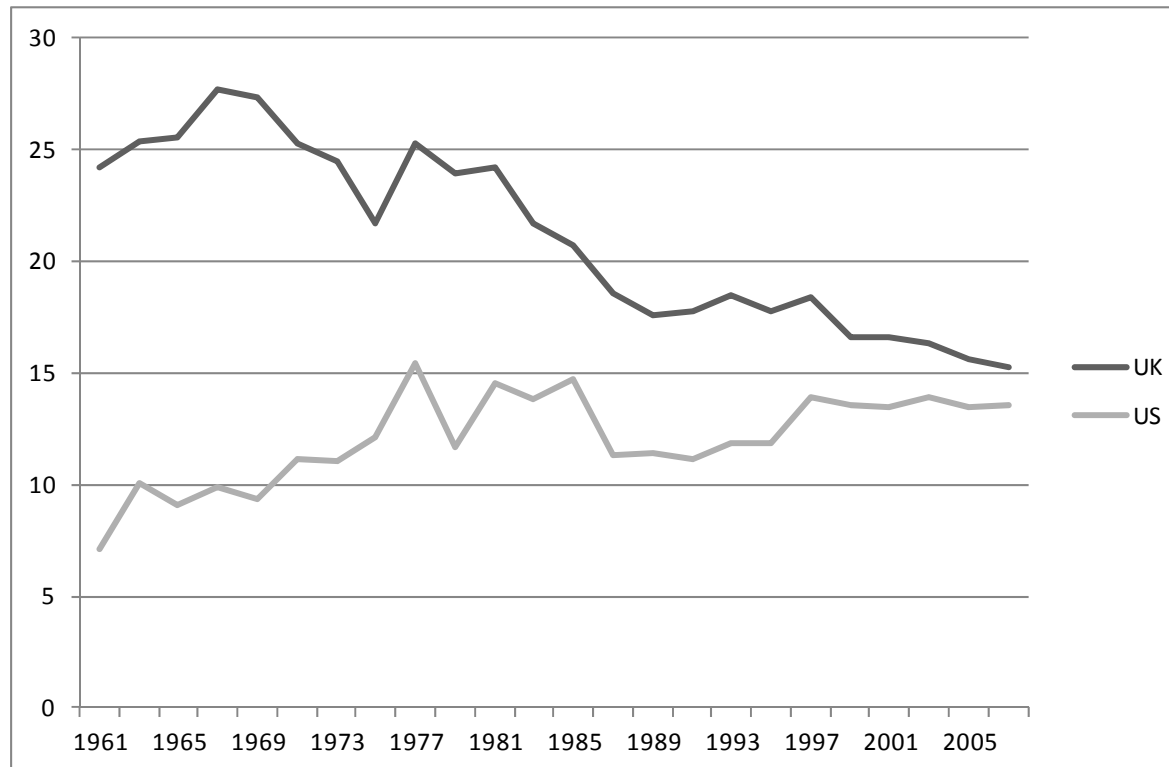
GB also has a stronger and more centralized state and the public feel that government should take greater responsibility for people's problems

US and UK net replacement rates by family type



Source: OECD, Tax-Benefit Models. NRR after tax and including unemployment benefits, social assistance, family and housing benefits in the sixtieth month of benefit receipt.

OECD Summary Replacement Rate Measure, 1961-2007 (%)



Some expectations

Britain's (slightly more) generous welfare state might cushion the impact of unemployment, reducing tensions but also encouraging welfare dependency and reducing self-reliance or a sense of individual responsibility

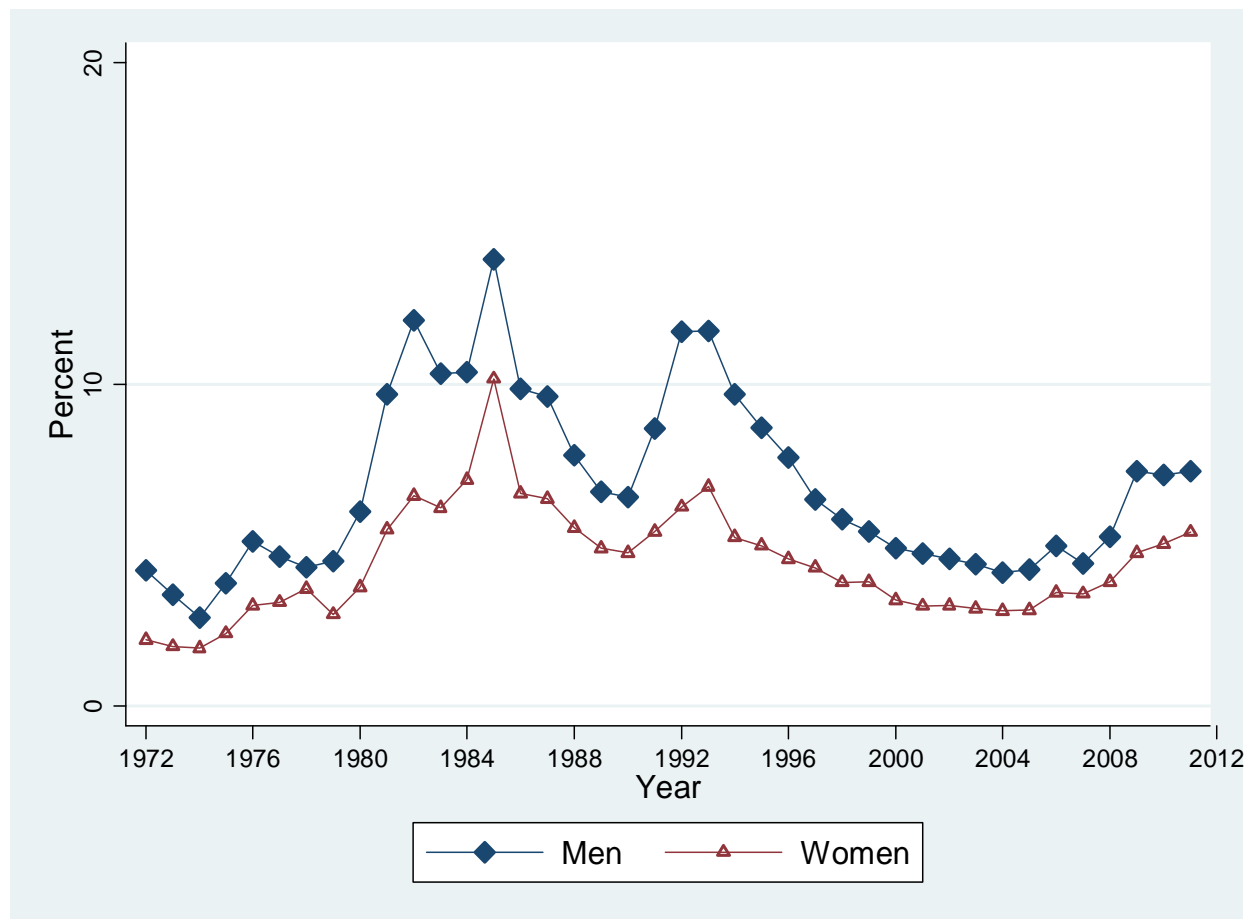
The US might be expected to be a bit more resilient to the effects of hard times, with individual responsibility and community action playing a large role in responding to the social consequences of the recession

What stories are emerging from the data?

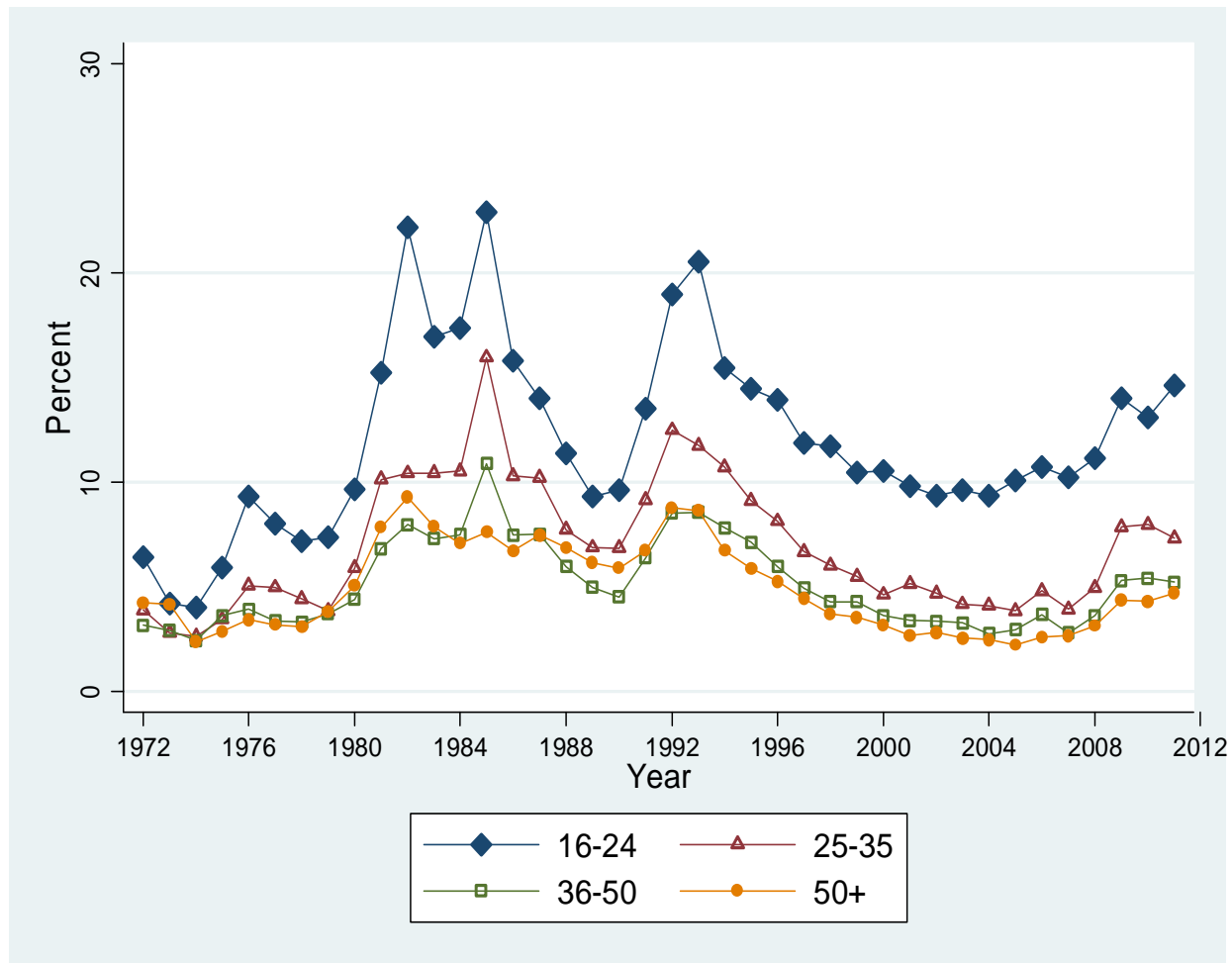
- In all three of the recent major periods of hard times, vulnerable groups such as ethnic minorities, the young, and the poorly educated (those at the back of the job queue) have been hit hardest. We are not 'all in it together' – the most vulnerable take the hardest hit
- The size of the hit was pretty similar in both countries – greater in GB in the 1980s and possibly smaller in the 2008- period (though perhaps still too early to tell)

Trends in gender inequalities in unemployment

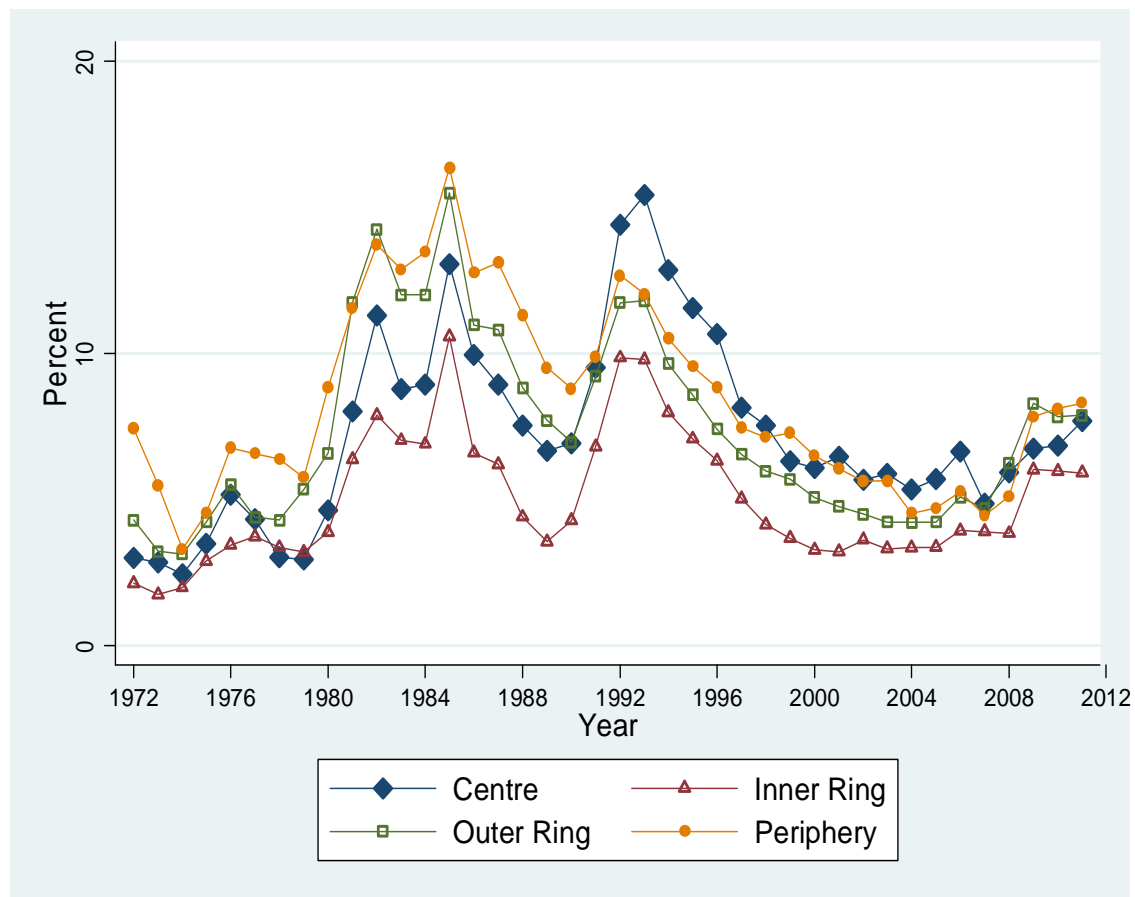
(Source: pooled GHS/LFS)



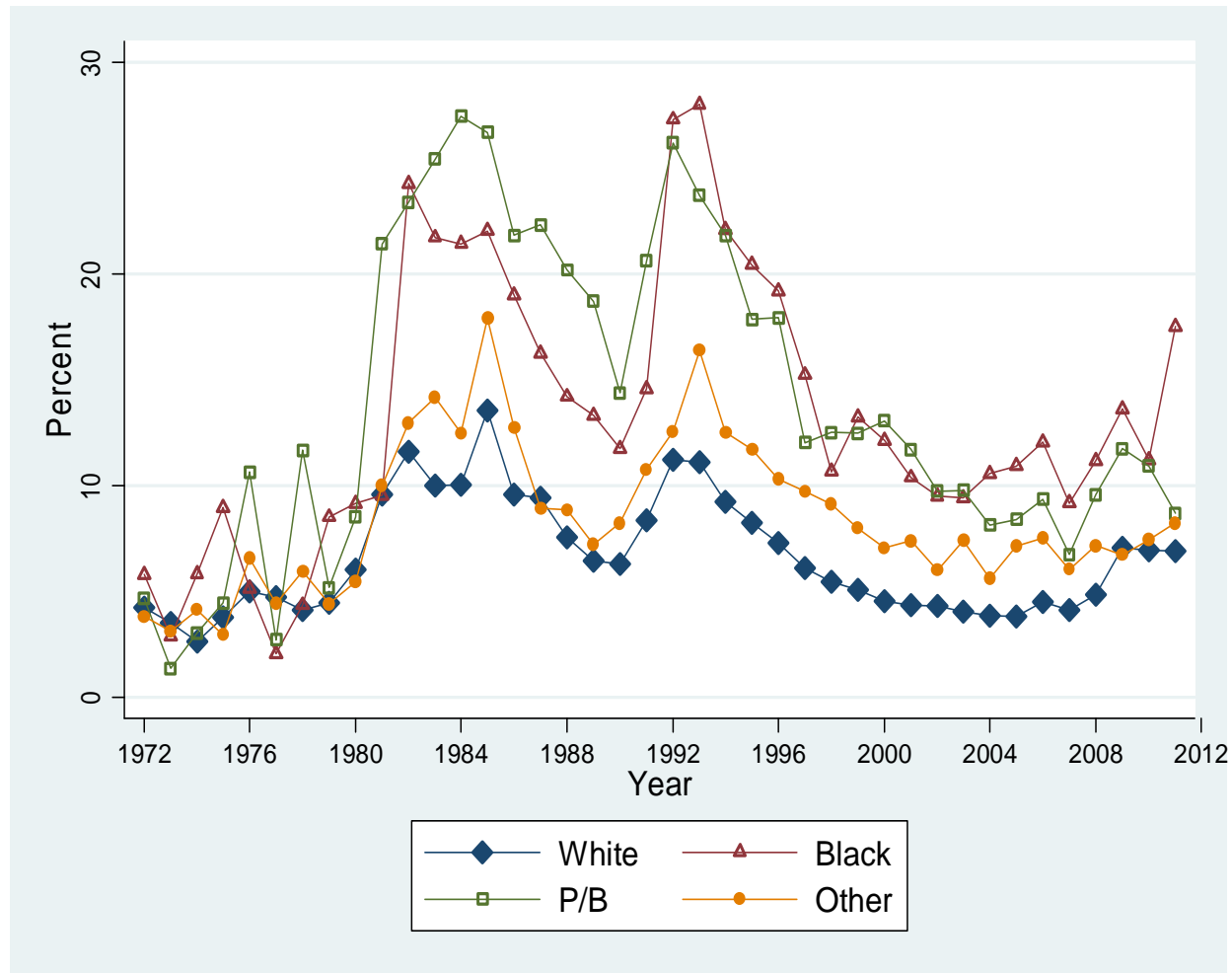
Trends in age inequalities: men



Trends in regional inequalities: men



Trends in ethnic inequalities: men



Some null findings

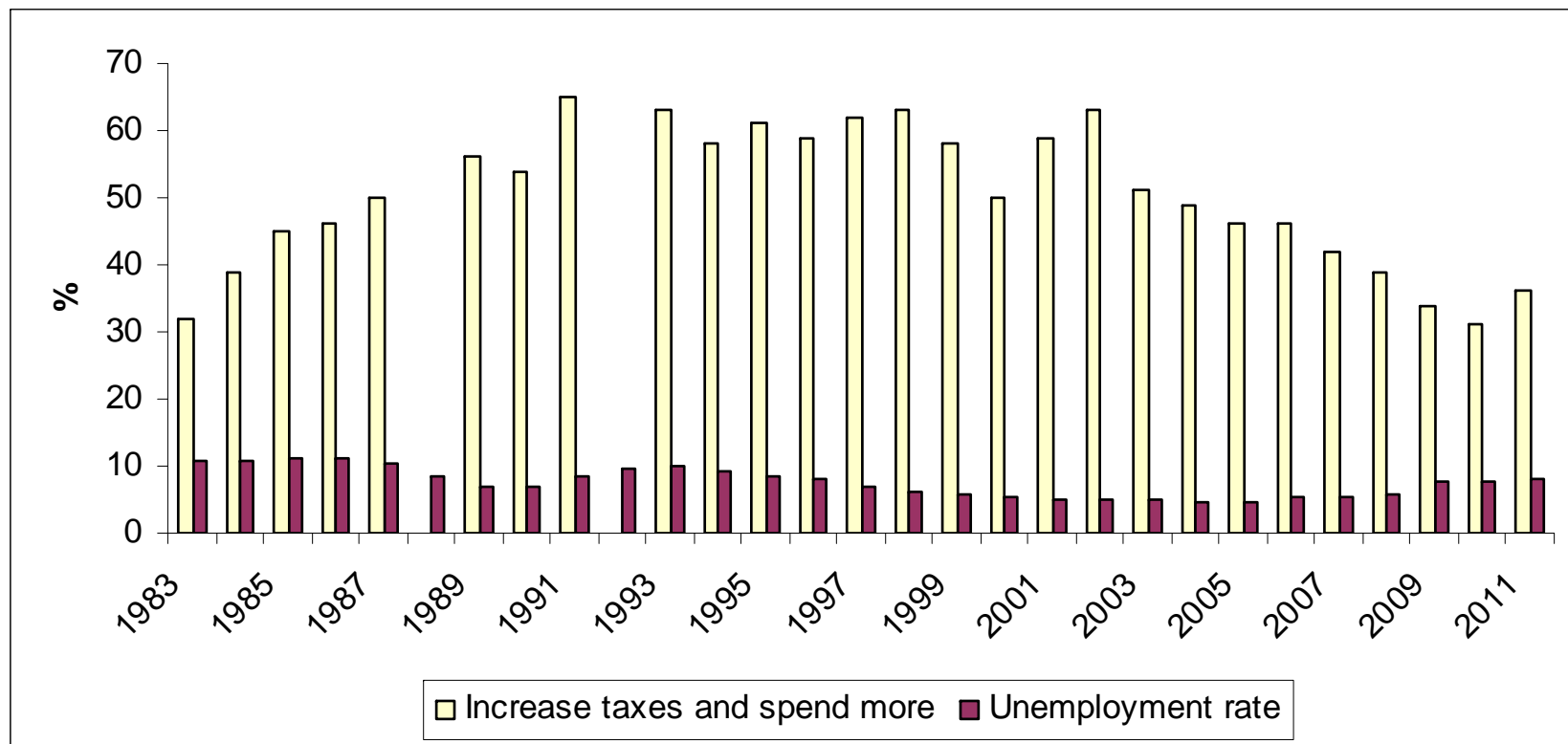
The negative social effects of hard times are rarely visible if we look at average levels of social engagement etc for the population as a whole. We find NO unambiguous negative effect of hard times in either country on

- Incidence of divorce
- Level of ethnic prejudice
- Protest (which if anything increases in good times)
- Attitudes to redistribution, inequality and government spending

This is probably because the majority do not experience the full impact of hard times – this is borne largely by the vulnerable – and because trends are driven by other secular changes

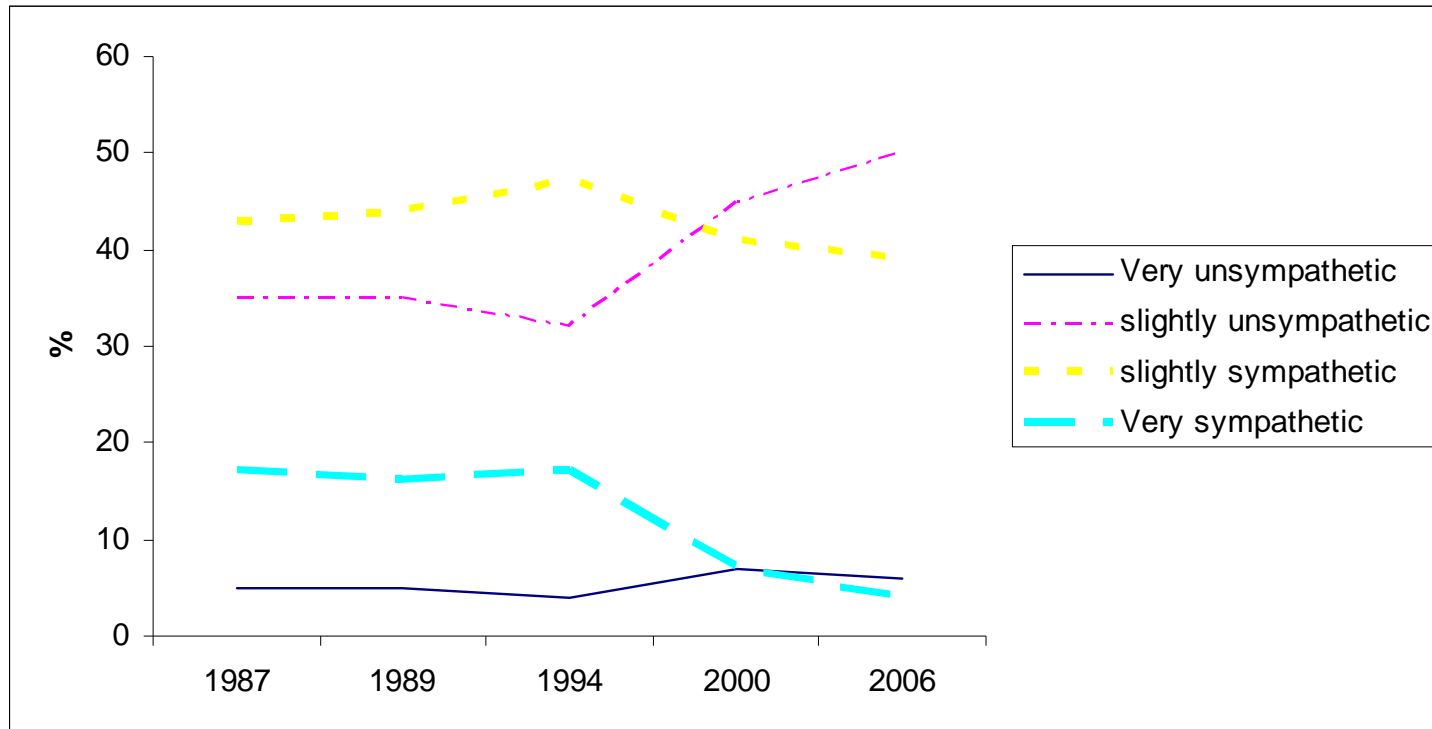
UK public attitudes to taxation and spending by unemployment rate 1983-2011

(Source: BSA. Correlation -0.17, NS)

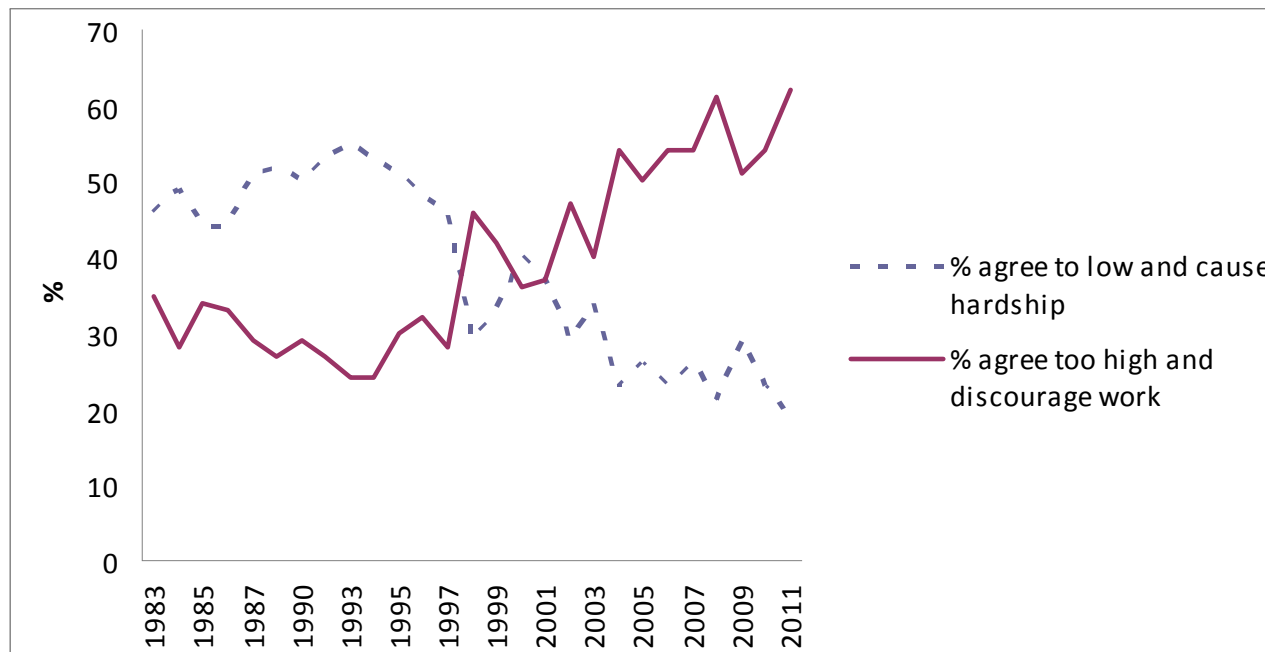


UK 'sympathy for the poor', 1987-2006

(Source: BSA)



UK public attitudes to unemployment benefit, 1983-2011 (Source: BSA)



Source: BSA no 29, National Centre for Social Research

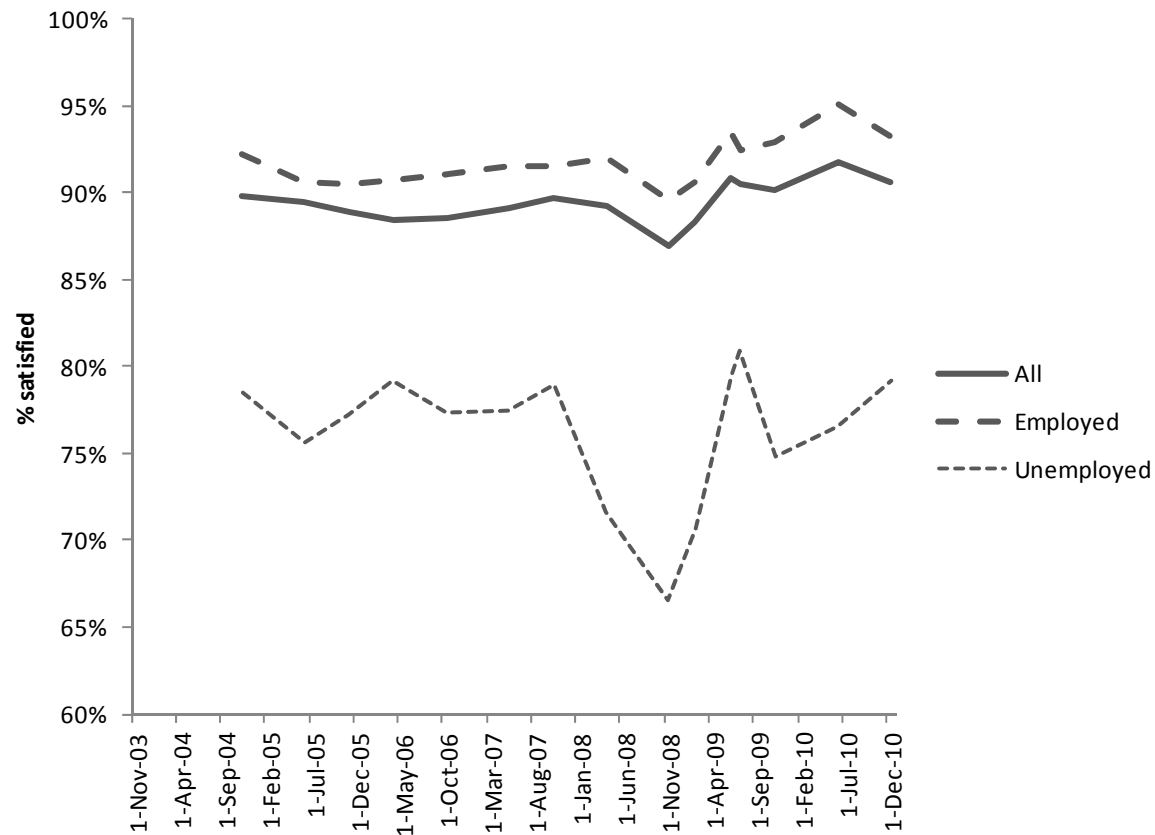
But hard times do have negative effects on the vulnerable

Individual experience of unemployment is still associated with some of the 'bads' identified by Jahoda, Bakke and later writers, eg it increases risk of divorce, reduces subjective well-being

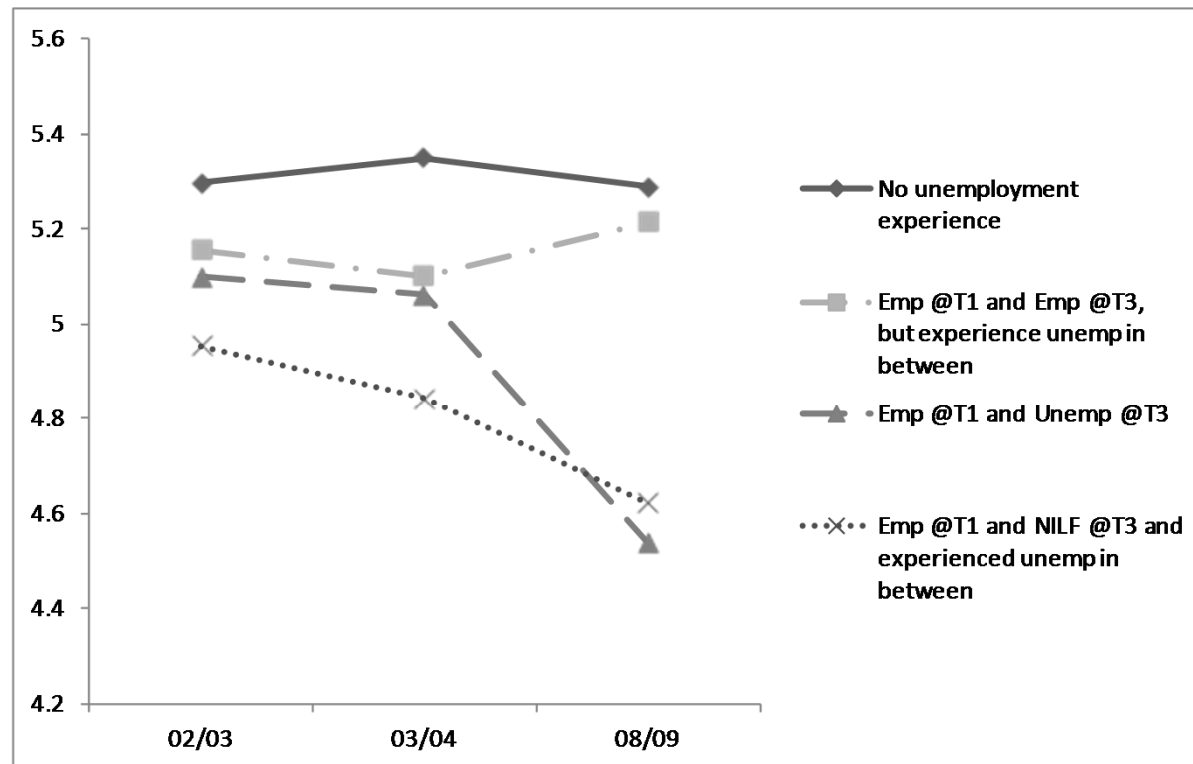
But in general it is displacement rather than the state of unemployment that does most damage to

- Subjective well-being (and suicide)
- Informal volunteering
- Civic participation

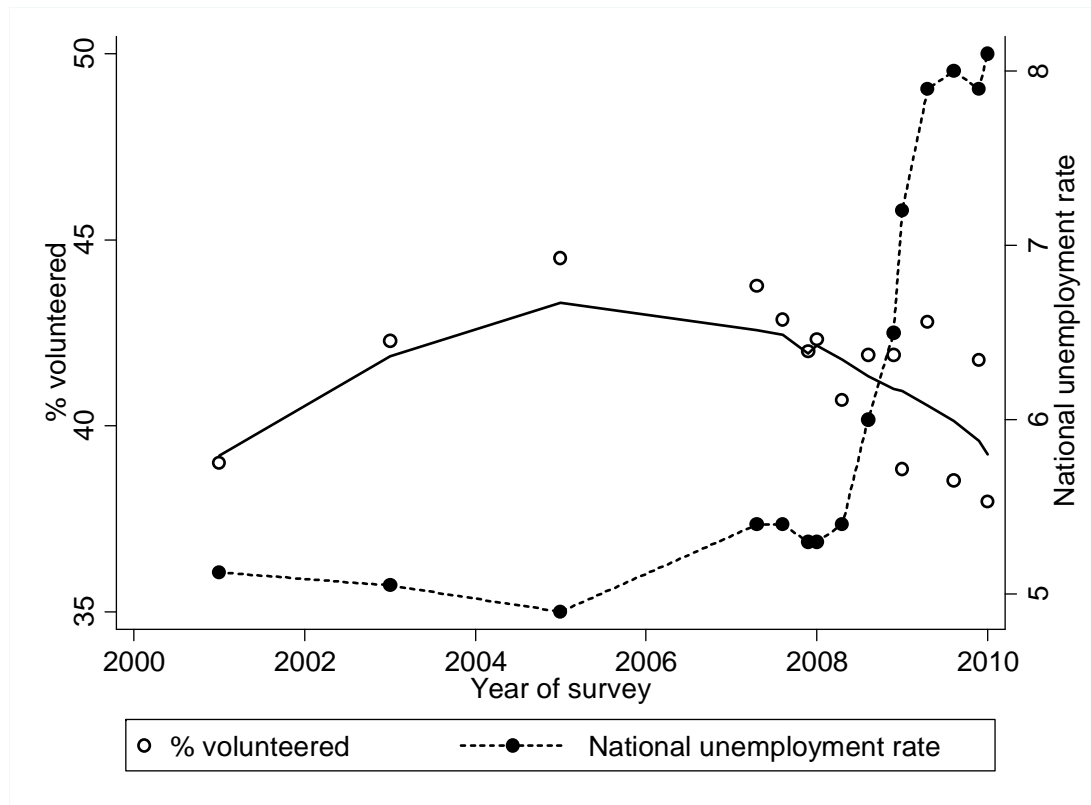
Life satisfaction sinks with the economy, but by more for jobless (Source: Eurobarometer)



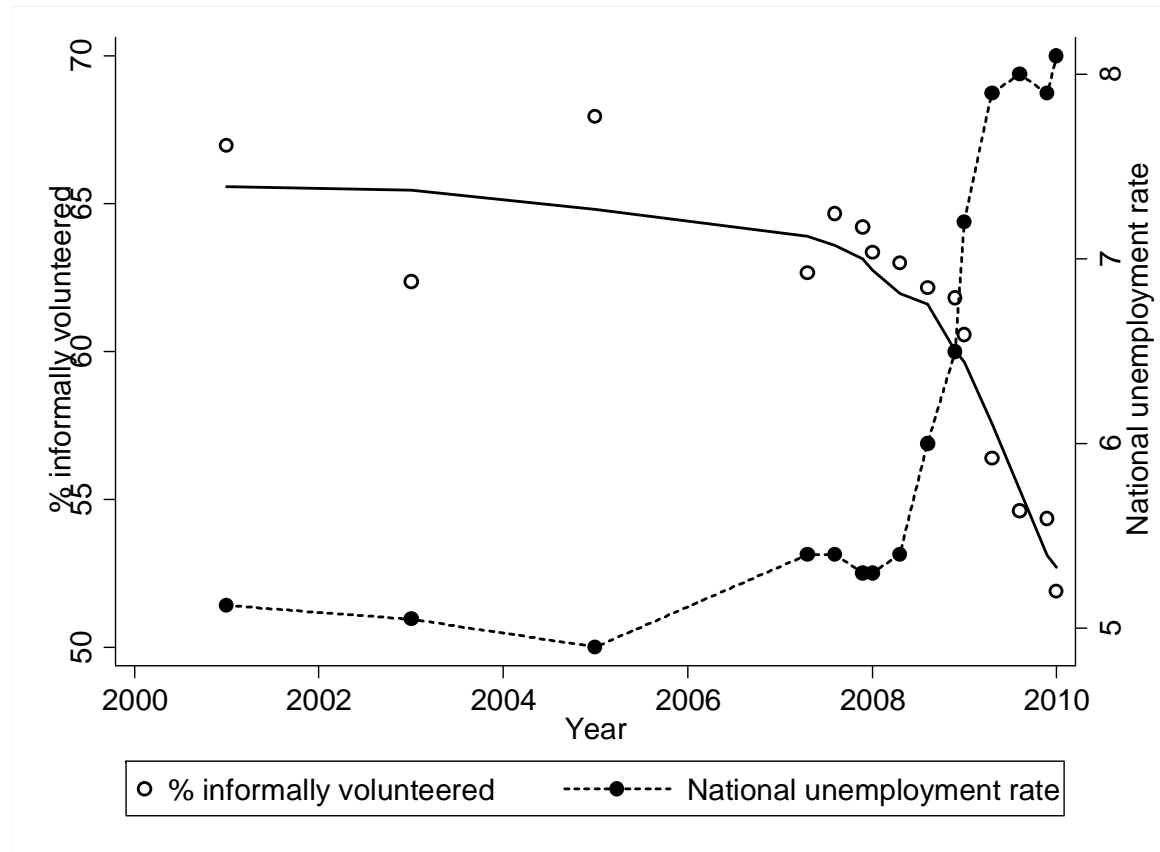
Life satisfaction by experience of unemployment in the UK (Source: BHPS)



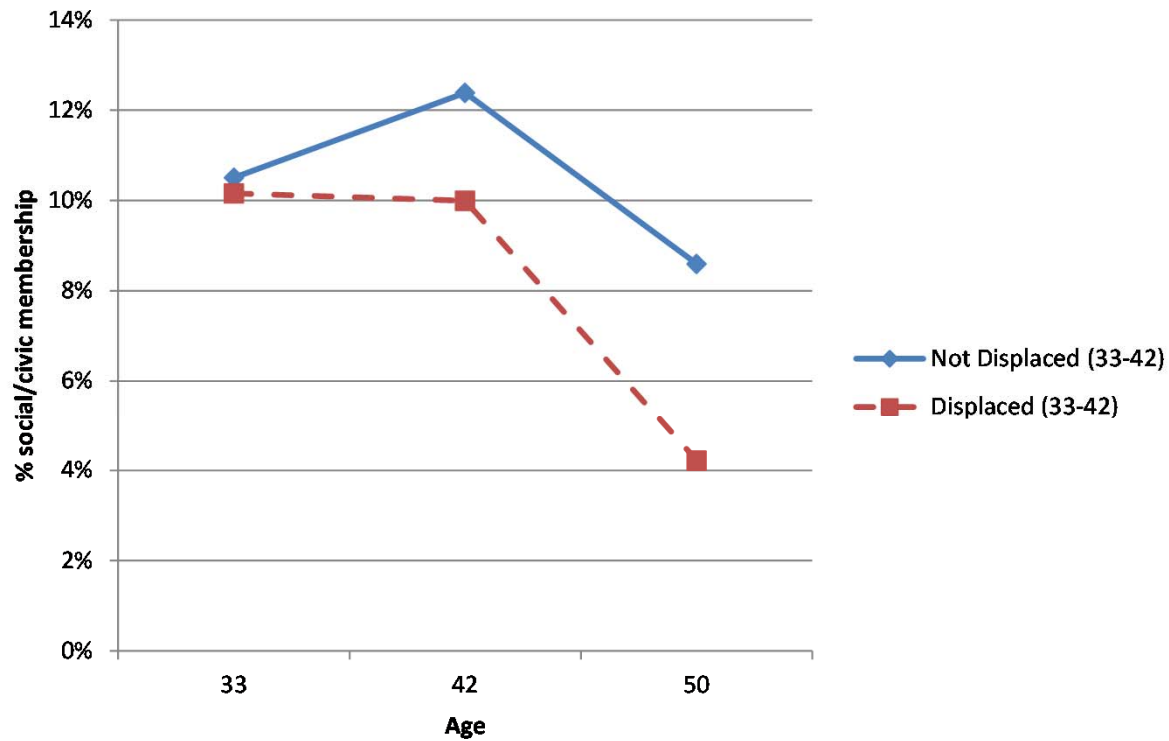
Trends in organized volunteering in the UK (Source: Citizenship Survey)



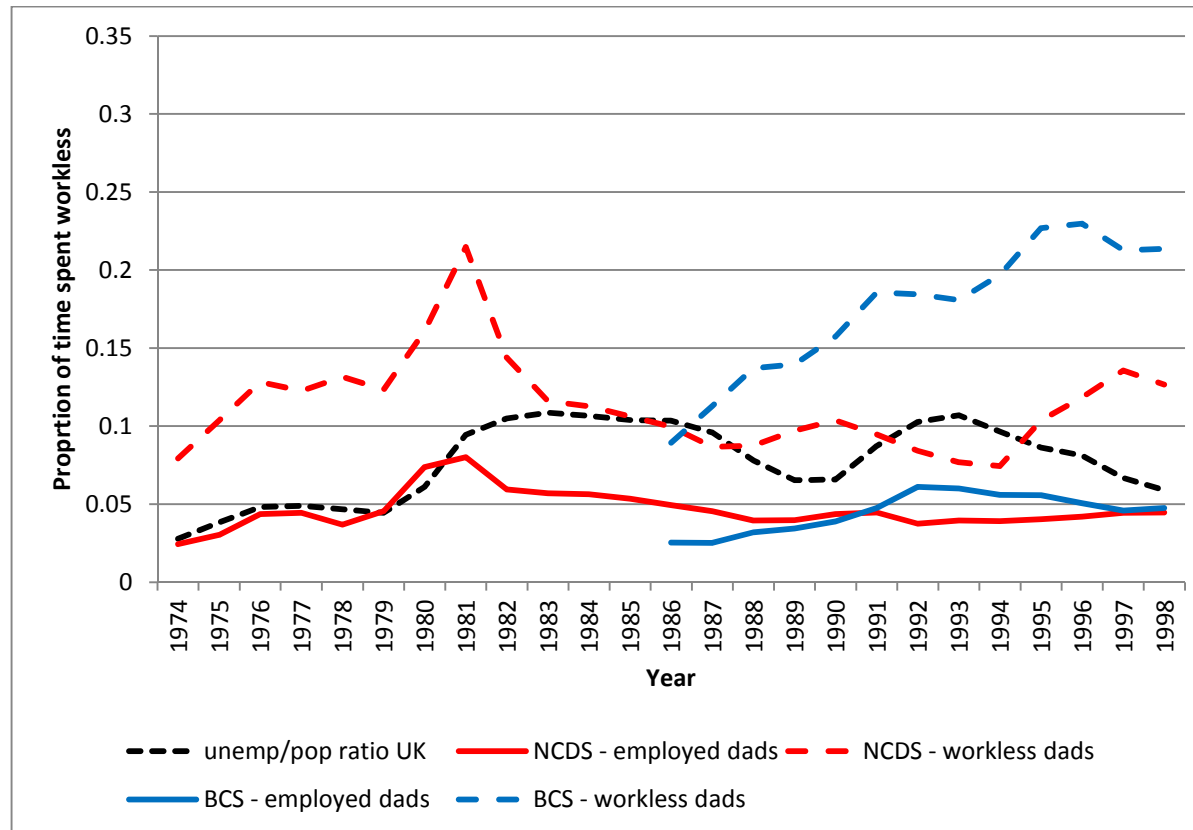
Unorganized/Informal volunteering in the UK (Source: Citizenship Survey)



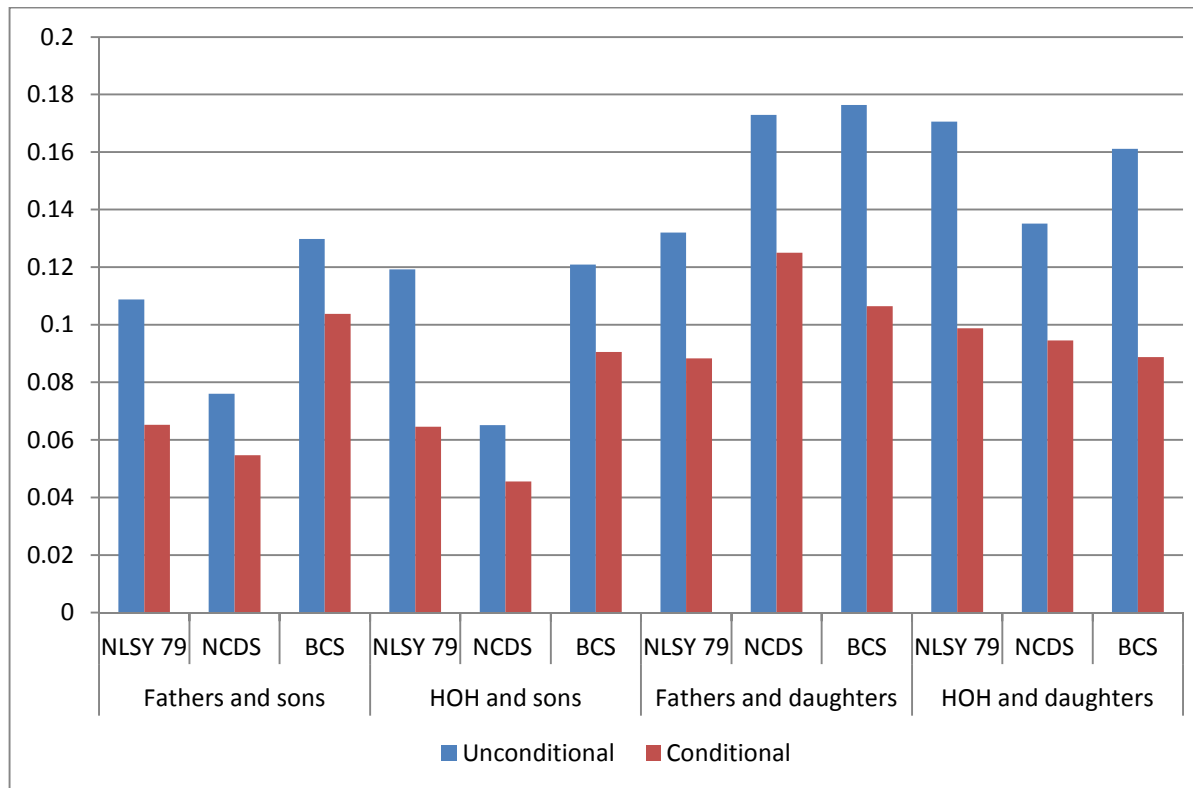
“Participation Careers” of displaced and non-displaced individuals between the ages of 33 and 42 in the UK (Source: NCDS)



Yearly average proportion of time spent workless for sons by father's employment status, UK



The impact of controlling for family background characteristics on the intergenerational correlation



Short and long-term effects

Effects of hard times on subjective well-being appear to be fairly temporary but long-term scarring effects can be found for

- Civic engagement
- Intergenerational transmission of worklessness
- Political protest potential

This may well be because the disruption caused by hard times sets people onto different life-trajectories/life styles

GB/US differences

- Well there aren't any at all that we can be sure about – at least in terms of effects of hard times (though general levels of divorce etc remain very different in the two countries throughout)
- This casts major doubt on theories that expected Britain's more generous welfare state – money is not the answer (or the problem)
- Though volunteering does seem to have been harder hit in the UK than US

Some final thoughts

No especial villain of the piece – can't blame it all on the welfare state or big government

but some potential heroes and villains have failed to come up to scratch

- Not much evidence of US having greater resilience
- Flexible labour markets haven't done much for smoothing the pain or enabling the vulnerable to adapt quicker
- The 'squeezed middle' are not as badly affected as the displaced – but maybe their support for helping the vulnerable is being squeezed

And a final question

What policy implications can we draw from this research?