

## Different Exit Routes from Unemployment and their Impact on Mental Well-being: The Role of the Economic Situation and the Predictability of the Life Course

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**ABSTRACT** The relationship between unemployment and mental well-being has been thoroughly researched. Longitudinal studies have shown unemployment to have negative impact on mental well-being, whereas re-employment has positive impact. This research has however taken little interest in a more complex concept of labour market status than just 'employment versus unemployment', or indeed other alternative exit routes from unemployment. In this article, an investigation is made into the impact of different exit routes from unemployment on mental well-being. This is done using a longitudinal and nationally representative survey of 3,500 unemployed Swedes. The results indicate that the mental well-being outcome of exiting unemployment is related to how the new status resolves economic difficulties and the uncertainty faced in the unemployment situation. The increase in mental well-being when re-entering paid labour is differentiated depending on the contractual situation. Exit to permanent employment means a larger increase in mental well-being than exit to temporary employment or self-employment. Exit to university education increases mental well-being, whereas exit to *high-school equivalent* studies does not. Exit from unemployment to maternity/paternity leave increases mental well-being, exit to sick leave reduces mental well-being, while exit to early retirement pension does not significantly change the mental well-being.

The relationship between unemployment and mental well-being is an issue that has been thoroughly researched. The great body of sociological and psychological research dedicated to the subject reflects the central position of employment in Western society, and the importance of unemployment as one of the most serious problems that can affect an individual during the life course. Social psychological interest in unemployment dates back to the classic unemployment research done during, or in the wake of, the inter-war depression. This research graphically showed people's negative psychological reactions to the experience of unemployment

(Bakke 1933, Lazarsfeld and Eisenberg 1938, Jahoda *et al.* 1971). Although some more recent research findings have contested this negative impact on the grounds of selection effects, where mental well-being affects job chances (see for instance Björklund 1985, Schaufeli and Van Yperen 1992, Claussen *et al.* 1993), the bulk of the research has confirmed the negative psychological impact of unemployment found in the classical studies (although acknowledging the existence of selection effects into and out of unemployment). The relationship between unemployment and low mental well-being has been revealed in a number of large-scale longitudinal studies done in different national settings. In a Scandinavian setting, studies of the development of mental well-being in initially unemployed samples have shown the psychologically beneficial effects of re-employment in Sweden (Korpi 1997) and in Finland (Lahelma 1992). In Norway, the negative impact of unemployment has been shown by studying a nationally representative panel of youths (Hammer, 1993). In Denmark, Iversen and Sabroe (1988), using a sample originally including both unemployed and employed, have shown that transitions both into and out of employment are related to changes in psychological well-being. On the international scene, several British, American and German panel studies confirm the negative effects of unemployment on mental well-being and the positive effects of re-employment (see for instance Warr and Jackson 1983, Warr and Jackson 1983, Frese and Mohr 1987, Kessler *et al.* 1989, Patterson 1997).

Thus, it would seem that work within the behavioural sciences has shown that movements between different status categories on the labour market affect individuals' mental well-being, and that, more specifically, unemployment has a negative impact whereas gaining or regaining employment has a positive impact. Although these are undoubtedly important findings for understanding the human costs of the persistently high European unemployment rates, it is regrettable that most studies end here. If we are to understand the consequences of unemployment and changing labour market status for mental well-being, we must acknowledge two things: (1) that the concept of labour market status is more complex than just 'employed versus unemployed', and (2) that the contemporary welfare state offers different exit routes from unemployment. On the labour market, the shifting contractual situation means that unemployed people who exit into paid labour experience differential job security and might also, to an increasing extent, choose to become self-employed. Outside the labour market, the welfare state might offer exit routes such as entry into regular education, maternity leave, sick leave and different kinds of retirement. As these different exit routes from unemployment imply quite different life situations, we might also expect that they have a differential impact on the individual's mental well-being. This notion seems to be supported in the few studies that have considered variable exit routes from unemployment. Looking at differential job-security after leaving unemployment, Iversen and Sabroe (1988), Burchell (1994), and

Halvorsen (1998) find that, for the re-employed, the security of the job is important for improving mental well-being, and Rosvold and Hammer (1991) find that not only exit to employment but also exit to studies increases the mental well-being of unemployed youths. In this article, an investigation is made into the impact of different exit routes from unemployment on mental well-being. The outcome in terms of mental well-being of exiting unemployment is explained in relation to how the new status resolves economic difficulties and the uncertainty faced in the unemployment situation. The article uses a longitudinal and nationally representative survey of 3,500 unemployed Swedes interviewed at the beginning of 1996 and re-interviewed at the end of 1997.

### **Mental Well-Being In and Out of Unemployment**

In order to understand why exits from unemployment should lead to improvements in mental well-being, we have to first look at why unemployment leads to low mental well-being. The changes in mental well-being that accompany movement from unemployment to another status can be understood in terms of how the new status resolves the causes for low mental well-being in the unemployment situation.

But what is it in the unemployment situation that causes low mental well-being? One very influential explanatory approach has been what could be called the latent functions perspective. This perspective takes its starting point in the psychosocial functions that employment fills and derives the negative impact of unemployment on mental well-being from the lack of these functions. The major theoretical work using this approach has been done by Marie Jahoda. Taking her starting point in the classic unemployment research, she develops a theory in which she identifies five crucial, latent psychological functions that, it is assumed, can only be fulfilled through employment. The employment situation is seen as providing: (1) a time structure, (2) social contacts, (3) participation in collective purposes, (4) status and identity and, finally, (5) regular activity. In the unemployment situation, it is likely that individuals typically lack these psychological functions, which explains why the unemployed individual suffers from decreased mental well-being (Jahoda 1981, Jahoda 1982). But this approach is problematic in that it treats employment and unemployment as static phenomena. Employment is seen as the only status fulfilling necessary psychological functions, whereas unemployment is defined as just the opposite – as a status unable to meet these needs. Thus, according to this approach, the differential consequences of unemployment for mental well-being – an area that has previously been of great research interest – are largely unexplainable. The latent functions perspective also has problems dealing with previous findings of differential outcomes in terms of mental well-being as a function of job-security, and with exits from unemployment to non-employment status.

Simply defining unemployment as a situation in which the psychosocial functions of employment are lacking leaves us without a satisfactory description of the real meaning of unemployment. The status of unemployment might actually bring with it a life situation with its own unique characteristics. Unemployment is, for instance, a status that for all intents and purposes is supposed to be a temporary period in the life course. A person is only supposed to be unemployed between school and the first job, or between two jobs. At the same time, however, unemployment is usually open ended in the sense that it is not known when or even if there will be an exit. Unemployment can become a somewhat permanent 'temporary' situation full of uncertainty about the future. This insecurity is at the core of the experience of being unemployed, and has – in the form of expectations – been shown to be important for mental well-being among the unemployed. If unemployed people expect their job search to be successful, they have higher mental well-being, and if they have low expectations, they show lower mental well-being (Feather 1992, Baiket *et al.* 1989). Fryer and McKenna (1987) describe similar findings from their study comparing workers who were temporarily laid off to those who were permanently laid off. Although both groups nominally shared the same unemployment situation, the temporarily laid off group fared much better. It appeared as if the predictability of the situation – knowing the unemployment period was only temporary – was of some comfort to the temporarily laid off group.

Another aspect of the unemployment situation largely neglected in the latent functions perspective is the economic problems that unemployment might imply. This despite the fact that the classic unemployment studies emphasised the role of economic distress in relation to the psychosocial consequences of unemployment (see for instance Eisenberg and Lazarsfeld 1938, Jahoda *et al.* 1971). The reason for this neglect is probably the assumption that the welfare state has reduced the impact of economic deprivation among the unemployed. However, the rising unemployment levels in large parts of Europe, in combination with the downsizing of welfare state spending, have again brought the question of the economic consequences of unemployment to the fore. Unemployment has been found to be a major (if not the major) factor underlying economic deprivation and poverty in countries with diverse welfare systems (see for instance: Halleröd 1991, 1994, 1995, Muffels *et al.* 1992, Salonen 1993, Kangas and Ritikallio 1995, Whelan 1996, Stenberg 1997). Even if deprivation labelled as poverty today is only relative to the rest of society – and not to the misery experienced during the depression – there is no reason to disregard the importance of money in a consumer society. In empirical studies, a strong relationship has also been found between unemployed individuals' mental well-being and their economic situation (Kessler *et al.* 1987, Frese and Mohr 1987, Whelan 1992, Viinimäki *et al.* 1993, Brief *et al.* 1995, Hagqvist and Starrin 1996, Halvorsen 1998).

In order to take into account these characteristics of the unemployment situation, and to understand the implications of exit to other status categories, we need instead a

theory that emphasises control of the life situation. Something, which in the way of the Swedish 'level of living' studies, focuses on the levels of freedom individuals have to reach their goals under given conditions (Erikson and Åberg 1987). Within the field of unemployment research, the agency theory presented by David Fryer offers an alternative that stresses these points. Fryer develops his theory as a critique of the passive role played by the individual in Jahoda's functionalist perspective. Instead of a passive individual whose mental well-being is largely dependent on the latent functions of social institutions, he advocates a perspective based on the notion that the individual is an intrinsically motivated agent. People are seen as social actors who try, to the best of their abilities, to control their situation and reach what they see as desirable ends. When agency is foiled, the result is lowered mental well-being. According to this line of reasoning, the negative effects of unemployment are understood as a consequence of decreased control over the life-situation. The unemployment situation imposes restrictions on individuals' ability to exercise agency, which results in a lowering of mental well-being (Fryer and Payne 1984, Fryer 1986).

From this agency perspective, economic problems and restrictions on the ability to plan ahead become central for understanding the negative consequences of unemployment for mental well-being (Fryer 1986, Fryer and McKenna 1987). The inherent insecurity of the unemployment situation inhibits the individual's ability to control the life course, to plan and predict the future. At the same time, the economic strain of unemployment also reduces the individual's control over the life situation. Economic problems diminish short-term control of the life situation; it becomes difficult to uphold the desired standard of living. This, in turn, reduces long-term control of the life course, as financial problems make planning impossible. Current economic resources are at the centre of many long-term projects. If an individual is only just making ends meet today, there is no room for long-term savings for future goals. The focus of planning shifts from buying a house or saving for retirement to paying next month's bills. Thus, in order to predict the consequences of different exit routes from unemployment for mental well-being, we should focus on the economic situation and on the predictability of the life course.

### **Predictions Using the Agency Perspective**

The assumptions of the agency perspective – about the centrality of the economic situation and life-course predictability – are applicable both for understanding mental well-being in the unemployment situation and for understanding the impact of exiting unemployment on mental well-being. We can thus both make predictions that test the viability of the perspective, regarding the structure of mental well-being among the unemployed and about differential mental well-being impact of re-employment, and make longitudinal predictions about the effects of different exits on mental well-being.

We have previously argued the importance of the economic difficulties and unpredictability associated with unemployment for understanding the negative consequences of unemployment. Drawing these types of overall conclusions about the life situation during unemployment is, of course, necessary if the goal is to compare mental well-being in one status with mental well-being in another status. However, this does not mean that unemployed people's life situations do not vary. Even in unemployment we can expect to find great differences. The economic situation can, for instance, vary depending on access to unemployment benefits or the income of a partner, both of which affect economic control of the life situation in the unemployment group. The predictability of the life course can also be expected to vary among the unemployed. Different people have different qualifications and, thus, different chances on the labour market. The understanding of one's attractiveness on the labour market implies differences in expectations of positive outcomes and in perceptions of life-course predictability. Differences in expectations of positive outcomes are, of course, hard to measure accurately, but there are aspects of these expectations that are quite evident and that can be used in the investigation. Some people will have been promised jobs, or are preparing for self-employment at a later point in time. Others know they will be able to retire relatively soon. These are informed expectations that imply a sense of control over the life course, where the known exit from unemployment leads to a more predictable life course even before the exit is made. According to this line of reasoning, we can make the following 'structure of mental well-being' hypothesis: *The economic situation and the predictability of the life course (measured as informed expectations of exit from unemployment) are variables of great importance for structuring mental well-being among the unemployed.*

If this hypothesis is correct, we could be said to have support for the centrality of the economic situation and life-course predictability for mental well-being. In order to take the investigation a step further and look at the centrality of these variables for the effects of unemployment on negative mental well-being, we need to see if these factors are important for the impact of exiting unemployment. If economic problems and low life-course predictability are characteristics that explain the negative impact of unemployment on mental well-being, then the variation in these variables in the unemployment situation should be connected with the impact of re-employment on mental well-being. Thus, re-employment should resolve the problems faced in the unemployment situation. Here we can derive the following 'impact of re-employment hypothesis': *Upon re-employment, those with economic problems in the unemployment situation should have a greater increase in mental well-being than those without economic problems. Similarly, those with informed expectations about re-employment should have a lower increase in mental well-being than those who were not expecting re-employment.*

Using the same assumptions, we could conclude that exit from unemployment to

other status categories should generally be expected to have a positive impact on mental well-being. Most other status categories at least result in increased predictability if not in a better economic situation as compared to unemployment. The fact remains, of course, that the status categories to which the unemployed exit imply quite different life situations in relation to these two factors. Thus, using these status-related differences, we should also be able to predict differences in the change in mental well-being among those who exit unemployment.

At the time of the second interview in 1997, some 60 per cent of the respondents had left unemployment and most of them, some 66 per cent, were in paid labour. This group could be regarded as 'successful', as they had managed to attain that which the unemployed are supposed to strive for, some kind of paying job. Thus, leaving unemployment for employment should lead to increased economic resources and also to increased life-course predictability, and, thereby, to a major increase in mental well-being. Those who were in paid labour, however, differed in terms of their contractual status on the labour market. Only about a third of the respondents employed in 1997 had a permanent job, whereas the rest had temporary employment contracts or were self-employed. These differences in the contractual situation are very much related to life-course predictability. Exit from unemployment to permanent employment should lead to a greater predictability of the future life course than exit to either temporary employment or self-employment. Thus, because type of employment affects the degree to which unemployment problems can be resolved, we should see a differentiated impact on the change in mental well-being.

We can deduce the following 'exit to paid labour' hypothesis: *Exit to paid labour increases mental well-being among the unemployed, but the increase in mental well-being is affected by the contractual situation. A permanent employment contract leads to a greater increase in mental well-being than temporary contracts and self-employment.*

Another rather large group of respondents who had exited unemployment, 19 per cent, left for some kind of regular education. Although entry into education generally could not be expected to increase the economic resources of the individual, there are reasons to expect that this type of exit would have a positive impact on mental well-being. Entering education means a predictable status for the planned duration of studies. Perhaps more importantly it means taking charge of the life course, giving it a sense of direction and eventually returning to the labour market with increased resources as the goal. Thus, exit from unemployment to education should increase the predictability of the life course both in the short and in the long run. In our data we have exits to two different types of education that might enhance predictability to a different degree. Most of the respondents who exited unemployment for education left for something comparable to studies for high-school equivalence. These studies are often supported by the Swedish government through a program for the unemployed called 'Knowledge boost'. The aim of the project is to

make it possible for the participants to achieve their high-school equivalence. The planned duration of these studies is quite short and, upon completion, the student is only qualified to apply for further university studies. A smaller group of respondents left unemployment for university studies. This implies a much longer planned duration of studies and also an incorporation into something that could be labelled as a normal and more predictable life course, with attainment of competence directed towards the labour market. Given these differences in life-course predictability, it is fair to expect that exit to these two different types of education will have a differentiated impact on mental well-being.

In accordance with this line of reasoning, the following 'exit to education' hypothesis is made: *Exit to regular education increases mental well-being among the unemployed, but the type of education affects the degree of increase. University studies lead to a greater increase in mental well-being than high-school equivalence studies.*

The final 15 per cent of respondents who exited unemployment left for some kind of welfare-state financed status. Here we have people who have left unemployment for old-age retirement, early retirement, sick-leave and maternity/paternity leave. The most typical welfare-state financed exit would, of course, be to regular old-age retirement. This status is not connected with increased economic resources, on the contrary; but it is extremely stable and predictable. Old-age retirement should thus lead to a great increase in mental well-being due to increased control over the future life course. Sadly, the present data set lacks information about mental well-being at the second interview for those who left for old-age retirement. Instead, we have information for a group of respondents who left unemployment for early retirement pension. Here we have exit to a status similar to that of old-age retirement, and hence this exit should have a very positive impact on mental well-being due to enhanced life-course predictability. Something making exit to this status somewhat less predictable though, is that eligibility for Swedish early retirement pension is officially dependent on medical conditions. This could have an adverse effect on mental well-being because medical problems in themselves mean a loss of control of the immediate life situation and could also mean less control of the future life course.

The same line of reasoning applies to those who left unemployment for sick leave, although they additionally lack the predictability of the retirement status. This group essentially exits to a situation of decreased control of the life course as compared to the unemployment situation. Since the economic situation has most likely not improved either, we can expect that those who left unemployment for sick leave will show decreased mental well-being as compared to when they were unemployed. Finally, we have those who leave unemployment for maternity/paternity leave. In Sweden, maternity/paternity leave can be taken for a maximum of twelve months per child, and the economic rewards are roughly the same as when unemployed. Thus, exiting unemployment for maternity/paternity leave implies at

least a life situation that is somewhat more predictable than unemployment. Additionally, this move might represent taking charge of the life course and fulfilling a long-term goal, that of becoming a parent. Exit from unemployment to maternity/paternity leave could, because of increased control of the life course, be expected to increase the mental well-being among respondents in this group.

In line with these arguments, we can make the following 'welfare state financed exit' hypothesis: *Among those who exit unemployment for early retirement pension we will not find any substantially change in mental well-being, whereas among those who exit unemployment for sick leave we will find decreased mental well-being. Those who leave unemployment for maternity/paternity leave will show an increased mental well-being.*

### **Data and Variables**

To address these hypotheses, a large longitudinal data set collected within the framework of the 'Long-term Unemployment Project' (LUP) at the department of Sociology, Umeå University, will be used. The data set includes information collected from two waves of telephone interviews conducted approximately two years apart. The first interview was conducted at the beginning of 1996 on a national random sample of 3,500 individuals drawn from the register of all unemployed persons (HÄNDEL) kept by the Swedish Labour Market Board. The survey included questions addressing issues such as mental well-being, the economy, work involvement, belief in the future, wage demands and job search behaviour, and the participation rate was 74 per cent. At the end of 1997, almost two years later, the second telephone interview was carried out. The participants were those who were unemployed at the first survey in February 1996 and who answered the questions on this occasion. The second interview had a participation rate of roughly 80 per cent, and included questions similar to those used in the first wave, but with additional questions about the current labour market status. In both the telephone surveys, only about 6 per cent of the attrition was due to refusal to take part in the investigation. The remaining attrition was due to factors such as, unpublished telephone numbers and non-residence in Sweden at the time of the study.

### **Dependent variables**

In order to measure the dependent variables in the study, mental well-being and the change in mental well-being over time, the survey included a version of the GHQ-12 scale adapted to telephone survey. This scale has been widely used in similar studies (see, for instance, Warr *et al.* 1988), and has previously been shown to have a high degree of reliability and validity (Goldberg 1972, Banks *et al.* 1980). The scale is based on a battery of twelve statements concerning general health and the experience of day-to-day-activities. For each statement, the respondent is asked to place

him/herself on a scale from 0 to 3, where 0 represents the strongest disagreement and 3 the strongest agreement. The responses to the twelve statements are then summarised in an index varying from 0 to 36, where a higher score indicates poorer mental health. The GHQ-scale was used in both waves of the panel, and in this study, the GHQ-score for the unemployed sample in 1996, and the individual change in GHQ-scores by 1997 (when a substantial portion of the sample had changed labour-market status) will be used as dependent variables.

### Independent variables

In the initial cross-sectional analysis of the structure of mental well-being among the unemployed, our main independent variables were intended to measure the economic situation and the predictability of the life course in the unemployment situation. Here the ability to make ends meet (on a scale from 1 to 6, where 1 is with great difficulty and 6 is with great ease) and the respondents' access to a cash margin of 15,000 sek (c. £1,100 sterling) are used to measure the economic situation. Exit to old-age retirement by the second interview (which is an exit that should be rather predictable at the time of the initial interview) and knowledge that one is in line for a job are used to measure informed expectations of exiting unemployment. The same variables (except exit to old-age retirement) are used in the longitudinal investigation of how the economic situation and life-course predictability in the unemployment situation impact the consequences of re-employment for mental well-being. In the final longitudinal analysis of the impact of exit from unemployment to different status categories on mental well-being, variables measuring change in the economic situation are used (as well as the variable indicating status change). Here change in the respondents' ability to make ends meet and cash-margin status change are included to indicate the role of economic change in how different types of exit patterns affect mental well-being.

In addition to these variables, some additional independent variables are used in multivariate regression analyses to control for the make up of the unemployment group. In the cross-sectional analysis, these variables are duration of current unemployment spell (in months), type of household (in four categories), individual class based on previous occupation (in seven categories), gender, age (in three categories) and citizenship (in three categories). In the longitudinal analysis of the change in GHQ-scores, the GHQ-score in the first wave and changes in the family structure are used as controls. The original GHQ-score is used as a control because this score limits the amount of change that can take place by the second interview.

### **Economic Resources and life-course predictability**

The agency approach adopted in this paper resulted in two hypotheses that test the viability of focusing on economic resources and life-course predictability for

understanding the impact of labour-market status change on mental well-being. These hypotheses are intended to ring in the centrality of these factors by looking at the structure of mental well-being among the unemployed and at whether these factors also impact mental well-being upon re-employment.

### Structure of mental well-being among the unemployed

To investigate the initial cross-sectional hypothesis, *the economic situation and the predictability of the life course (measured as informed expectations of exit from unemployment) are variables of great importance for structuring mental well-being among the unemployed*, two OLS-regression models are presented in Table 1. They describe the relationship between the independent variables and GHQ among the unemployed (in 1996). As higher GHQ-scores indicate lower mental well-being, negative regression coefficients mean better mental well-being, whereas positive regression coefficients mean lower mental well-being. In the table, model 1 contains only background variables, whereas the variables measuring economic resources and life-course predictability are introduced in the second model. This is done in order to evaluate the impact of these variables in relation to the background variables.

What we can see in the first model of Table 1 is that all of the background variables entered into the model have a statistically significant relationship with mental well-being among the unemployed. The effect of the variables could however be an effect of economic resources and life-course predictability. This as the impact of the background variables on mental well-being is structured much in the way that these variables are related to these factors. We find that the longer the duration of unemployment, the lower the mental well-being. This could be the result of the economic situation deteriorating with prolonged unemployment, or of negative duration dependence, where the chances of attaining employment are reduced with prolonged unemployment. Those who are single or are single parents have lower mental well-being than those who are cohabiting. This could be an economic effect of access to a second salary or an effect of access to a larger social network that enhances the ability to find employment. On the class variable, we find that unskilled workers, lower white-collar workers, and those previously not in the workforce report lower mental well-being than do higher white-collar workers. These first three are the categories that generally have the lowest qualifications and the least economic resources. Further, the middle aged – who probably bear the burden of an established household and for whom retirement is rather far off – show lower mental well-being than the older unemployed. Women, who generally have lower salaries than men (which also means lower unemployment benefits in Sweden, since the unemployment benefit system is based on a percentage of previous income), also report lower mental well-being than men. On the final variable dealing with citizenship, the non-European citizens clearly stand out as a group with extremely

Table 1

**Regression estimates (OLS) on the GHQ-level among unemployed in 1996**

Variable	Model 1		Model 2	
	<i>B</i>	<i>t-value</i>	<i>B</i>	<i>t-value</i>
Duration of unemployment (months)	0,04***	4,97	0,03***	3,54
Type of household (Couple without children ref.)				
Couple with children	0,03	0,06	-0,60	-1,32
Single without children	1,53***	3,60	1,07*	2,34
Single with children	2,03**	3,07	-0,18	-0,25
Individual class (Higher White collar ref.)				
Middle White Collar	1,19	1,25	0,99	0,98
Entrepreneur	0,75	0,54	0,61	0,40
Lower white collar	2,01*	2,25	1,60	1,69
Skilled Blue collar	1,52	1,79	1,31	1,43
Unskilled Blue collar	2,32**	2,78	1,42	1,57
Previously not in workforce	3,00**	3,17	1,41	1,37
Age (over 50 years ref.)				
20-30 years	-0,26	-0,55	-0,93	-1,85
31-50 years	1,16**	2,58	-0,39	-0,80
Gender (man ref.)				
Woman	0,90**	2,72	0,62	1,78
Citizenship (Swedish ref.)				
Nordic/ E.U/ U.S	1,30	1,45	-0,26	-0,23
Other	5,96***	9,13	5,61***	7,61
In line for paid labour (no ref.)	-	-	-1,15***	-3,20
Regular retirement 1997 (no ref.)	-	-	-3,64**	-3,17
Making ends meet (With great difficulty ref.)				
With difficulties	-	-	-2,47***	-5,41
With minor difficulties	-	-	-3,07***	-5,78
With relative ease	-	-	-5,54***	-10,49
With ease	-	-	-5,23***	-6,73
With great ease	-	-	-6,84***	-8,23
Cash margin of 15000 sek (yes ref.)	-	-	1,16**	3,15
Intercept	3,35		8,89	
Adjusted r <sup>2</sup>	0,11		0,24	

Levels of significance: \*\*\* = 0,001-level; \*\* = 0,01-level; \* = 0,05-level

low mental well-being. This group, however, is also having an extremely difficult time on the Swedish labour market, at the same time as many of them are living under very harsh economic conditions because they do not qualify for the Swedish unemployment benefit system.

Given this, it is quite possible that these relationships between the background variables and mental well-being among the unemployed are largely a result of the economic situation and life-course predictability in the unemployment situation. Turning to the second model of Table 1, we can see that this is in fact the case. Entering the economic situation and the informed expectations of exit into the regression models eliminates the statistically significant effects of class, age and gender, whereas the effect of the household type variable is clearly reduced. In addition to the economic situation and the predictability of the life course, only duration of unemployment and citizenship seem to be of real importance for structuring mental well-being among the unemployed. This despite the fact that life-course predictability in the unemployment situation was measured quite narrowly as the informed expectations of exiting unemployment either to paid labour or old-age retirement. We can also see in the model that the economic situation and the informed expectations of exiting unemployment are very important for structuring mental well-being among the unemployed. Those who are in line for paid labour or are awaiting retirement have much better mental well-being than the unemployed who lack these informed expectations. The variables measuring the economic situation appear to be of even greater importance. The difference in GHQ-scores between extreme groups on the variable measuring the ability to make ends meet is greater than six points on the GHQ-scale, at the same time as access to a cash margin also is of importance. The impression that these variables are indeed central for understanding how mental well-being is structured among the unemployed is further enhanced when we look at the explained variance (the adjusted  $r^2$ ) in the regression models. The introduction of economic situation and informed expectations of exit from unemployment raises the explained variance of the regression model from 11 to 24 per cent, in fact the explained variance in a regression model including only the variables measuring economic situation and informed expectations of exit from unemployment was 19 per cent. The conclusion from these results can only be that the initial hypothesis, about the centrality of the economic situation and life-course predictability for structuring mental well-being among the unemployed, is supported.

#### The impact of re-employment

We have seen so far that the economic situation and life-course predictability are central for understanding how mental well-being is structured among the unemployed. That this is the case does not prove, however, that these factors are of importance for explaining unemployment's negative impact on mental well-being.

These factors have here been assumed to be important for mental well-being in any status, and the impact of movement between different status categories is explained to the degree to which these status categories typically affect life-course predictability and the economic situation. The negative impact of unemployment on mental well-being is assumed typically to be dependent on economic difficulties and low life-course predictability. If this is the case, and paid labour typically remedies these negative features of unemployment, then the second hypothesis, *upon re-employment, those with economic problems in the unemployment situation should have a greater increase in mental well-being than those without economic problems. Similarly, those with informed expectations about re-employment should have a lower increase in mental well-being than those who were not expecting re-employment*, should be supported. This is investigated in Table 2. Here, two OLS-regression models describe how the economic situation and informed expectations of re-employment affect the change in mental well-being among those who were unemployed in 1996 and in paid labour in 1997. It is important to note that the dependent variable describes the change in the GHQ-score when moving from unemployment to paid labour. This means that negative coefficients represent greater improvement in mental well-being, while positive coefficients describe a lesser improvement in mental well-being.

What we can see in the first model of Table 2 is that the hypothesis is supported. Those with problems making ends meet and those lacking a cash margin in the

Table 2  
**Regression estimates on the change in GHQ between 1996 and 1997 among those who are in paid labour 1997 (OLS)**

	Model 1		Model 2	
	<i>B</i>	<i>t-value</i>	<i>B</i>	<i>t-value</i>
Making ends meet in 1996 (Ease categories ref.)				
With great difficulty	-3,48***	-4,28	0,09	0,16
With difficulties	-1,64*	-2,33	0,32	0,63
With minor difficulties	-0,89	-1,14	0,94	1,68
No cash margin 1996 (Yes ref.)	-1,77**	-2,89	0,08	0,18
In question for a job offer (No ref.)	1,10*	2,02	-0,12	-0,30
GHQ-level in 1996	-	-	-0,70***	
Intercept	-1,34*		2,16***	
Adjusted <i>r</i> <sup>2</sup>	0,08		0,54	

Levels of significance: \*\*\* = 0,001-level; \*\* = 0,01-level; \* = 0,05-level

unemployment situation show a greater improvement in mental well-being when re-employed than those without problems making ends meet and those who have access to a cash margin. In the same way, upon re-employment, those who already in the unemployment situation had informed expectations of re-employment showed a lower improvement in mental well-being than those lacking such informed expectations. Thus, the economic situation and life-course predictability in the unemployment situation are important for the impact of re-employment on mental well-being. This also indicates that economic problems and lack of predictability are important factors negatively affecting mental well-being during unemployment. These characteristics of the unemployment situation are typically not present upon re-employment, resulting in an improvement in mental well-being when moving from unemployment to employment. Further support for this can be found in the second model of Table 2. Here we see that the impact of economic problems and informed expectations of re-employment on mental well-being change disappears when the original GHQ-score is introduced into the model. This indicates that the differences shown in model 1 are indeed caused by differences in mental well-being in the unemployment situation and not the result of differences in mental well-being in the re-employment situation. Those with economic difficulties and those lacking informed expectations of re-employment are worse off only in the unemployment situation; when re-employed they share the same level of mental well-being as those without economic difficulties and with informed expectations of re-employment when unemployed. Re-employment equalises mental well-being by remedying economic problems and a lack of life-course predictability for those experiencing these negative aspects of the unemployment situation.

### **The Impact of Different Exit Routes on Mental Well-Being**

So far, economic problems and a lack of life-course predictability seem to be central variables for mental well-being and typical characteristics of the unemployment situation, thus usable for explaining the negative impact of unemployment on mental well-being. It is reasonable to assume that these factors also are suitable for predicting the impact of different exit routes from unemployment, as has been done in the final three hypotheses that are investigated in Table 3. In Table 3, two OLS-regression models are presented describing the impact of exit from unemployment to different status categories on mental well-being, as compared to those who were unemployed at both points in time. In both regression models, the GHQ-score for 1996 is held constant in order to hinder original differences in mental well-being from affecting the results. Economic change is introduced in the second regression model in order to see to what extent the effect of exit to a certain status is the result of the economic change implied by the status.

## Exit to paid labour

In Table 3 we can see that the hypothesis regarding the impact of paid labour, *exit to paid labour increases mental well-being among the unemployed, but the increase in mental well-being is affected by the contractual situation. A permanent employment contract leads to a greater increase in mental well-being than temporary contracts and self-employment*, is supported. All three exits to paid labour significantly increase mental well-being. This supports previous findings showing that re-employment generally improves the mental well-being of those in unemployment. We can also see the predicted differences in the impact of re-employment on mental well-being depend on the contractual situation. Those who exit unemployment for a permanent employment contract have a greater increase in mental well-being than those who exit unemployment for a temporary employment contract or self-employment.

Table 3

**Regression estimates on the change in GHQ between 1996 and 1997 (OLS)**

	Model 1		Model 2	
	<i>B</i>	<i>t-value</i>	<i>B</i>	<i>t-value</i>
Change in status 1996–1997				
<i>In paid labour</i>				
Permanent employment	-3,13***	-7,39	-2,89***	-6,79
Temporary employment	-2,22***	-6,28	-1,98***	-5,63
Self-employment	-2,01**	-2,57	-1,73*	-2,27
<i>In education</i>				
University student	-2,17**	-2,84	-2,11**	-2,83
High school equivalence student	-0,89	-1,71	-0,86	-1,67
<i>Welfare state financed status categories</i>				
Early retirement	-1,28	-1,46	-1,53	-1,75
Sick-leave	3,14**	2,98	3,15**	3,07
Parental-leave	-2,02*	-2,35	-1,70*	-2,03
Cohabitation change				
Separated since 1996	0,92	1,42	0,93	1,46
Moved in with somebody since 1996	-1,66**	-3,03	-1,54**	-2,82
Economic change				
Change in making ends meet (-5 to +5)	-	-	-0,35***	-3,45
Maintained cash margin status	-	-	-1,66***	-3,63
Acquired cash margin	-	-	-2,08***	-3,63
GHQ-level in 1996	-0,52***	-25,24	-0,52***	-25,34
Intercept	3,75		3,62	
Adjusted $r^2$	0,36		0,39	

Levels of significance: \*\*\* = 0,001-level; \*\* = 0,01-level; \* = 0,05-level

Looking at model 2, we see that these differences in the impact of exiting to different contractual situations remain even when we control for economic change. The impact of exits to all three contractual situations drops a bit – indicating that part of the positive effects of exit to paid labour is economic – but the differences between them remain. The impact of exit to paid labour on mental well-being could thus be understood as the result of increased life-course predictability and an improved economic situation. This is while the differences in the impact of exit to different contractual situations can be understood as the effect of different levels of life-course predictability when in paid labour.

#### Exit to education

How, then, does exit to regular education impact mental well-being? Here the hypothesis was: *Exit to regular education increases mental well-being among the unemployed, but the type of education affects the degree of increase. University studies lead to a greater increase in mental well-being than high-school equivalence studies.* As we can see in Table 3, the hypothesis was only partly supported. Although exit to both kinds of education seems to have a positive impact on mental well-being, only those leaving unemployment for university studies show a statistically significant improvement. This supports the second part of the hypothesis, where university studies were assumed to imply a greater increase in mental well-being, due to the longer duration of studies, the incorporation into a normal and more predictable life course and the attainment of competence valued on the labour market. What we see in Table 3 is that the increased control of the life course implied by these factors is accompanied by a greater mental well-being for those exiting unemployment for university studies. This while exit from unemployment to high-school equivalence studies fails in the same way to address the fundamental insecurity of the unemployment situation.

#### Exit to welfare state financed status categories

The final group exiting unemployment left to adopt different welfare-state financed status categories. The hypothesis here was: *Among those who exit unemployment for early retirement pension we will not find any substantially change in mental well-being, whereas among those who exit unemployment for sick leave we will find decreased mental well-being. Those who leave unemployment for maternity/paternity leave will show an increased mental well-being.* Looking at Table 3, we see that this hypothesis was supported. Leaving unemployment for early retirement pension does not have a significant effect on mental well-being, although there is a tendency towards a positive effect, whereas leaving unemployment for sick leave has a statistically significant negative effect on mental well-being. Both these groups have left the labour force because of medical problems, but the two different exit routes result in very different outcomes in terms of mental well-being. The assumption here

was that exit from unemployment resulting from medical problems should lead to a lowering of mental well-being due to the loss of immediate and long-term control of the life situation inherent in illness. It was then assumed that the exit to the very predictable status of retirement might counteract this effect, causing the difference in mental well-being found between those exiting unemployment for early retirement pension and those exiting unemployment for sick leave. Drawing this conclusion based on these data might, however, be premature. It is probably the case that very different medical problems underlie exit to these two different status categories. Exit to early retirement pension is probably more likely in cases of chronic medical problems, where the outcome and degree of illness are more predictable. Sick leave would, then, be connected with more unpredictable and perhaps acute medical conditions.

Exits from unemployment to maternity/paternity leave also result in the predicted mental well-being outcome. Those who exit unemployment for maternity/ paternity leave show a significant increase in their mental well-being. This exit route was assumed to increase mental well-being both because of the somewhat greater life-course predictability implied in the status and because parenthood could represent taking charge of the life course and fulfilling a long-term goal. Because of this it comes as somewhat of a surprise when we compare the two regression models in Table 3, that part of the effect of parental leave seems to be caused by economic change. However, economic improvements when moving from unemployment to maternity/paternity leave are quite possible. If we disregard the possibility of increased income for the partner, economic improvements could be caused by the additional welfare rights associated with parenthood. Children mean extra costs, but they also mean access to child allowances and perhaps also access to additional housing allowances.

## **Conclusion**

This article has investigated the impact on mental well-being of different exit routes from unemployment. Initial findings of the importance of the economic situation and the predictability of the life course, both for mental well-being among the unemployed, and for the impact of re-employment on mental well-being, confirmed the usefulness of an agency perspective for understanding differential mental well-being outcomes of different exit routes. Using the two typical negative features of the unemployment situation pointed out by the agency perspective, economic problems and the unpredictability of the future, we can understand how mental well-being is affected by exit from unemployment to different status categories, in terms of the degree to which these new status categories typically resolve these features of unemployment. When we look at the actual impact of different exit routes on mental well-being, the present empirical results supported

such an approach. As predicted, exit to paid labour increased mental well-being. The increase in mental well-being was, however, differentiated depending on the contractual situation. Exit to a permanent employment contract meant a larger increase in mental well-being than exit to temporary employment contracts or self-employment. The effect on mental well-being of exit to paid labour could be understood as a result of the increased life-course predictability and economic rewards implied by paid labour. The differences in impact depending on the contractual situation could be understood as caused by differences in degrees of life-course predictability among those in paid labour. Exit to university education led to an increase in mental well-being, whereas exit to high-school equivalence studies did not. This could be due to the greater sense of control of the life course inherent in a university education. Exit from unemployment to sick leave status meant reduced mental well-being, whereas exit to the other medically motivated exit route, early retirement pension, meant a non-significant increase in mental well-being. Here the presence of medical problems was thought to cause the additional deterioration in mental well-being. It was suggested that the permanent nature of exit to early retirement might counteract this, thus causing the differences found in the data. The conclusion might however be premature, as exits to the two medically motivated status categories are probably dependent on very different medical conditions, which could also cause the differentiated impact of the exits. The final exit route from unemployment, exit to maternity/paternity leave, increased mental well-being through both additional control of the life course and improved economic conditions.

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