

# Unemployment and mental health

Why both require action for our  
COVID-19 recovery

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## Key points

- The relationship between mental health and unemployment is bi-directional. Good mental health is a key influence on employment, finding a job and remaining in that job. Unemployment causes stress, which ultimately has long-term physiological health effects and can have negative consequences for people's mental health, including depression, anxiety and lower self-esteem.
- Projections from the Office for Budget Responsibility (OBR) show the UK unemployment rate reaching 6.5% by the end of 2021, which means an additional 0.9 million people in unemployment compared with before the COVID-19 pandemic.
- Our analysis, based on preliminary findings from [Katikireddi et al](#), suggests the increase in total unemployment, and the associated rise in long-term unemployment, will result in an additional 200,000 people having poor mental health. This indicates there would be 800,000 unemployed people with poor mental health by the end of 2021.
- The rise in unemployment is not distributed evenly across society. While the unemployment rate was estimated at 5.1% in January 2021, the highest rates were among young people aged 18–24 (14.0%), people with lower qualifications (7.8%) and people from minority ethnic groups (7.6%).
- In January 2021, 43% of unemployed people had poor mental health. This was greater than for people in employment (27%) and for people who were on furlough (34%). This suggests that furloughing has provided some protection for mental health.
- Workers with existing mental health conditions are also more likely to work in sectors that have had to close due to COVID-19 restrictions, such as hospitality, making them vulnerable to job losses. This will potentially widen the gap in employment rates between those with and those without mental health conditions.
- Maintaining high employment will be key to the UK's recovery from the COVID-19 pandemic – but failing to tackle poor mental health will create a drag on future prosperity. Policies to tackle unemployment should also aim to improve mental health, for example:
  - Preventing unemployment arising in the first place through the gradual phasing out of the Coronavirus Job Retention Scheme (rather than a sudden end). Job creation schemes and employment support programmes should be targeted at sectors with high vacancies.
  - Ensuring the social security system supports people with poor mental health by providing an adequate income, which (at a minimum) means making the Universal Credit uplift permanent, and tailoring expectations of job seeking activity and support to find work for people with poor mental health.
  - Designing employment programmes to support better mental health with personalised interventions for people with mental health problems. There should be a focus on securing good quality work, as well as skills training to address underlying barriers to employment (such as low qualification levels).

# Introduction

Unemployment has a detrimental impact on mental health, as does poor quality employment. This long read is concerned mainly with unemployment and mental health. Entering the pandemic, unemployment in the UK was at a historic low, but has since begun to rise, and is expected to rise further, as a result of pandemic restrictions.

Policy measures to help manage the COVID-19 pandemic have now been in place for over a year. Two areas that have felt the continued impact of those restrictions are the UK's labour market and the mental health of the population. The complex connection between mental health and unemployment means that systems designed to address one area **must not neglect the other area**.

Despite the extension of the Coronavirus Job Retention Scheme to the end of September, the unemployment rate is still projected to reach a 7-year high by the end of 2021. **Policies announced in the Budget** are rightly focused on economic recovery and tackling the expected rise in unemployment. However, their impact will fall short unless they also tackle the mental health consequences of the pandemic and unemployment.

## What is the connection between mental health and unemployment?

Unemployment – not having a job and actively seeking work – has consistently been found to have a negative impact on a range of health outcomes. There are several mechanisms by which unemployment could harm health:

- through stress and reduced self-esteem arising from the loss of the day-to-day structure of work or the stigma associated with unemployment
- as a result of financial hardship, insecurity and reduced future earnings potential, leaving people with stress (which damages health)
- from the social security system itself, which can have a negative impact on mental health through the claims process, work capability testing and job search conditions.

The health consequences of unemployment have been shown to increase with duration – for mental health and life satisfaction as well as for physical health. Pandemic restrictions have led to extended periods of reduced income, job loss or unemployment, and the long duration of these circumstances is a particular cause for concern.

Policymakers' interest in unemployment, particularly for young people, partly stems from the **long-term scarring effect** that a period of unemployment can have on future earnings potential. However, research also suggests that there are **long-term mental health scarring effects** of youth unemployment (and multiple spells of unemployment) during the life course.

## The impact of rising unemployment on mental health

Forthcoming research by Katikireddi et al explores the impact of job loss, income change and different economic and welfare policies on mental health. Using provisional estimates, it is possible to provide an indication of the impact on mental health of the predicted rise in unemployment by the coming winter.

OBR projections suggest that by the final quarter of 2021, the unemployment rate will reach 6.5%, equivalent to an additional 940,000 unemployed people in the UK compared with the last quarter of 2019. Based on the age profile of unemployment in the latest ONS data and the relationship identified in Katikireddi's research, we estimate this would result in an extra 200,000 people with poor mental health over the same period. In comparison, our analysis of the January wave of the UK Household Longitudinal Study (UKHLS) suggests that 700,000 unemployed people had poor mental health in January 2021. Taken together with the projected increase, this suggests a total of 800,000 unemployed people with poor mental health by the end of 2021.

Our estimate of the increase in poor mental health accounts for people moving from employment into unemployment and people remaining unemployed over this period. The same research highlights that (on average) moving into employment from unemployment helps reduce poor mental health, emphasising the need for policies that create jobs and help people find jobs. However, this is not true for all forms of work. Moving from unemployment into poor quality work can lead to a deterioration in mental health, as can adverse interactions with the social security system. Thus, increasing employment alone, without these wider considerations, cannot be relied upon to support the nation's mental health recovery.

## Unemployment and mental health during the pandemic

Rates of both unemployment and poor mental health have increased during the pandemic. Unemployment is expected to rise further throughout this year, peaking when furloughing ends. Deteriorating mental health has been partly due to the social impact of pandemic restrictions, but as our analysis has previously shown, it is also related to economic uncertainty, job loss and unemployment. With the economic consequences yet to be fully felt, a further deterioration in mental health for those bearing the brunt is likely.

### Rising unemployment

The impact of the pandemic on employment has been difficult to assess, because traditional employment measures do not adequately capture pandemic activity such as the temporary shutdown of some sectors and the move to reduced hours (or none at all) due to the furlough scheme. Despite these initiatives, the unemployment rate rose from 3.8% in the 3 months to November 2019 to 5.0% a year later. With pandemic support schemes set to end this autumn, a further rise in unemployment is expected.

## The risk of unemployment for different groups

Our analysis in this section largely makes use of a survey designed by the Resolution Foundation, funded by the Health Foundation, and undertaken by YouGov between 22–26 January 2021. It has a sample size of 6,389 adults aged 18–64. Results are weighted to be representative of the population of that age group.

Before the pandemic, some groups – such as younger people and those from minority ethnic groups – were more likely to be unemployed. These groups have also been **hardest hit** by the effect of pandemic restrictions through either unemployment, loss of work or **reduced pay**.

Figure 1 highlights this pattern, showing the reported unemployment rate for the working age population (those aged 18–64) in January 2021 by different characteristics. Younger people, men, people from minority ethnic groups and lower skilled workers were all more likely to be unemployed than other parts of the population. Prior to the pandemic, while the unemployment rate was lower, the relative likelihood of unemployment for different groups was similar.

### Figure 1

The unemployment rate in January was higher for young people, people from minority ethnic groups and people with low qualification levels

Unemployment rate for working age adults (age 18-65), UK, January 2021

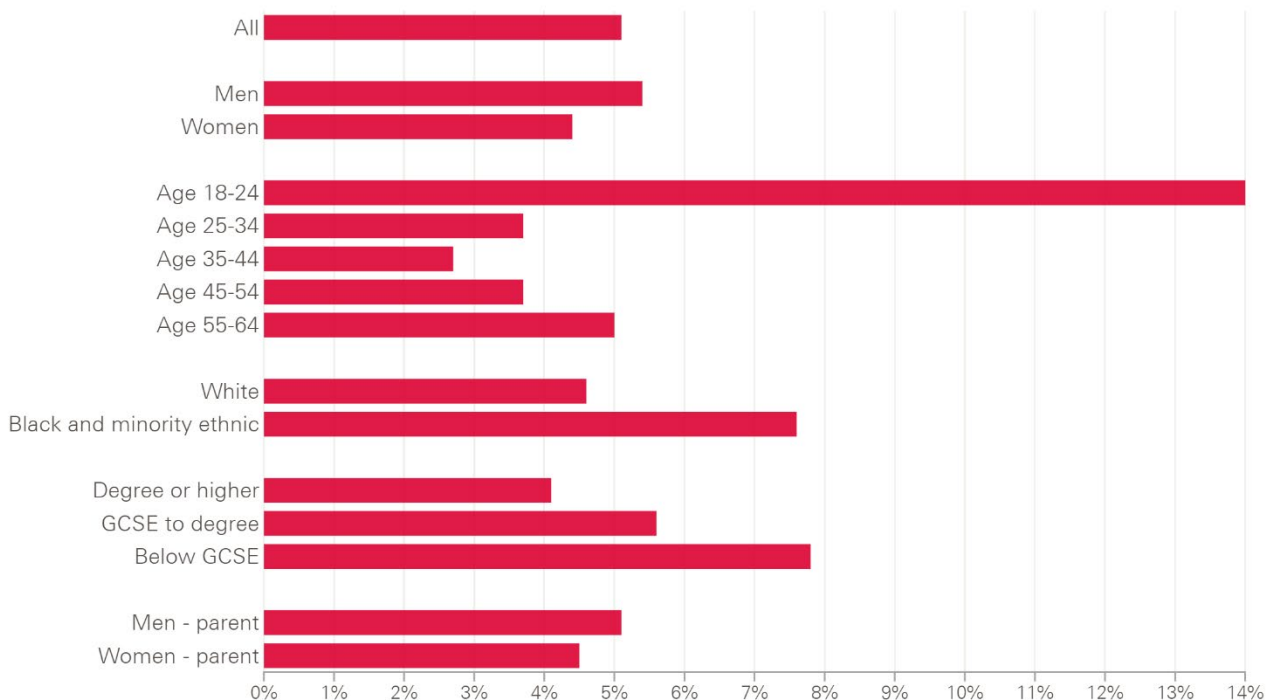


Figure 1 provides some indication of the likely pattern of unemployment to come, but there are other important economic consequences to consider. For instance, while mothers are less likely to be unemployed, IFS research has shown that mothers have (on average) reduced their working hours relative to fathers during the pandemic. This is likely to leave mothers at greater risk than fathers of having lower earnings in future, even if they remain employed.

The labour market impact on disabled people has been captured in more detail by researchers from Sheffield University (funded by the Health Foundation). Using the Labour Force Survey, they have found a new ‘employment gap’ opening during the pandemic, where people with a mental or physical disability are more likely to be ‘working reduced hours due to economic and other causes’. Workers with mental health problems are also more likely to work in sectors that have had to close, making them vulnerable to job losses and potentially widening this employment gap.

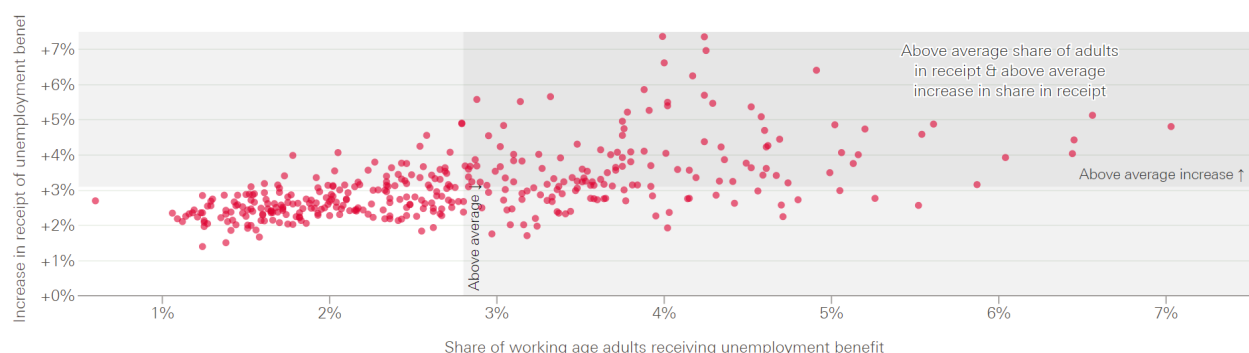
### Geographical variation in unemployment changes

The pattern of increases in unemployment also varies significantly by geographical area, partly reflecting the employment sector mix, insecurity of work and differences in how local restrictions have been applied over time. Figure 2 shows the change in unemployment benefit receipt (the unemployment claimant count as a share of the working age population) between February and November 2020, compared with the existing concentrations of unemployment benefit receipt prior to the pandemic. Local areas with higher concentrations of unemployment benefit receipt prior to the pandemic are more likely to have experienced greater increases in the share of population in receipt. These areas are typically more likely to be deprived, and to be in the north of England or to be coastal towns.

### Figure 2

The largest increases in the share of population receiving unemployment benefit have been in areas with higher rates of receipt prior to the pandemic in the UK

Share of working age adults receiving unemployment benefit, November 2019 and increase in receipt to November 2020



## **Impact on mental health of unemployment through the pandemic**

The experience of the previous decade shows that despite a period of sustained employment growth, inequalities in employment outcomes persisted. Once pandemic support measures end, the same inequalities are likely to be reinforced. Policy can play an important role in shaping the recovery to reduce these differences in unemployment while also improving mental health.

However, the traditional policy response of benefits and employment schemes to address unemployment fail to provide specific support with mental health problems. The only influence such schemes have on mental health is indirect – through the health benefits that can be accrued by being in work. While increasing employment should be a key goal of the recovery, poor policy design can exacerbate society's mental health problems.

Rates of poor mental health increased during the first lockdown, and although depression and anxiety levels improved as the initial restrictions eased, they began to decline towards the end of summer and have been worsening since. The [UCL COVID-19 Social Study](#) shows that happiness and life satisfaction levels in February 2021 were at their lowest since the study began in March 2020. The economic situation is one (but not the only) factor in heightened levels of poor mental health.

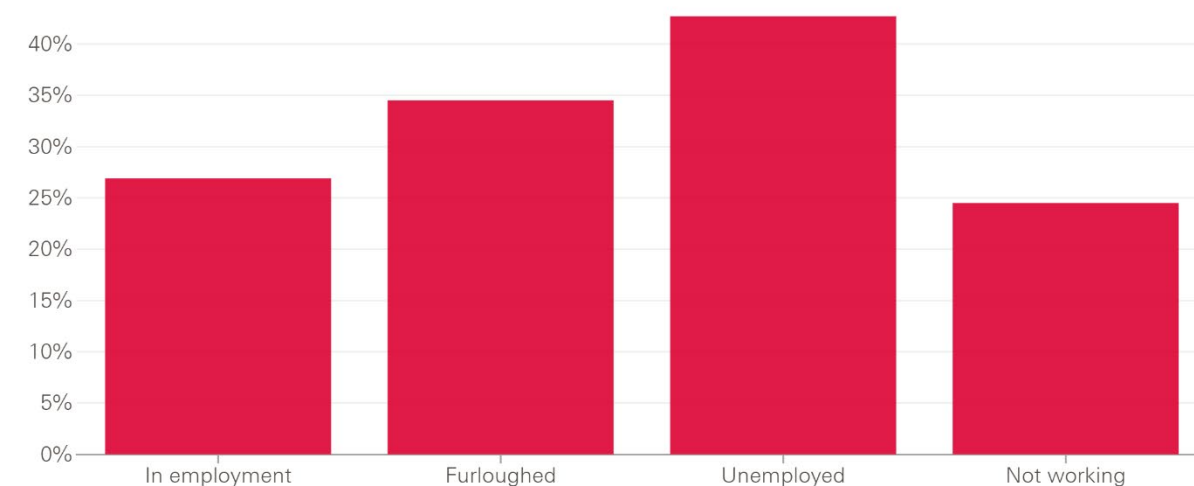
Using the January wave of the UKHLS, Figure 3 shows the proportion of people with poor mental health (based on the GHQ-12 question set) categorised by their employment status in January 2021. It shows that in January 43% of unemployed people had poor mental health. The prevalence of poor mental health was lower for people on furlough (34%) and lower still for those in work (27%). This suggests that, as found previously, furloughing appears to offer some protection against mental health decline.



**Figure 3**

Unemployed people were more likely to report poor mental health than those on furlough or in employment

Proportion of working age adults (age 18-65) with poor mental health by economic status: UK, January 2021



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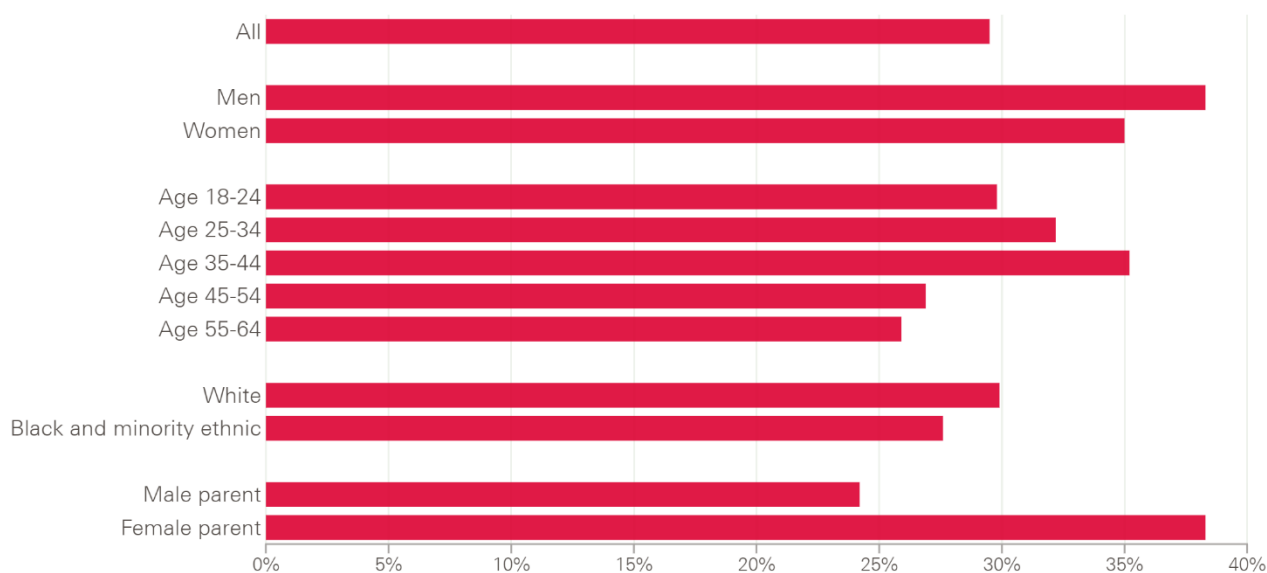
Source: Health Foundation analysis of the UK Household Longitudinal Study January 2021 wave • The measure of mental health is created from the General Health Questionnaire-12 (GHQ-12) with a score of 4 or higher indicating psychological distress. Base is for those responding to the GHQ-12 question set (n=5,821). All figures have been analysed independently by the Health Foundation.

The incidence of poor mental health also varies by population group. Figure 4 shows the highest risk groups: women, mothers and people younger than 45. Previous waves – such as April and November 2020 – showed that the age group with the highest share of people with poor mental health was people younger than 25. This change in pattern appears to be driven by the high prevalence of poor mental health of mothers shown in this wave. Taking mothers out of the sample leaves the share of 18–25 year olds with poor mental health at 30%, but reduces the share of 35–44 year olds to 29%.

Such analysis and an understanding of the mental health needs of different groups is important for policy design. Having schemes that support individuals into employment is crucial, but so is ensuring those schemes also provide mental health support that is targeted to at-risk groups such as younger people and women.

**Figure 4**

Women, mothers and younger people are more likely to report poor mental health  
Proportion of working age adults (age 18-65) with poor mental health, UK, January 2021



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Source: Health Foundation analysis of the UK Household Longitudinal Study January 2021 wave • Notes: The measure of mental health is created from the General Health Questionnaire-12 (GHQ-12) with a score of 4 or higher indicating psychological distress. Base is for those responding to the GHQ-12 question set (n=5,821). All figures have been analysed independently by the Health Foundation.

## Mental health support

One economic reason to ensure employment policy supports better mental health is the potential cost implications for wider health services, particularly mental health services. Upstream action and investment in mental health can prevent further financial and capacity burdens on already overstretched services.

In the UK, GPs are usually the first port of call for accessing mental health services. GPs then refer patients onwards to the most appropriate support. In the past year, initially steering people towards **self-led mental health services such as apps** has become more commonplace. And some services do not require GP referral – people can self-refer for **psychological therapy**, for example.

Previous Health Foundation analysis has shown that on average over the next 3 years there could be 11% more mental health referrals every year, costing between **£1.1bn and £1.4bn extra each year**. This estimate only accounts for changes to mental health observed up to autumn 2020, including delayed referrals due to restrictions. A further increase in poor mental health because of ongoing restrictions and economic issues in 2021 would add to this figure.

Rather than relying on the NHS's already overstretched mental health services to meet this excess demand, it would be better to help stem the root causes of these issues by using upstream policy and systems more effectively.

# Social security, employment support and mental health

The social security system and job support schemes currently fail to properly account for the needs of people with existing mental health problems. Indeed, they can exacerbate them and even create new ones. Without better design, pre-existing elements of these schemes risk worsening the experience of individuals who need support.

## Support for incomes

The main forms of income related benefits are **Universal Credit** (UC), **Jobseeker's Allowance** (JSA) and **Employment and Support Allowance** (ESA). People with health conditions, including mental health conditions, which limit their ability to work can also claim an additional income support payment.

Even before the pandemic, the inadequacy of the UK's social safety net placed families at risk of poverty and poor health. The standard allowances of Universal Credit **were increased** by £20 per week for the 2020/21 financial year to provide additional financial support during the pandemic. The Budget 2021 has extended this uplift until October – so while much-needed income support will be provided for longer, many families face a sudden drop in income later in the year.

The system coped well with the huge surge in social support claims during the first wave of the pandemic. However, around **290,000 people** who attempted to claim during the early stages of the pandemic were deemed 'failed claimants'. This was for reasons such as possessing savings, or having a partner continuing to earn. After losing their jobs, many individuals had to turn to food banks or borrow money. People who tried to claim continued to have high outgoings and the strain of 'scraping by' was reflected in their **self-reported mental health**.

The Job Retention Scheme (known as furloughing) has provided a much-needed form of earnings replacement for over **11 million people**. The scheme has been extended several times because of the ongoing pandemic and currently set to end in September 2021. Self-employed people also received grants through the Self-Employment Income Support Scheme – although this was more poorly targeted, with **almost 30% of self-employed workers (1.5 million people)** losing income as a result of the pandemic but being ineligible for the scheme.

## Claiming support and conditionality

Universal Credit is also designed to help people into work or to earn more, but there are strict conditions attached. A key part of the eligibility assessment is agreeing to a 'claimant commitment', which sets expectations of the amount of time people should spend looking for work. The standard expectation is to spend 35 hours a week seeking work (for those with caring responsibilities or existing work commitments, the hours expected are reduced). However, experiences of benefit

recipients suggest that the circumstances of people with mental health problems **often fail** to be duly considered in setting these expectations.

During the first wave of the pandemic, the suspension of job seeking conditions for all UC claimants helped to mitigate the stress of searching for work, particularly when many sectors were closed. This blanket suspension has now ended, with work coaches instead applying discretion based on individual and local circumstances. It is important that this discretion takes into account mental health needs as much as caring responsibilities.

**Common mental disorders are higher** among those who are receiving benefits. Such disorders include anxiety, depression, attention deficit hyperactivity disorder (ADHD) and post-traumatic stress disorder (PTSD). Despite many claimants citing mental ill health as the root cause of unemployment, the application process and assessment regime has been found to **exacerbate** their mental health problems.

The introduction of Universal Credit in 2013 led to an increase in reported **psychological distress** attributed to the claims process and the threat of sanctions leaving claimants feeling extremely low. The shift to online services created **new inequality in access for those facing digital barriers**, and the lack of human input also exacerbated feelings of isolation and loneliness.

During the pandemic the shift by the Department for Work and Pensions (DWP) to an approach of ‘we’ll call you, don’t call us’ was welcomed by UC claimants, as it enabled the system and staff to **‘become more human’**. This helped to address fundamental flaws in the application process that caused distress and exacerbated an already stressful time for people likely to be experiencing mental health problems.

## Support to move into work

Employment programmes such as **JETS** and **RESTART** are new schemes to help reduce unemployment, focusing on short- and long-term unemployment respectively. These programmes focus on practical skills for getting jobs, with sessions on CV writing, interview technique and signposting job opportunities. Despite the greater likelihood of poor mental health among the groups targeted by these policies, there is no explicit focus or recognition of how they affect (and can help improve) mental health.

However, in forthcoming research, Coutts demonstrates that good quality active labour market policies (ALMPs) contain a number of crucial elements which provide social support, reduce loneliness and get someone back into a structured routine. Key to supporting mental health is a focus on self-efficacy, and the psychological resources to cope with the stresses of unemployment. As the **evidence shows**, it is possible through these programmes to protect people against the mental health challenges of unemployment as well as help them into work.

Major randomised control trials in the **United States and Finland** show that the intensiveness of support matters. For those struggling with their mental health and detached from work for longest, these courses should last a week, for 5 hours per day, and should be offered every 2 months until an individual finds a job. The aim, in response to rising unemployment and low job creation, is to provide people with stability and support, not make their lives more of a struggle (which would further damage wellbeing, confidence and motivation).

For **women in particular**, these schemes are shown to have real ability to reduce the negative health issues associated with being out of work. Existing UK programmes can (and should) be easily adapted to better support mental health of jobseekers.

The **Kickstart scheme** provides funding to employers to create job placements for 16–24 year olds on Universal Credit. This is predominantly a scheme to directly subsidise jobs to encourage employers to hire young people. However, it does not provide employers with mental health support in relation to their employees, nor does it incentivise the creation of high-quality roles.

# What can government do to support good mental health for those unemployed?

The government is already taking some steps that will (indirectly) support mental health and prevent a significant rise in unemployment, through the further extension to the furlough scheme, for example – which in turn may help to keep unemployment lower until certain sectors can reopen. At the same time, the temporary extension of the £20 per week uplift to UC will provide further, if time limited, income relief to lower income families. Making this uplift permanent would be a crucial step towards providing an adequate safety net for those facing unemployment.

However, these measures are only indirectly supporting better mental health, and there will still be increasing numbers of unemployed people through this year and next, with a risk of longer term unemployment rising too. Large numbers of people have also spent considerable time not working during the pandemic, creating a risk that they are losing skills necessary to work.

To address these risks, there are two areas in which further policy change can better support mental health while tackling unemployment.

## 1. Ease conditionality and improve job support

- While significant parts of local job markets remain slow, the social security system's conditionality regime could be eased, in order to remove the additional strain placed on claimants' mental health.
- Finding good quality work that fits with other needs and responsibilities – such as childcare commitments – could be prioritised over finding any work.
- The DWP's 'don't call us, we'll call you' policy had a **positive impact** for claimants during the pandemic, and could be maintained for the handling of new claims in future.
- **Personalised support** from the Jobcentre Plus could be tailored to the mental health needs of claimants. This will require advisors and assessors to undergo specific mental health training in how to manage and support individuals with different mental health conditions and needs.
- Disability Employment Advisers should be **suitably trained**, have manageable caseloads and access to adequate resources to support claimants experiencing mental health problems. Regular, mandatory disability equality training should also be provided to Jobcentre staff.

## 2. Embed mental health support within employment programmes

- New employment programmes should be designed to a high standard taking into account their impact on mental health and wellbeing. Regular and intensive support that provides stability for individuals is critical.

- Providers should be accountable against outcome measures that include mental health, wellbeing and longevity and quality of work placements. This will reduce further periods of avoidable worklessness and ensure that the work found is not detrimental to people's mental health.
- Addressing skill gaps for lower skilled workers will help them find better quality work. Similarly, allowing flexible working and upskilling employees may promote sustainable employment. This could be achieved through a 'quality guarantee' being built into employment programmes and a greater focus on in-work progression.
- **Individual Placement and Support** services could be fully integrated into UK employability provision. This would provide greater access to specialised intensive support for people with poor mental health and help improve employment outcomes for this group.

## Conclusion

A key element of the UK's recovery from the COVID-19 pandemic will be maintaining high employment levels. A significant proportion of people who are currently unemployed have mental health problems, such as depression and anxiety. Supporting these individuals into work will be critical to achieving higher employment rates and economic prosperity.

Support from government can take several forms. First, it is important that policies withdrawing the economic support made available during the pandemic are applied in ways that do not exacerbate mental ill health – such as causing sudden drops in income by the abrupt withdrawal of the furlough scheme, or ending the Universal Credit uplift of £20 per week. Second, targeted policy changes are essential to help people back to work, and into quality work. These could include tailoring employment support services for people with poor mental health as well as helping to create flexible employment opportunities.

More fundamentally, mental health needs to be taken much more seriously by government. A healthy population is one of the nation's most important assets – and good mental health, as well as our physical health, is a vital input into our future prosperity that improves people's wellbeing, their productivity and their ability to participate in society.



## About the analysis used in this long read

This long read features original Health Foundation analysis of data from an online YouGov survey, which was designed and commissioned by the Resolution Foundation in partnership with the Health Foundation.

The figures included in this blog have been analysed independently by the Health Foundation and do not represent the views of YouGov or the Resolution Foundation.

The survey was conducted between 22–26 January 2021, using an online interview with members of the YouGov Plc UK panel (made up of more than 800,000 individuals) who have agreed to take part. The total sample size was 6,389 adults, aged 18–65.

## Supporting information

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[www.health.org.uk/publications/long-reads/unemployment-and-mental-health](http://www.health.org.uk/publications/long-reads/unemployment-and-mental-health)