

# The Psychosocial value of employment: Evidence from a refugee camp

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- The setting is a refugee camp in Bangladesh where thousands of individuals had recently been forcibly displaced from Myanmar.
- 745 individuals in the sample. On average, participants were of working age (29), married, a majority male (70%) with a majority exhibiting preexisting symptoms of depression (78%).
- Typical time spent in a day included hours of reported idle time, given few employment opportunities and legal barriers to formal work.

⇒ With virtually no employment, slack is very high. Individuals are either chronically unemployed or underemployed. The **setting exhibits a high level of slack** in the labor market, resulting in both inefficient allocation of time and cumulating social and psychological costs.

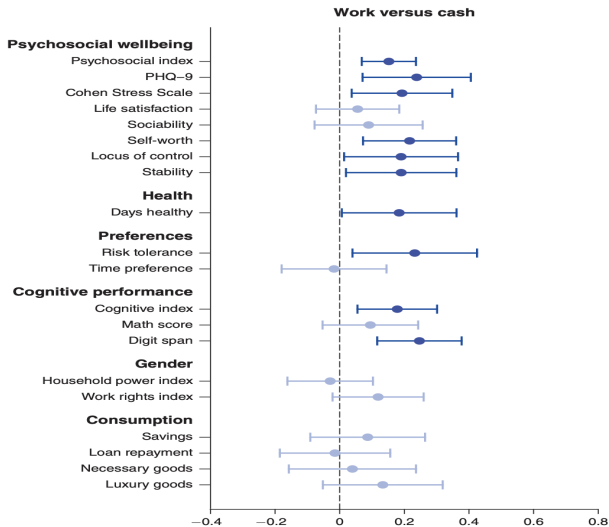
## Question

DOES EMPLOYMENT PROVIDE OTHER NON-PECUNIARY  
BENEFITS ADDITIONAL TO EARNED INCOME?

- There are statistically significant positive psychosocial benefits to employment.<sup>1</sup>
- Individuals who were treated with employment saw a .21 unit increase in the psychosocial index (with  $p \leq .01$ ), as well as a reduction in reported symptoms of stress, increased sociability and a sense of control over one's life.
- The benefits of employment over cash alone are significant, *demonstrated by two separate treatment groups*.
- **Mechanism:** improvement occurred in sense of self worth, particularly with respect to ability to contribute to their family from behavioral activation research.

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<sup>1</sup>With the caveat that the *type of employment* matters, such that it requires both physical and social work, yet it is part-time and perceived as socially beneficial.



## Contribution to the literature

- **Extension of sociology literature:** The negative effects of unemployment (slack) is well-documented (see Morse and Weiss 1955; Jahoda, Lazarsfeld, and Zeisel 1971; Terken 1974). Behavioral activation (Cuijpers et al. 2007) is the mechanism then used in the economic application.
- **Non-pecuniary benefits of working:** Proof of concept of a causal estimate of the psychosocial impacts of work. Builds off experimental (Bertrand et al. 2021), cross-sectional (Olesen et al. 2013, Case and Deaton 2020) literature, and lab-based work (Bhanot et al. 2018; Hsee et al. 2010) with field design.
- **Cash vs. work:** Builds off the evidence from cash transfer programs on mental health (Ridley et al. 2020; McGuire et al 2020), and compares the cost effectiveness of needs programs (Hanna and Olken 2018).

- Vulnerable populations (low-income country unemployed, incarcerated populations, refugees) often exhibit high levels of slack.
- Employment brought significant positive, non-pecuniary benefits to treated individuals, resulting in an average reservation wage of zero (willing to work to receive only non-financial benefits).
- Employment opportunities are more effective than cash alone to provide benefits to individuals with both material and psychosocial needs.
- Research design was successful in isolating the effect employment on psychosocial outcomes, without pre-existing mental health issues confounding results.