

Discussion Papers on Psychology and Society

Psychological effects of the UK Recession, 1990-94

Dai Williams
Chartered Occupational Psychologist



Eos Career Services

Index

Introduction	1
PART 1: RECESSION FATIGUE	
Psychological effects of economic recession (June 1992, reprint)	3
1. Symptoms: personal experience, practical features	4
2. Consequences	6
3. The role of the media	7
4. The role of the banks	8
5. Antidotes to Recession Fatigue	9
6. Top-down remedies from Government & the City	9
7. Recession survival skills for individuals	11
8. Recovery or collapse?	13
9. Community action and research	15
PART 2: RECESSION - REFLECTIONS & CONSEQUENCES	
1. Recession Fatigue examples	17
2. A working definition of Recession Fatigue	19
3. Dimensions of the Recession	20
4. Recession Fatigue update (April 1993)	21
5. Psychological Effects of the UK Recession (March 1994)	23
6. Long term consequences of the Recession (February 1999)	21
7. Events and references	29

Published by Eos Career Services, February 1999

32 Send Road, Send
Woking,
Surrey GU23 7ET
UK

Phone 01483-222017
Email eosuk@btinternet.com
Fax 01483-211034
Website www.eoslifework.co.uk

© Copyright Dai Williams 1999, 2008 ISBN 0 9532184

Web reprint, Oct 2008 www.eoslifework.co.uk/pdfs/uk90srecess.pdf

Introduction

This booklet brings together a number of notes and papers written over the past 8 years. Their format varies reflecting why or when they were written. Some were to share ideas, observations and concerns with colleagues, others for clients or presentations. They are not formal research or theory – just the working notes of a field practitioner trying to help individuals to survive the Recession, a phenomenon that was of unknown duration and complexity.

A war might have been easier to understand and justify. For at least a third of the population the UK Recession was like a war without an enemy, causing thousands of fatalities and damaging the lives of millions more. It was much more than an economic cycle. For many it was, or still is, a living nightmare of broken careers, families and future hope. For some it was a gold mine. Now, in 1999, a similar pattern is starting again in many communities.

I started working as an independent career consultant in 1986 after I was made redundant from Shell. I became self-employed and set up *Eos* - the Greek goddess of dawn seemed an appropriate mascot for new beginnings. This was an opportunity to continue my work in international recruitment and overseas student support, and to develop new approaches to coping with career crisis and change based on my training as an Occupational Psychologist.

I first became aware of “The Recession” in October 1990 when an unemployed client reported that there was no work available in the area – not even casual security jobs. At first I didn’t believe he had tried hard enough – Surrey usually had the lowest employment rate in the UK. When I realised he was reporting a new reality a cold chill went down my spine.

As the Recession developed it was denied by the Government for many months. Its social impact was minimised in the media for at least 2 years but its onset is clear in the unemployment figures on page 20. This denial and delay wasted precious time in developing survival strategies for individuals, businesses and communities.

My career counselling clients gave me detailed insights into the effects of the Recession on individuals and their families, both for those in and out of work. These effects also became increasingly obvious among friends in our local community.

Learning how to cope with stress and change are essential life-skills for clients in career crisis. Chronic stress is debilitating. By March 1992 it appeared to be affecting a large number of my clients and friends, employed as well as unemployed. This led me to question the effects of mass stress and insecurity in society, not depression, but an individual and group malaise I called *Recession Fatigue*.

UK economic indicators began to ease in 1995 and stabilise in 1996, led by the financial sector with windfalls of state assets, devalued property and lower wages. In May 1997 the new Government inherited a slimmed down economy and gradual recovery in employment. It brought new optimism and tight fiscal control creating new confidence. But as other countries in Europe and Asia went into recession the global economy has been destabilised.

So in 1999 the UK faces the possibility of another economic down turn. A media analyst asked if I could explain the psychological effects of recession. This booklet compiles my observations and practical interventions that seem most relevant to her question.

Part 1 is a discussion note first drafted in March 1992, just before the General Election. This version was updated in June 1992 during the post-election honeymoon and false recovery. Part 2 covers a series of observations and community initiatives over the period 91-94.

The final section reflects on some of the social and psychological consequences of the Recession. With hindsight it was the most damaging period for UK society and the economy since the Second World War. It lasted nearly as long. Over 5 million people lost their jobs. With their dependants some 15 million people were affected by severe financial or emotional insecurity over a period of years. An unknown number are carrying long-term costs of continuing debt, broken families, poor health and disrupted education.

The Recession exacerbated trends towards a fragmented labour market, flexible for employers but further destabilising society. These notes touch on the new attitudes and strategies that our working population need to survive these changes. Some of these points may be relevant to other countries now in recession.

There is a need to research and review the long-term impacts of economic recession on society, and its implications for Government policy, economic institutions and the helping professions.

PART 1

Recession Fatigue: psychological effects of economic recession on people and organisations in the UK

4 June 1992

This note has been written for anyone concerned about the plight of people affected by the current economic recession in the UK. It describes a growing problem that I encounter as a private career counsellor working with adults and students. If my suspicions are valid then many other professional helpers are likely to be finding similar problems, perhaps with better explanations.

I would like to hear any other views and practical suggestions that can improve the support available to casualties of the recession. For them this crisis is as real and immediate as the famine in Africa. But they get a fraction of the media attention given to other countries' problems, and government support is inadequate.

My clients come from a cross section of men and women aged 15-50 at various stages of planning, improving or changing their careers. They include managers, professionals and young graduates and an increasing number of the unemployed, self-employed, and 'misemployed'. They live or work within 20 miles of Guildford.

As you would expect most career counselling clients are coping with some uncertainty about their current or future career prospects. This motivates them to seek advice. But many adult clients are also suffering high stress and declining self-confidence which they need to overcome before they can start building a new future. This has a debilitating effect on everything they do at home and work, making them more at risk of job loss and/or domestic problems.

When asked to reflect on their lives so far my adult clients usually comment that personal events (broken relationships, serious illness and bereavement) seem to be more important than work related problems, excepting redundancy. These are situations most of us have to cope with at some time. Counselling can help people come to terms with these life events, past and present, and give them more confidence to deal with the future.

But in the past 18 months I see an increasing number of clients coping with similar symptoms of cumulative stress, low confidence and low efficiency that I am inclined to describe as “recession fatigue”. This is most acute among the self-employed and unemployed. These are people who are, or are about to become, casualties of the economic recession eg in terms of redundancy, bankruptcy or house repossessions.

Though I am not an economist I suspect there are important connections here between the psychology of individuals and groups, and the economic environment they have to cope with to survive. If so, the symptoms of failure may also give important clues to the priorities for recovery.

1. Symptoms of recession fatigue

There seem to be two aspects to this situation - the personal experience and its practical features in work situations:

a) The personal experience of recession fatigue

- a growing sense of frustration, uncertainty, disappointment and ineffectiveness, often described as a sense of losing control.
- increasing tiredness, confusion, and malaise, feeling punch-drunk with too many problems to solve.
- a feeling of personal isolation from family and friends at home and work.
- a sense of inadequacy in family life due to lack of time/money to maintain former lifestyles.
- a personal dilemma between the temptation to quit or give in to despair, and the courage or “bottle” it takes to hang on and keep trying.

b) Practical features of recession fatigue

A number of practical features seem associated with individuals and organisations suffering recession fatigue, visible in their private affairs and their performance in work or business. These can be seen in public and private sector organisations, but particularly in the performance of self-employed people and small businesses.

Most of these features will be easily recognised by business advisers, bank managers, accountants, and insolvency consultants. They include:

- A heavy drain on resources, personal and business (loss of savings and capital).
- High input/low output ie increasing inputs needed for decreasing returns (small business advertising, quotations per contract, applications per job)
- Fragmentation of human and physical resources eg redundancy of experts such as aerospace design teams, and proliferation of struggling small businesses with vast duplication of office facilities for accounts, computers, fax etc.
- Declining personal efficiency eg timekeeping, work backlog, mistakes due to personal stress, fatigue, and external disruption.
- Decline in innovation, new projects and initiatives due to demotivation, layoff of experts, lack of resources, and loss of investor (bank) confidence.
- Increasing idle resources - unused or under-used people, offices, and equipment - due to high costs of start-up, high overheads, and unrealistic demands of lenders/investors.
- Increasing misemployment - skilled people working in jobs wholly different from their training or wishes, doing the only jobs they could find after leaving college, or redundancy. This is a waste of talent and previous education.

Each person has his or her own mini-economy, as does each business. Each can be seen as a system with inputs and outputs. These symptoms of recession fatigue are all signs of systems working badly, or breaking down. To an engineer or scientist this effect is called entropy - like the friction in an engine which has run out of oil, or a heating system clogged with sludge. The result is chronic inefficiency, and eventual breakdown.

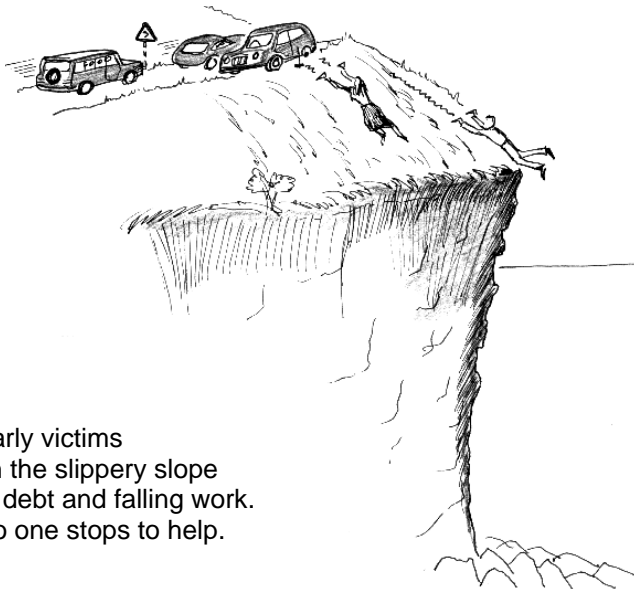
2. Consequences of recession fatigue

Some of these features are the result of individual stress and fatigue - of declining performance. Others may be both the symptoms of one person or business failing, and the cause of increased stress to others. This becomes a vicious circle.

At a national level the implications are very serious: the economic consequences of personal recession fatigue are increased stress and reduced efficiency in almost every sector of the economy. The conventional economic indicators of inflation give only the crudest measure of the results of this process. They completely miss the wholesale undermining of lives, businesses and the economy that is going on.

Economic recovery is not just about reducing interest rates by half a point. It must be about stopping this rot, about starting thousands of individual salvage exercises on shattered lives and shattered businesses, a task that will take years.

Early Recession: May 1991



Early victims
on the slippery slope
of debt and falling work.
No one stops to help.

Some reports estimate that 1 in 3 self-employed people are at risk of insolvency. At least 2 out of 3 are probably suffering the practical and psychological stresses indicated above. The prognosis is serious: it is hard enough to run an effective business in good times. Once recession fatigue starts to erode the confidence of managers and staff, performance is bound to suffer, unless someone can throw them a lifeline of psychological hope and practical economic support. But there has been no hope, and no fundamental economic action from the UK government since the recession began in autumn 1990.

There are two fundamental social consequences of this economic breakdown:

- a) Increased crime - in business as well as in private life.
- b) Increased despair - bankruptcy, family break-up, nervous exhaustion or collapse, domestic violence and suicide.

Ironically the reaction of political protest and violent unrest that might be expected with over 10 million people affected by unemployment and poverty seems to be suppressed in UK, though we may see more after the California unrest recently. I think this is mainly due to the sense of impotence caused by prolonged personal failure, particularly unemployment.

For many people the personal malaise or depression caused by chronic stress and fatigue will cause them to withdraw, to isolate themselves, and probably not even to vote. For many this withdrawal progresses to homelessness, non-registration for the poll tax and consequently loss of voting rights - ceasing to be a citizen because of poverty.

3. The role of the media

Media images of life in Britain focus on the wealthiest sections of the nation (in adverts, colour supplements and TV programmes) and convey the message that most people in UK are OK. Bad news seems to be acceptable if it is about another country. But the recession is not newsworthy. This is likely to make the victims of recession feel more isolated, on top of the self-isolation associated with stress.

A disturbing feature of the recent election campaign was the way that politicians of all parties were told by their image consultants not to be seen associated with negative images of the recession. To their shame they accepted this advice.

4. The role of the banks

There is one vital source of help to individuals and businesses: it is the banks, not the government, that have day to day contact with almost every person and business in the UK. Banks are the only organisations close enough to throw an economic lifeline to people and businesses drowning in the recession.

But instead they are either cutting the lines of support people most need ie affordable credit, or worse they are actually destroying their clients by increased interest rates, charges and forced insolvency. The same business ethic (or lack of it) applies to UK borrowers as to Third World countries in debt to banks.

A significant share of responsibility for the UK recession lies on the unrealistic expectations of the UK financial sector for return on capital and lending which was unleashed in the late 80's under the doctrine of monetarist economics. Banks, pension funds and other finance institutions seek interest rate returns that the most efficient Japanese or Taiwanese companies would find hard to match.

Shell for example seeks a real internal rate of return on its investments of 8% per annum. Yet UK banks and credit institutions are charging 2-4 times this return on loans and overdrafts. Using high interest rates to restrict new credit cripples those who have already borrowed, or been forced to borrow. And it stalls new investment.

The base rate of interest is only part of the problem: the real problem is the unrestricted ability of UK lenders to charge whatever they like to captive borrowers, frequently exceeding ability to pay. Interest rates really reflect customer power, not risk. Big organisations negotiate low interest rates. Individuals least able to pay are charged the highest rates because they are captive customers.

Thousands of individuals have run themselves and their businesses into the ground to pay increasing interest rates to the banks. Eventually most individuals will give up and despair if faced with an impossible task. It is clear to see that much of the despair in the UK can be laid at the doors of the banks who are pushing their drowning customers under the water instead of helping them out.

5. Antidotes to recession fatigue

So what can individuals do to survive in a country in prolonged recession, which has fewer opportunities to work, and which actually makes life more difficult for those who need help?

The first task is to recognise the problem, to publicise it, and thus to overcome the sense of isolation and personal failure for the individuals most affected. Such chronic stress is not entirely a new experience in UK: the nearest equivalent was the plight of the nation in the dark days of World War II - with minimal resources, considerable danger, and great uncertainty about the future.

The individual symptoms of recession fatigue may be similar to battle fatigue, though operating on a longer time scale. People survived the war, partly because of a sense of national purpose and shared adversity. So what can we do now?

The antidotes are needed at various levels: top down from government, bottom-up from individuals, plus supporting research and interventions from institutions in between.

6. Top-down remedies from Government and the City

Most of the higher order causes - particularly economic policies of government based on exploitation rather than co-operation - can only be solved by more enlightened national leadership. This needs to come from Government and from all other national institutions with power over the UK economy.

We can hope that enlightened self-interest will force the finance sector into a fundamental re-appraisal of its values and economic expectations. There is little sign of this yet in banking or the City.

The aggressive survivors cling tightly to old assumptions about maximising profit, and writing off losses. The possibility of the City accepting their potential contribution to recovery through low-gearred loans and investments, seeking to maximise survival of businesses large and small, is far away.

There is a glimmer of hope in recent attempts by Building Societies to reduce house re-possession. They now realise that re-possession have forced house prices even lower. So it is in their own economic interest to minimise them. This is probably more effective than asking for humanitarian gestures.

The most difficult aspect of coping with change is coming to terms with new realities, recognising and letting go of out-dated beliefs, and building a new set of values and behaviours to suit the new situation. If this is a problem for individuals it even more difficult to change organisation cultures, but not impossible.

I remain hopeful that business ethics in UK will change for greater realism and social responsibility within a more balanced economy. But in the short term individuals will still have to cope with organisations (employers and financial institutions) that have become more cynical and ruthless in their struggle to survive the recession.

It is possible that a national tide of change, a surge of confidence that must include new values and economic ethics, will turn the British economy around faster than any conventional economic interventions, on the scale of recent changes in Eastern Europe. However the return of a Conservative government, with its close business connections, suggests that the UK is unlikely to see any rapid changes in government or business attitudes.

Are the promises of early recovery really a false dawn? For the casualties of the recession they probably are. Since the election the UK is now divided psychologically into two nations - the secure and the insecure.

Those with secure incomes or savings who were nervous before the election now feel confident and secure again, rapidly forgetting the nightmare of insecurity they felt when there was the prospect of a change of government.

But the unwaged, unemployed, and those on the edge of redundancy or bankruptcy are still in dire straits. If anything they are now at higher risk because their plight is so easily forgotten when other parts of the economy seem to be recovering.

7. Recession survival skills for individuals

Individual casualties of the UK recession cannot afford to wait for government or business to see the light and suddenly develop a new sense of social responsibility. Nor can they wait for the effects of an occasional cut in interest rates to work through the economy in 12 or 18 months time. They need hope and help right now, today if possible. For some next week will be too late. This rules out expecting government to help.

So we must find other ways for individuals to overcome recession fatigue and win through to a brighter future. These mainly involve taking the problems we can see and fighting back a step at a time.

Here are some of the activities that I use or recommend with my clients as part of my Career First Aid advice, plus some extensions of these ideas that are needed for community helping campaigns:

- Encourage people with work or financial problems to ask for help as soon as possible - delay can make problems more difficult to solve.
- Buy time for major decisions eg selling a house, separation, quitting a job, because it is difficult to make wise decisions under stress.
- “Eat your elephant a spoonful at a time” - if you face a major crisis that is daunting, rebuild your confidence with small decisions which you can win.
- If you feel isolated go out and look for others in the same situation in your area, or in the same business etc. Don’t be shy. Meet, talk, listen to their problems too, and share experiences and advice. Some of the best friends are found in hard times.
- If you feel a failure ask yourself “why?”. Many of us are trying to live up to old expectations that no longer apply. We have to take stock of our personal beliefs and come up to date. We may have

to let go of some cherished but inappropriate beliefs and expectations - a job for life, an inflation proof salary, two cars, a foreign holiday etc. In any case fear of failure is an English hang-up. In some other countries, e.g. Canada, people who try and fail, then try again are respected more than those who don't try at all!

- Organise neighbourhood helping networks - combining resources of all helping agencies in an area including personal counselling, debt counselling, advice on housing and benefits, with open referral to appropriate skilled helpers. And a regular meeting place should help to overcome some of the feelings of isolation for people who no longer have a workplace to go to.
- Don't be afraid to do temporary jobs and voluntary work. The recession has devastated the job market in South East England. But you can still plan ahead for what you want to do when things get better. Then you can use the next few months to learn or improve the skills you will need through study, training, voluntary work, hobbies and leisure.
- If you are not personally affected by the recession, please have compassion for others who are in trouble - family, neighbours, colleagues or other friends. Their hard luck may be yours all too soon. Try to understand their situation and help them, offer to listen to their problems, try not to criticise.
- Confront any person or institution with power to help recession casualties that is failing to do so. Confront employers who give same-day notice of redundancy. Confront banks that raise charges for borrowers in difficulties. Confront local authorities that give more priority to civic receptions than to practical help for the unemployed. Confront government departments that delay benefit claims to those entitled to them, or treat the unemployed and their dependants like illegal immigrants. Confront the media to give priority publicity to helping campaigns. Don't give up. And if you are OK, confront your own comfort - what else can we do to help?

These and similar actions involve two levels of intervention: first help for individuals to improve their own coping skills, and second help to establish or expand local support groups linked with existing helping agencies.

There is an urgent need to develop and publish guidelines like these for personal and family survival through the recession. These need to be backed up with practical training programmes, practical advice, and in-depth counselling or similar support for those who need it.

There is also a need for a code of practice for potential helping organisations including banks to ensure ethical priorities in dealing with clients at risk.

Several million people need advice now - far wider than just the fabled mortgage bailouts for homeowners. And these include many people struggling to run businesses on the edge of the cliff, as well as those who have already fallen over.

This problem needs local and national attention by the media. And it needs co-ordination of the scarce help being given in a fragmented way by many voluntary groups, against an overwhelming increase in need.

8. Recovery or collapse?

The UK economy appears to be like a stalled plane, likely to crash unless recovery gets under way fast. Conventional economic measures seem to have no effect so far. It seems to be the spirit of the people that also needs restoring - a job for Heineken perhaps!

If recession fatigue is a psychological consequence and manifestation of widespread economic run-down (or entropy) then some kind of personal aid programme must be an essential component for survival. This means an integrated social and economic aid programme for the casualties of the recession and those at risk, just as much as any economic kick start for the City.

If recession fatigue is not recognised and responded to then the entropy it represents will increase. The dependency of the unemployed will spread through families and communities to affect the employed as well. And the distress of staff and managers in recession-hit businesses will reduce their chances of survival every month the recession continues. It is already crippling many small business managers, fighting against the odds to keep going, and slipping backwards.

Whole economic sectors like the insurance industry are going into major spasms of re-organisations and take-overs to cope with increasing business failures, wiping out hundreds of small brokers as they thrash around. The impact of the recession on retailing and business is increasingly obvious from the number of closed down shops and offices, even in wealthy areas like Guildford and Godalming. Some stabilising process is needed to keep the UK from economic collapse.

The most significant event so far this year is the election of a new parliament with a workable majority. This has increased confidence within the finance sector. But I still have a feeling that fundamental problems are being ignored.

Media stories about a UK recovery seem like people having a party on a frozen lake: they are dancing on thin ice, not on solid ground. And they seem to be totally ignoring their friends who have already fallen through into the freezing water below.

Mid-Recession: May 1992



The Skating Party celebrates the election
and the false recovery ... over victims in the ice.

9. Community action and research

Hopefully the election will have been a turning point in national confidence. But even so if my suspicions of economic entropy are correct then the recession is likely to continue for many months, probably for two or three more years. Local effects may last longer, like the effects of closing coal-mines in the 60's and 70's.

If so then recession fatigue will be a growing issue to concern doctors and politicians alike, and one which will give bank managers and counsellors a lot of work to do over the next 2-3 years.

This article is only a hypothesis based on personal impressions of professional practice with a relatively small group of individuals. My role in helping clients to overcome practical work and life problems is rather like that of a GP or a bank manager. Psychological tradition requires rigorous research to validate a notion like 'recession fatigue'. Unfortunately the Recession and its psychological consequences - chronic stress on a national scale - have become an immediate crisis. So some more rapid action research method seems needed to check it out, starting with public discussion between professionals serving the unemployed and other groups at risk.

If other helpers perceive a similar syndrome then it may be worth more conventional research. Through this article I hope other organisations may be encouraged to explore this hypothesis. Some are probably researching similar phenomena but may have given it a different name or explanation. MIND produced a report on stress in industry in March 1992 that pointed to similar problems. Sadly it only got a brief mention on BBC.

Though it is too much to expect business attitudes to change quickly I would also like to see corporate sponsorship, particularly by banks and building societies, for rapid action-research schemes. These could explore the psychological needs of clients in evident financial difficulties who may really need more understanding and support for recession fatigue. Debt counselling is a step in the right direction. But if we are dealing with a cumulative stress problem with multiple causes then financial advice really needs to be part of a more comprehensive support network.

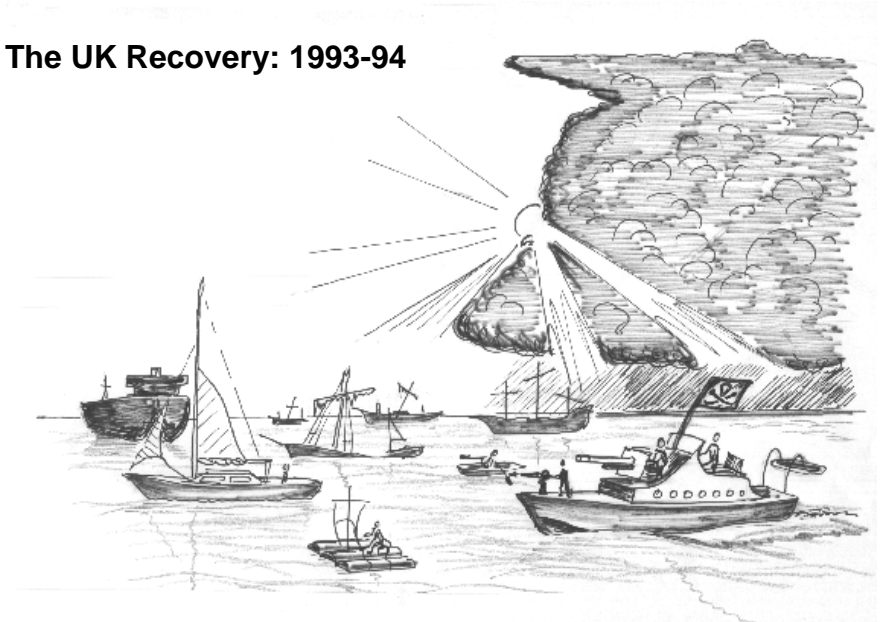
I would like to hear about other work in this field, particularly suggestions about helping individuals to cope, and building community mutual aid networks. I am encouraged by the work being done by the Guildford Institute and associated organisations in West Surrey.

Hopefully unemployment will start to fall sometime soon. But until then I see a continuing need to develop and run public workshops on “Coping with the Recession” to encourage self-help and mutual aid strategies in local communities.

Footnote

This paper was first written in March 1992 and updated in June 1992. The first two illustrations were drawn in April 1993 for a workshop. The one below was drawn in 1994.

The UK Recovery: 1993-94



The Battered Armada limps forward slowly,
prey to pirates, as the storm heads over Europe.

Part 2

Recession: reflections and consequences

1. Recession Fatigue examples (UK 1992)

These are three actual examples of recession casualties seen in the past 6 months. One was receiving counselling support; the other two were not.

A. Self employed with no work

An experienced IT manager made redundant 4 years ago became an independent consultant. His first 2 years were very successful until the contract market dried up in January 91. He sought career advice in May but delayed divesting his car and office until mid 91. Anxiety interfered with writing marketing material, and with personal organisation. So he was late for his first contract opportunity in 6 months and lost it. His bank refused help to restructure debts as a loan. His marriage was under severe stress. He withdrew from leisure and social contacts.

Career counselling was used to help him to target new environments for his IT applications, plus life skills for coping with prolonged stress and collapsing self-confidence. Regular phone contacts were used to maintain encouragement and to prevent total isolation through the autumn. He won a new contract in early 92 after 12 months unwaged (not unemployed), days before bankruptcy.

Counselling support continues for coping with stress of residual problems (mainly debt), and fluctuating confidence during the period of re-adjustment to work. He is still very nervous, not sure whether he can believe he has survived. He needs to continue building new opportunities, and restructuring his financial commitments. Tax arrears are now his biggest dread.

B. Own business declining

An insurance broker had built a successful business over 20 years. The recession has drastically reduced private and business clients over the past 2 years. The situation is aggravated by predatory competition from national insurance companies. Business rate and rent increases

2. A working definition of Recession Fatigue

If there is an identifiable syndrome caused by the recession then its definition should indicate cause, psychological effect, and behaviour consequences. This is suggested:

“Recession fatigue appears to be a form of chronic psychological stress caused or exacerbated by an individual’s economic circumstances, and severe and prolonged enough to degrade their personal effectiveness in work or non-work situations.”

Distinction from other stress situations

Recession fatigue is likely to be associated with other stress inducing situations e.g. social or medical problems. But it is distinguished from general or undiagnosed stress situations because it can be clearly associated with the individual’s economic situation and performance.

It is suggested as recession fatigue, rather than poverty fatigue, because some of the causes of stress are directly linked to the current economic environment, in ways that require different psychological responses from individuals than before the recession. Indeed many sufferers of recession fatigue in the UK have a relatively affluent lifestyle but one which they perceive to be at high risk of collapse.

However it is likely that a similar syndrome could be identified among people enduring any chronic poverty situation.

Predicted widespread occurrence

Also it is suspected that because the causes are widespread (i.e. national economic recession with severe impact on 20% or more of the adult population) there are likely to be many people suffering similar effects. The most obvious analogy is the wartime situation where individual stress problems caused by exposure to a high-risk physical environment cause a syndrome referred to as “battle fatigue”.

Degraded performance, not illness

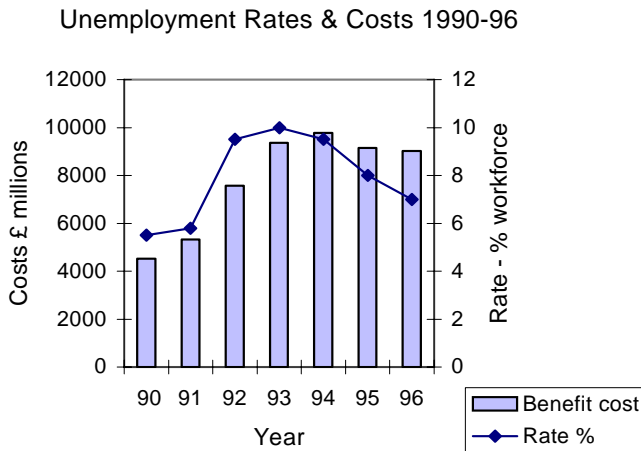
One further proposition is that recession fatigue represents an intermediate level of psychological disruption. Over an extended period chronic stress may lead to, or aggravate, more serious psychological disorders or pathological behaviour (clinical depression, dependency or substance abuse, breakdown, or suicide). But chronic

Psychological effects of the UK Recession, 1990-94

stress for large numbers of people implies that most individuals are still “normal” ie endeavouring to cope with their situation though with stress-impaired functioning. Essentially the pressures they are faced with exceed their resources to cope with.

3. Dimensions of the Recession

Various indicators suggest that the Recession started in 1990. GDP, imports, exports and exchange rates started to fall in 2nd quarter. Social and other commercial indicators reacted in the 4th quarter – falling interest rates and retail prices, and rising unemployment rates and benefit payments. Economic indicators stabilised by late 1995 but the social costs of unemployment took longer to subside. Unemployment rates did not fall to 1990 levels until the second quarter of 1997, the time of the last General Election. They were down to 4.6% by September 1998.



Sources: Annual unemployment benefit costs provided local MP in March 1997. Unemployment rates taken from Government information website, February 1999.

4. Recession Fatigue Update - one year later (5 April 1993)

Note:: At the 1993 Occupational Psychology Conference there was one paper on Recession related issues – a paper on the long term effects of unemployment by Dr David Fryer of Stirling University. It was agreed to hold a one day workshop dedicated to Psychological Effects of the Recession. These notes were drafted to update the Recession Fatigue hypothesis for this session.

The notion of recession fatigue was suggested in March 1992 and modified in June 1992. Since then several factors or responses have changed:

1. Effects of Stress: isolation and withdrawal

The tendency of some people under prolonged stress to isolate themselves and withdraw from social contact appears far more widespread than first thought. Unemployed people feel marginalised and excluded. Participation in support schemes is very limited unless by personal invitation.

2. Vulnerability to excess stress

Resilience to cope with stressful situations seems more dependent on situational factors than on simply being in, or out of work. Highest risk factors appear to be:

- a) Current or imminent financial insecurity (eg negative equity mortgages, and cumulative debt).
- b) Lack of, or inability to draw on, emotional support (eg for people who are separated, divorced, bereaved or in cool relationships).

3. Stress in Organisations

There appears to have been a significant increase in stress levels in organisations in the past 6 months, not only among those fearing redundancy, but also among conscientious staff reporting role conflict in organisations that appear to be breaking down.

Samples of career counselling clients tested on the Occupational Stress Indicator (a stress questionnaire) showed average physical and mental distress levels as high among employed as for unemployed executives and professionals.

Psychological effects of the UK Recession, 1990-94

4. Rate of change as a stress factor in organisations

Excessive change eg in public services such as health and education appears to be a major destabilising factor in job insecurity, frustration and employee stress.

5. Stress and Aggression in Management

There seems to be an increase in aggression and harassment by managers and supervisors, themselves under stress. In some organisations fear appears to be used as a strategy for imposing organisation change.

Staff responses are usually dysfunctional in terms of defensiveness, keeping their heads down, reduced feedback to management etc. Staff who are already at increased risk of stress due to personal circumstances and life events are at severe risk of mental injury and possibly suicide if subjected to these more autocratic and bullying regimes.

6. Community Responses

There appears to be a spontaneous growth of community support groups for the unemployed during the past 12 months, independent of government sponsored schemes (see examples below). These may need extending to employed and self-employed sectors, as well as to unemployed.

- Unemployment Education Providers Meeting. Guildford Institute. 24/4/92
- Coping with the Recession. Community workshop, Farncombe. 20/7/92
- 'You can do it' - briefing for the Dunsfold Discussion Group on coping strategies for families in the Recession. 8/9/92
- Stress at work. Briefing to Guildford Wives Group. 23/2/93
- Surrey & NE Hants Churches Support Group for the Unemployed. Network meetings and briefings. Summer 1992 - 94.
- Coping with change and an uncertain future. Presentation to Bookham Workout (support group) 15/9/94

5. Psychological Effects of the UK Recession 1990 - 94

Notes of presentation to the UK Forum for Organisational Health on
22 March 1994

1. Introduction

Phases of Recession
Career Counselling Clients - Victims and Survivors
Proposition: Recession Fatigue

2. Effects on Individuals

Stress impaired performance Negative feedback
Differential vulnerabilities Depression
Isolation, Fear

3. Effects on Organisations

Stress impaired staff
Stress impaired management: entropy, new bureaucracies
Organisations as abusers.
Organisations as safe havens

4. Implications for the Economy

Fragmentation and waste of resources
Devaluing standards
Entropy
Loss of innovation & adaptability

5. Implications for Society

Dependency
Deviance
Long term repercussions in mental health Changes to social
structures - family, mobility? Stressed communities.
A generation without hope

6. Implications for Helping Professions

Mental Health Education
Holistic support for individuals
Interactions between community and organisational health
Organisational health ethics

6. Long term consequences of the Recession – a review

Today (15/2/99) economists reported that the UK has just technically gone into recession again, based on the definition of two successive quarters of negative growth.

As the UK economy stabilised other countries went into recession, in Europe, Russia and then the Far East. More robust economies like Germany, Japan, Hong Kong and Singapore have been affected by moderate decline. The situation was more severe in Korea and then severely exacerbated by international currency speculation e.g. against Malaysia. Developing economies like Malaysia, Indonesia and South Africa have suffered more severe economic disruption. In some cases this has led to social unrest; in others to increased crime rates. The Russian block countries have suffered total economic collapse.

It seems likely that some of the psychological effects observed and described in Part 1 for the early 90-94 UK Recession are also likely to affect these other countries. The degree of social and economic disruption will depend on more complex economic, social and political structures in each country. It may be useful to reflect on longer-term effects of the UK Recession as seen 7 years later.

Effects of chronic stress in communities

a) Psychological Effects

Recession fatigue was suggested as the debilitating effect of chronic stress on individuals. This includes physical fatigue, impaired judgement, hopelessness, apathy and very short-term perspectives. But high anxiety levels associated with chronic stress also strain individuals to the limit of normal coping behaviour. At that point individuals react differently. Some may go into panic or collapse from nervous exhaustion. Some go into clinical depression. Others react with anger or violence - seen in road rage, domestic violence and crime. In groups this may be channelled into political violence.

b) Family break-down

The effects of chronic psychological stress for adults may start with self-destructive behaviour especially substance abuse (drink and drugs) or gambling, exacerbating economic problems. These problems, plus short temper, put severe strain on relationships within

Psychological effects of the UK Recession, 1990-94

families leading to conflict, broken relationships and sometimes domestic violence. These situations cause further tension for children including fear of parental violence and severe emotional insecurity. These preoccupations will affect their education, and may lead to anti-social behaviour outside the home.

c) Crime and violence

Poverty, addiction and desperation lead to an increase in crime. For some people stealing or prostitution may become necessary for survival. Emotional insecurity or abuse may lead to anti-social behaviour such as joyriding, vandalism or crimes of violence in school and street settings. Crime rates increased during the UK recession but eased later as economic conditions improved.

Long term social consequences

a) Long term effects on families

By October 1992 the marriage guidance service "Relate" was reporting a 50% rise in caseload nationally, and 64% in Guildford within the last 5 years. Divorce lawyers were "struggling to keep up with the flood of broken marriages linked to financial crises". But marriages continue to fail after the Recession due to debt, domestic tensions and conflicts that developed during it.

b) Long term educational effects

A serious consequence of family tension during the Recession was likely to be disruption of children's education. This may have been a factor in diverging GCSE results noted in 1998, some children doing better, others much worse than in previous years. Research is needed to see whether lower exam performance is more common among children whose families experienced severe tension, poverty and social breakdown during the 5 years of recession.

c) Long term debt

5 million people lost their jobs during the early 90's Recession in the UK. From 1991-94 those who became unemployed faced extended unemployment since there were no jobs to be found. This resulted in house repossession and bankruptcy for many families.

The high cost of rented housing and poverty traps in the social security benefits system made it uneconomic for many potential breadwinners to return to employment. One computer consultant put into rented housing in South West London estimated he would need a minimum of £24,000 salary to match his rent and subsistence allowances.

Many individuals and families acquired substantial long-term debts following house repossession with negative equity mortgages. Other families just above this level maintained their housing only by heavy borrowing on unsecured loans (eg credit cards) paying interest 2-3 times higher than commercial lending rates. It is not known what proportion of the population have long term debt commitments arising from the Recession but this may affect many families that experienced long periods of unemployment.

d) Long term health effects

Chronic stress over extended periods leads to a range of long term mental and physical health problems including depression, psychosomatic disorders, heart conditions and cancer. These lead to higher sickness absence rates at work, greater risks of extended absence for mental health reasons leading to dismissal or early retirement on health grounds. These are seen in public and occupational health statistics based on "inequality": the incidence of health problems, absence and earlier death increases for lower income and status staff.

Long term economic consequences

a) Effects on business performance

Most of this booklet has focused on negative effects for individuals because most of my work during the Recession was with private clients. However at least half of these were in employment or self-employment, mostly working at technical, professional or managerial level. They gave insights into the effects of chronic stress on employee attitudes and organisation performance.

Stress impairs personal judgement with the effects described in Part 1 – short term thinking with poor concentration and memory. How individuals cope depends on their physical fitness, how well they are trained for specific stressful tasks and on different personality types.

The personality traits that make for good organising skills in stable conditions are quite different from the traits that give rise to innovation and rapid adaptation. By the late 80's the more structured management style, needed for complex technical and logistic organisations, was the prevailing culture in many organisations. Unconventional, innovative managers had been culled in many organisations. One consequence of this was that traditional managers - stressed by uncertain conditions - tended to take short sighted decisions e.g. terminating key staff, followed by business collapse.

d) Mis-employment, skill loss and the flexible labour market

After the Recession the majority of new jobs created were part-time, low waged situations. Large numbers of skilled and professional staff eg in the manufacturing and financial sectors, were unable to get equivalent work and their skills have been lost to the economy. Also many firms cut back severely on training budgets during the Recession, and continue to have little commitment to training because they are avoiding long term employment contracts. New and growing businesses in the South East now complain of shortages of skilled labour.

There is considerable age-bias in employment and the newer, part-time jobs tend to go to women and young people. There is a large sector of unemployed, or misemployed men aged between 50 and the state pension age of 65. One example is an experienced banking and investment analyst who now works shifts in a supermarket.

The flexible Labour market, praised by free market economists, has resulted in sharply reduced employment contracts, usually less than two years. This has serious housing implications because fewer young people have the secure employment needed to take on a mortgage, putting more pressure on rented accommodation which was already in short supply. This maintains or increases housing costs for many, despite falling mortgage interest rates.

Continued high housing costs increase the pressure for both parents to work in families with children, placing further pressures on family life and education performance for young people.

Conclusions

In employment terms the last Recession lasted nearly as long as World War 2 (1989-1995). It had massive social costs for family life, health, education and crime many of that will continue long term problems. The true cost of the Recession may need to be calculated over at least a decade. There is an urgent need for more research into the long-term consequences of the Recession.

Government and employer policies designed to promote the flexible labour market e.g. the growth of temporary, low waged and part-time contracts are likely to perpetuate the economic insecurity of the Recession for individual employees and their families, increasing stress and reducing performance. Flexible hours can be useful but need to be balanced with more stable employment contracts. Recent European directives and the new UK Employment Bill are important steps to stabilise employment practices.

In highly stressed social settings the weakest individuals often become scapegoats because they do not have the confidence or power to protect themselves. In social and psychological terms it seems that the unemployed, and other benefit claimants, became scapegoats for the Recession. Their numbers were significantly under-reported due to 30 changes in reporting criteria between 1979 and 1997. New measures may be a more reliable indicator.

During the Recession Government advice schemes e.g. those operated through the Training & Enterprise Councils, appeared to be token gestures. They were seriously under-funded and bureaucratic.

The last Recession occurred on the base of a fairly affluent decade. Another period of Recession may impact much faster on those families still suffering the consequences of the last one. To predict the full impact of a new period of Recession we need to assess what proportion of the population is still coping with long term effects of the last one.

Dai Williams

February 1999

* * * * *

7. Events and References

Unemployment Education Providers Meeting. Guildford Institute. 24/4/92

Coping with the Recession. Community workshop, Farncombe. 20/7/92

'You can do it' - briefing for the Dunsfold Discussion Group on coping strategies for families in the Recession. 8/9/92

Debt and the dole killing marriages. Surrey Advertiser. 16/10/92

Psychological effects of long term unemployment. David Fryer. British Psychological Society Conference. Jan 1993.

Executive Interwork – 2 x 4 week courses for unemployed executives. Guildford Institute. Jan-March 1993.

Stress at work. Briefing to Guildford Wives Group. 23/2/93

Psychological Effects of the Recession. One day workshop, London 6/4/93.

Surrey & NE Hants Churches Support Group for the Unemployed. Network meetings and briefings Summer 92 – 94.

Support groups for the unemployed: handbook for leaders and helpers.. January and March 1994

Psychological effects of the UK Recession 1990-94. Presentation to the UK Forum for Organisational Health. 22/3/94

Coping with change and an uncertain future. Presentation to Bookham Workout (support group) 15/9/94

Unemployment Education Providers Meeting. Guildford Institute. 10/6/96

Acknowledgements

Many other people have contributed to these ideas or organised initiatives. I am grateful to the 200+ clients I saw during this period for sharing their experiences. Nick Walters and staff at The Guildford Institute provided the main focus for a series of initiatives in Surrey. Up to 14 independent support groups developed in the county, many supported by the Churches Support Group for the Unemployed and others by volunteer organisers. Similar activities developed spontaneously in many other areas, notably the PECAN project in London.

Other Eos employment and career development articles

Since this booklet was compiled the **Eos Life-Work** website was set up to offer public domain briefings on career, employment and community psychology issues at www.eoslifework.co.uk

Eos website topics include:

Eos Community projects :

- CSGU Handbook for Unemployed Support Groups (1994, Part 1)
- Psychological effects of the UK Recession, 1990-94 (this booklet)
- Fear and violence in stressed populations, 1999

Eos Life-work Themes :

- Career First Aid
- Managing stress and change in schools
- Fun without fear - healthy relationships at work
- Managing the life-work boundary
- Safe and dangerous organisations
- Life events and career change: transition psychology in practice
- Transitions: managing personal and organizational change
- Human responses to change

=====

Web reprint, Oct 2008 www.eoslifework.co.uk/pdfs/uk90srecess.pdf

Psychological effects of the UK Recession, 1990-94