The Physician
Journal of The British Association of Physicians of Indian Origin

The Impact of Financial Crises on Mental Health – Review

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ABSTRACT

There are several economic factors that can increase the risk of mental health problems, such as poverty, unemployment, debt and on a broader scale, funding cuts for social welfare systems and lack of education. This review explores how economic factors impact mental health, with a particular focus on the impact of the current cost-of-living crisis. In many studies exploring the connection between finances and mental health, specific groups are found to be more vulnerable, such as those with pre-existing mental health problems, or those in unemployment. This review draws upon lessons learnt from previous economic crises and proposes solutions to tackle the ongoing problem, such as anti-poverty measures, financial counselling and education, funding for mental health services and future research.

Cite as:
Chakravorty, T.A. (2022) The impact of financial crisis on mental health-Review. The Physician vol7;issue3:p1-8
doi.org/10.381932/1.7.3.5

Introduction

The social determinants of mental health are broad, and economics, both personal and systemic, plays a part. Individuals facing financial stress are at an increased risk of mental health problems and lower mental wellbeing[1]. In the UK, the coronavirus pandemic, as well as several other factors, has made economic matters worse, leading to a cost-of-living crisis[2].

This review explores how economic factors impact mental health, with a particular focus on the impact of the current cost-of-living crisis. It draws upon lessons learnt from previous economic crises, such as the Great Recession in 2007-2009. In many studies exploring the connection between finances and mental health, specific groups are found to be more vulnerable, such as those from ethnic minority backgrounds, underrepresented or unempowered groups or those in not in or able to be in gainful employment.

Article Information
Submitted 15.10.22
Reviewed 20.10.22
Published 04.11.22

The economic determinants of mental health

The World Health Organisation (WHO) defines the social determinants of health as "the conditions in which people are born, grow, live, work and age"[2]. Several economic factors contribute to the social determinants of mental health. These can be individual factors, such as low income, education, gender, disability, social exclusion or oppression, unemployment, debt and low socioeconomic status, as well as systemic factors such as geographical deprivation, economic recessions, welfare systems, public policies, and income inequality[3-5]. These factors are associated with increased rates of mental health problems, substance-related disorders and suicidal behaviour[3].

Furthermore, individuals from lower socioeconomic status have an increased risk of mental health problems, compared to those in higher levels[1]. Economic factors such as unsecured debt, financial hardship and subjective measures of financial stress are predictors of depressive symptoms, and this association is more pronounced in individuals from low income or low wealth groups[3]. Interestingly, relative income or wealth compared to peers appears to be a more important risk factor for depression when compared to absolute income, suggesting that factors such as perceived wealth, as well as stigma surrounding finances and mental health may contribute[3].

Gainful employment is a well-established social determinant of mental health[1]. Inability to access employment or ability to earn a living wage can decrease quality of life, self-esteem, and social status[4]. Unemployment is associated with a range of negative effects, such as poverty, financial insecurity, social isolation and the stigma of unemployment and receiving social welfare, and can be associated with mental health problems such as depression and anxiety[5]. Unemployment is associated with depression, anxiety, lower subjective wellbeing, and lack of self-esteem[6]. Furthermore, it is not only being in employment that can positively impact mental health, but also the quality of said employment which matters[1]. Unsurprisingly, work related mental health problems occur more frequently in employees facing difficult working conditions, such as those experiencing toxic stress, discrimination, and bullying[1].

How does financial stress increase the risk of mental health problems?

Financial stress is thought to be associated with mental health problems through several mechanisms. For example, stressful financial circumstances may lead to symptoms of depression, due to exposure to factors associated with poverty, such as poor living conditions, poor nutrition, unhealthy lifestyle habits, lower social capital, and social isolation[3]. This social causation theory proposes that individuals in poverty may be more vulnerable to stressors such as economic or public health crises, which in turn may increase their risk of mental health problems[3]. However, this theory does not explain the association between financial stressors and depressive symptoms seen in individuals not in poverty.

Another theory is that psychological stress caused by subjective or perceived financial difficulties, as well as the financial difficulties themselves, leads to an increased risk of mental health problems[3]. In some cases, the impact of subjective stress may have a greater association with risk of mental health problems than objective financial difficulty[3]. Individuals with limited financial resources are more likely to have greater subjective and objective stress regarding their financial situation, due to uncertainty and income volatility. The stress of this uncertainty over the long term may further increase risk of mental health problems[3,7].

Furthermore, mental health problems may negatively impact individual's financial situations, leading to a state where individuals with mental health problems are more likely to have or end up in a worse financial situation. This theory is known as social selection, or the drift hypothesis. The increased financial burden of people with mental health problems may be due to factors such as increased expenditure on healthcare, a reduction in productivity, unemployment, and social stigma[3].

The current economic crisis in the UK

In 2022, the UK has been hit by a cost-of-living crisis, caused by a historic increase in prices and inflation. This cost-of-living crisis has led to increased financial insecurity and is harming mental health[8].

The impact of the current crisis may be greater due to the decade of austerity faced by UK residents, especially for those receiving social security. In recent years, reforms to Universal Credit have led to a fall in the real-terms value of social security payments[8]. When adjusting for inflation, out-of-work benefits in the UK are currently at their lowest rate in thirty years[8]. The changes to the UK social security system may have increased poverty, as well as adversely impacted mental health[9]. For example, a government cap introduced in 2016 led to thousands of households receiving less money. The proportion of these households experiencing mental health problems increased from approximately 21% to 30%, a relative increase of almost 50%[9]. This increase may also negatively impact individuals' ability to work, which undermines this policy's central aim of encouraging the transition of people into paid employment[8].

Food insecurity is a major public health problem that not only impacts physical health through inadequate dietary intakes, nutrient deficiency, and other diet-related chronic conditions, but also mental health, as inadequate access to food can lead to psychological distress and depression[10]. Food insecurity has risen in many European countries since 2010, due to food prices rising disproportionally over salaries[10]. In the UK in 2022, the Food Foundation estimates that over two million adults have gone without food for a day[8].

The impact of the coronavirus pandemic has been far reaching. The distribution of coronavirus infections and deaths, plus the longer-term socioeconomic impact of the pandemic are likely to worsen financial inequalities and contribute towards an unequal distribution of mental health problems amongst certain groups[1]. Recent evidence suggests that groups such as women, low-income households and young workers are being disproportionately impacted by the economic burden of the pandemic[11].

Lessons learnt from past economic crises

Times of economic crises are thought to affect mental health due to increasing risk factors, such as lack of employment, increasing debt and lowering socioeconomic status, or by decreasing protective factors, such as employment security and welfare protection programmes[12]. These periods are associated with an increase in hospital admissions for mental health problems, as well as an increase in overall demand for care[13]. In addition, economic crises lead to increasing barriers to access mental health, which may be due to decreased availability of resources or affordability of services[13].

The Great Recession of 2007-2009 led to a global decline in gross domestic product, a rise in unemployment and job insecurity, and great economic strain[14]. The result was that several countries assumed austerity policies, leading to reductions in health and social care budgets[14]. Individuals faced a worsening of living and working conditions, as well as increasing rates of poverty and social exclusion (Fras 6 & 10). In England, between 2008 and 2010, each 10% increase in the number of unemployed men was significantly associated with a 1.4% increase in male suicides[15].

Data from the Great Recession showed that strict austerity measures (including cuts to social welfare, education, and healthcare) may have worsened public health. During the Great Recession, countries that adopted strict austerity measures had a significantly higher deterioration in public health, including mental health[16]. For example, Greece suffered a significant increase in mental health problems and suicide burden. In comparison, Germany, which rejected such austerity measures, faced a lesser comparative deterioration in population mental health[16]. This suggests that the magnitude of consequences may be lessened with adoption of different political strategies. In the current economic crisis, avoiding long-term austerity measures are key.

All mental health reviews conducted on data from the Great Recession reported a significant deterioration of mental health[16]. Groups particularly vulnerable to the effects of past recessions those who were unemployed or facing financial problems, those with pre-existing mental health problems, and families with children[17].

Analysis from the Great Recession suggests that the groups that needed the most mental health care were not consistently the groups that accessed mental health services. This suggests that a lack of engagement with mental healthcare and systemic failure for targeted intervention within these groups may have led to a worsening of pre-existing social inequalities in mental health[13]. This healthcare inequality may be due to a disproportionate worsening of socioeconomic conditions amongst vulnerable groups, the reduction in available healthcare due to funding cuts, a decline in care seeking behaviour, and cultural or linguistic barriers[13]. Therefore, interventions prioritising mental healthcare and protecting vulnerable populations may limit the mental health consequences of the current crisis and should therefore be a priority of public health interventions.

Another vulnerable group is young people. Economic recessions may have a long-term impact on young people's mental health, especially if they come from families dealing with economic problems or parental unemployment[17]. This is important, given that mental health problems are one of the largest contributors to the global burden of disease in adolescence[18]. The WHO estimate that 10-20% of all children and adolescents experience mental health problems[19]. Furthermore, children and adolescents from a socioeconomically disadvantaged background are two to three times more likely to develop mental health problems[20]. Understanding the impact of the economic recession on young people and how this effects their mental health is important as lack of intervention may lead to a long-term loss of future adult productivity, leading to a slower recovery from recession[17].

Although learning from past economic crises is useful in developing a plan for interventions in the current crisis, a major limitation is that most data comes from cross-sectional studies, rather than cohort or case-control studies. This makes it difficult to show causation between economic recession and mental health problems[17]. Furthermore, due to the unique nature of the current crisis, it may be difficult to apply all lessons learnt from the Great Recession. Where the Great Recession was caused by a gradual inflation of the real estate market in the USA, the current crisis is caused by many factors, such as the coronavirus pandemic, which led to an abrupt economic and social decline[16]. Due to the unprecedented nature of the current crisis, this may mean that projections from the long-term impact of Great Recession will underestimate the impact of the current crisis on all sectors of public health.

<u>How mental health problems impact the economy</u>

Not only do economic factors impact mental health, but mental health impacts the economy as well[21]. For example, it is estimated that the economic consequences of mental health problems make up 3-4% of gross national product in European Union countries and the UK[22]. Therefore, population mental health is an important financial factor, and good mental health is important for economic growth[23].

Mental health problems impact the economy via direct and indirect mechanisms. Direct mechanisms include human capital costs associated with interaction with the healthcare system, such as hospital visits, medications, and therapy sessions. Whereas indirect costs include wealth loss due to disability and mortality, and on a macroeconomic level, a decrease in economic output due to loss in capital, labour and productivity[21]. Depression is one of the leading causes of disability globally and is estimated to rank number one by 2030[3,24]. The impact of mental health problems on the economy stem more from these indirect costs, in comparison to direct costs. This contrasts with the cost profiles of common physical health problems, such as cancer or diabetes. However the cost of mental health problems on the economy is thought to be greater[21].

Furthermore, mental health stigma can be detrimental to individuals (for example, by preventing them from seeking help) but may also impact care on a broader level too. Stigma is thought to contribute to the potential low funding priority given to mental health problems, in part due to misconceptions about the level of need[25]. In the face of budget cuts, past data from public surveys has shown that mental healthcare can be given low priority[26,27]. Many countries use information from mortality and life expectancy figures to aid funding decisions, whereas mental disorders contribute indirectly to a high level of mortality, and therefore their impact may be underestimated if solely using these figures[21]. Reducing stigma and countering discrimination is essential for improving mental healthcare, as this stigma may impact public policy-makers' decisions to invest in mental health.

Recommendations

Alleviating poverty

The association between financial stressors and the risk of mental health problems highlights that measures aimed at alleviating poverty, especially in vulnerable subgroups, may positively impact mental health. Anti-poverty interventions such as direct cash transfers or tax relief may be helpful for those in poverty, as social causation is likely the main mechanism for the increased risk of mental health problems[3]. Whereas, interventions that target mental health stigma and challenge social attitudes towards financial problems may be more appropriate for individuals where subjective opinions about financial issues are associated with psychological stress[3]. Tackling food insecurity, especially in poorer populations, may also help to alleviate the physical and mental toll of food insecurity[10]. This could be achieved, for example, by widening access to and funding for food banks.

Given the association between debt and mental health problems, the Mental Health Foundation have called for a pause on all debt collection, bailiff visits, interest accrual on debt and deduction from benefits during the pandemic[1]. Although radical, the impact on mental health may be significant if this proposal was implemented, even in part. The Mental Health Foundation have also called for UK energy supplies to halt their use of debt collectors. This would be especially relevant given the recent increase in energy prices[2].

Financial counselling and education

Interventions such as financial counselling services may help people to not only improve their financial status, but also their mental health. Interventions targeted to people from lower socioeconomic groups may be more effective compared to generalised interventions, given that the relationship between financial stress and mental health problems are more pronounced in these groups. Groups that may benefit from targeted intervention include the unemployed, those in debt or poverty, those with a history of mental health problems and young people. These groups may also benefit from free and easily accessible psychological support.

Additionally, the education of healthcare professionals on the association between mental health and finances is essential in the current cost-of-living crisis, especially as more patients inevitably present with mental health problems linked to their financial situation. Furthermore, healthcare professionals should be made aware of what services are available, allowing them to signpost or refer patients.

Funding for mental health services

The current cost-of-living crisis facing the UK has had a detrimental effect on financial security and likely mental health of the population. In past economic crises, countries that implemented a generous social security regime helped to alleviate this burden[10]. Whilst the UK government has made some effort to decrease the burden of the cost-of-living crisis, for example through offsetting the rising energy prices, more aggressive reforms are required. These should include strategies that aim to reverse the decade of austerity and increase the volume of social welfare[8].

In order to improve mental health services, a clearer understanding of the economic impact of mental health problems is required, along with more effective methods of calculating such costs. There needs to be effective communication between mental health professionals, economists, politicians, and stake holders, in order to make informed funding decisions and understand the methods to improve mental health[21]. Tackling stigma and encouraging education for the public but also key professionals such as politicians is essential.

Further research

There is a clear need for research into this field, to further explore the association between finances and mental health problems, as well as to study the impact of strategies implemented to relieve the burden. Longitudinal and randomised control trials studies that allow for establishment of a causational link between financial problems and an increased risk of mental health problems are required. This will help to identify areas that require targeted interventions that aim to improve mental health, alleviate financial stress, or both.

Conclusion

Financial factors are an important social determinant of mental health. Furthermore, mental health is negatively impacted during times of economic crisis, such as the cost-of-living crisis the_UK is currently facing. Particular attention should be given to specific groups, such as those in poverty, unemployment or with existing mental health problems, with targeted interventions, in order to avoid the further widening of social and health inequalities.

Interdisciplinary collaboration between healthcare professionals, financial professionals, advocate groups, governing bodies and policy makers is required to further understand this connection, and what interventions can be put in place to target mental health and finances together. Whether through welfare, financial counselling or education, there is hope for mental health in an economic crisis.

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