

# Chapter 1

## How Unemployment May Impact Happiness: A Systematic Review

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### **ABSTRACT**

*The wealth of an economy is traditionally measured by its level of productivity. However, countries with the highest level of productivity do not always report equal levels of happiness and general wellbeing. In fact, there is no direct relationship between both variables and sometimes less wealthy productive countries report higher levels of happiness. Recent studies and theories are trying to demonstrate that the term happiness has made its way into economics literature as the result of economist dissatisfaction who believe happiness should become a matter of study in the field. Unemployment is one of the most recently researched variables in economics and has a direct relationship with happiness. Potentially some other variables such as autonomy, reliability, and added value of happiness would help researchers to better complete economic analysis via a multidisciplinary perspective.*

### **INTRODUCTION**

Unemployment has always been one of the most interesting study variables for economists. This may be justified due the fact that, for most Portuguese families, employment is the main income generator. In fact, it has a considerable social significance and greatly contributes for people's integration in society.

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Losing one's job has strong negative repercussions, not only on the individual's well-being and quality of life, but also on the social, economic and political impact it has on society. However, and despite nowadays unemployment is a tremendously trivial subject, it is imperative to mention that only few studies pass beyond number analysis and overlook the lives, frustrations, sense of revolt and inability to fulfil life projects felt by the unemployed population.

Psychology and psychiatrics have been the main responsible areas for the study of happiness, even though they were initially more concerned in reducing pain rather than increasing pleasure. Economists don't usually consider the concept of happiness on their researches and argues that economic study variables should be material, quantifiable and related with objective realities. Nonetheless, it is important to mention that in the last year's studies connecting unemployment with happiness raised a lot and most of them also conducted by economists (Caleiro, 2011).

It is not easy to distinct the impacts of unemployment on people's well-being without studying happiness. While the importance of happiness emerges, several economists are trying to bring new ideas to economic analysis, widening their action spectrum. Several economic models fail because don't consider a holistic approach and do not consider that all the interrelated elements of the system exercise an influence on dynamic behavior which may explain change and complexity in the system over time (Bala et al., 2017). Consequently, a different approach is required to study economics where happiness may be a possible key study variable. The present research aims to understand and analyze not only the relationship between soaring unemployment levels with the levels of happiness, but also its impacts on the daily lives of unemployed individuals.

## **LITERATURE REVIEW**

This research is structured around three sections. The first section will explain the pertinence of the happiness topic, pointing out the reasons why it was chosen. It will feature a brief reflection about the importance of happiness and meaning of happiness in accordance with several points of view, namely from many different authors and economists. It also analyses the term happiness and the relation between money and happiness. The second section will deal with unemployment, namely with its relevance and evolution in terms of both unemployment rates and unemployment protection policies in Portugal. The third and last section will connect happiness with unemployment, concluding with some empirical studies performed with the goal to assess the impact of unemployment on the levels of happiness.

## **HAPPINESS**

### **The Importance of Happiness**

Economics should be responsible for individual happiness, analyzing how it is affected by economic growth, unemployment and inflation. However, and despite the evolution of economics, the concept of welfare remains related with wealth, income, consumption and production (Mota, 2009). Nonetheless, many economists do not agree with this *status quo* and argue that it is needed to introduce new analysis methods, new models and notions of welfare.

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