Moderating Role of Reactive Coping Behavior and Perceived Impact of Economic Crisis in Young Adult’s Change of Well-Being during the Recession

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One of the goals for young adults is to achieve financial stability and sustainable well-being on their pathway to adulthood. However, the current economic recession, young adults today are more concerned about their personal finances and well-being than ever before. This study examines how young adults adapt to economic recession in terms of their well-being. Lyubomirsky, Sheldon & Schkade (2005) suggest that circumstances, which include life events, contribute to well-being. Previous literature suggests that objective financial indicator (e.g., income) is the predictor of one’s overall quality of life (Diener, Sandvik & Seidlitz, 1993). However, few studies have examined how subjective financial indicators (e.g., perceived financial well-being) impact overall well-being. Furthermore, the extent to which financial well-being predicts overall well-being may depend on one’s economic characteristics (Diener et al., 1993). For instance, Maslow’s (1943) hierarchy of needs suggests that psychological needs such as belonging and self-esteem appear only after lower-order needs are fulfilled. Thus, for those who are less financially stable, overall well-being may be more tied to economic indicators. On the other hand, those who are financially stable may be less tied to financial situation for their overall well-being. Therefore, this study focused on two individual’s economic situation variables as a moderator in explaining the relationships between financial well-being and overall well-being: (1) reactive coping behavior and (2) perceived impact of financial crisis. In this study, reactive coping behavior refers to economizing actions taken in response to lack of enough money (e.g., changed food shopping behavior to save money and cut back on entertainment expenses etc.). Perceived impact of financial crisis is defined as the degree to which the financial crisis impacted one’s family and/or parents’ financial situation, own financial situation and the ways of managing money. Based on the literature, we suggest three hypotheses.

H1: Past financial well-being (FWT1) will be positively related to change in overall well-being (OWT2).
H2: The relationship of FWT1 with OWT2 will be stronger with higher engagement of reactive coping behavior.
H3: The relationships of FWT1 with OWT2 will be stronger with higher perceived impact of financial crisis.

We collected data from 748 college students prior to the economic crisis (Time 1: spring 2008) and during the crisis (Time 2: spring 2009). A panel model controlling for 3rd variables (gender and SES) was used to test the hypotheses. All hypotheses were supported. First, past overall well-being was associated with current overall wellbeing. This is consistent with empirical evidence for substantial long-term stability of well-being (Brickman et al., 1978). Second, the findings of this study demonstrate that financial well-being prior to the economic crisis is positively related to changes in overall well-being during the economic recession. Finally, we found that two moderators (reactive coping behavior and perceived financial impact) strengthened the positive relationship between financial well-being prior to the economic crisis and overall well-being during the economic recession. Hence, young adults who more actively engaged in financial coping behavior due to lack of money and had higher perceived impact of financial crisis were more dependent on their past financial well-being for their current well-being than their counterparts. In other words, the impact of financial well-being on their current well-being was much stronger for those students who engaged in reactive coping behavior and those who perceived higher impact of crisis.

This study provides implications for young adult’s achievement of sustainable quality of life. The degree to which young adults are satisfied with their financial situation is an important determinant for future sustainable quality of life; however, this relationship varies among students with different socioeconomic background. That is, financial well-being is stronger component of overall quality of life for those who have less financial resources. Therefore, practitioners should keep this association in mind in addressing the needs of high risk-group to improve their well-being when providing assistance during the economic recession period.