

**WORKERS  
ON THE  
EDGE**

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Job Insecurity,  
Psychological Well-Being,  
and Family Life

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and Brendan J. Burchell

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## Executive summary

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Upheavals in labor markets in advanced industrial countries over the past three decades have focused the attention of researchers on the issue of job insecurity — the personal sense or fear that one's own position may be seriously changed or eliminated — and its consequences for health and psychological well-being. The evidence suggests that job insecurity has, in recent years, become much more pervasive, extending its reach from the low-wage, disadvantaged labor market into the white-collar workforce. In other words, insecurity now affects all groups of workers to a greater or lesser degree, and skill, education, and status offer less relief than was traditionally the case.

From a social welfare perspective, the issue of job insecurity raises three important questions, addressed by the academic literature reviewed in this book:

***Is job insecurity stressful, and, if so, who is affected by stress, and why?***

A large body of international research, including studies from the United States, now documents the effects of job insecurity on the individual's psychological well-being. One study, for example, found that perceptions of insecurity are related to increased levels of depression, anxiety, obsessive-compulsiveness, and anger-hostility, as well as to increased difficulties in interpersonal relationships and increased somatic complaints such as headaches, aches and pains, numbness, and weakness. Moreover, the number of studies that show that the anticipation of, or concern about, future job loss may be as traumatic as unemployment itself is substantial and growing.

***How does job insecurity influence the motivations and attitudes of employees — does it make them more disciplined and hard working, or less motivated and less satisfied?***

Many employers have attempted to increase motivation, performance, or commitment by manipulating job security, but no consensus has developed as to whether the relationships between job insecurity and these outcome measures are positive, negative, or nonexistent. Nevertheless, a variety of studies have found that job insecurity is at odds with positive performance measures but a strong partner to job dissatisfaction, anxiety, and depression. Even the lucky “survivors” of layoff programs report decreased motivation, morale, confidence, and loyalty and increased stress, skepticism, anger, and bitterness.

*How does job insecurity affect domestic and family relationships beyond the workplace?*

Research consistently demonstrates the importance of the successful interaction of employment, family, friendships, and leisure for general psychological well-being. Recent studies have also consistently shown that job insecurity undermines marital relationships (with considerable deleterious consequences for couples already under strain) and can damage relationships between parents and children and influence children's work values later in life.

Taken collectively, the studies reviewed in this book provide overwhelming evidence that job insecurity is taking a large toll on the welfare of individuals and families in modern industrialized societies. In the same way that environmental legislation is needed to safeguard the common good from polluters, social legislation is needed to safeguard the social environment from employers who attempt to maximize their own profitability but leave in their wake human costs that do not appear on their balance sheets.

These findings have several policy implications for societies interested in the health and quality of life of their employees and their families:

- *Labor market regulation:* Restrictions on employers' right to "fire at will" would bring the U.S. some way toward the more carefully regulated labor markets that exist in the vast majority of other advanced economies. Requirements to effect this change could include longer periods of notice, more serious consultation with employee representatives, high severance payments and payments for unfair dismissals, stronger rights to re-instatement, the requirements for permissions from local governments, and the drawing up of social plans. Without these sorts of measures, employers are more and more likely to use layoffs not merely as a way of coping with economic downturns and falling demand, but as a routine means of cutting costs and boosting profits in the short run.
- *Safety nets:* If governments deliberately create "dynamic" labor market conditions that put employees at risk of becoming unemployed in the name of flexibility, then governments also have a responsibility to minimize the economic impact of job loss by offering decent replacement incomes.

- *Effective independent representation:* Good communication, employee representation, and the provision to employees of an effective voice — some of the functions of traditional, independent trade unions — could moderate the effects of job insecurity. Many companies have attempted to achieve these things through their own internal structures, such as quality circles or staff associations, but these programs often lack credibility for employees, who see them as being controlled by employers.
- *The regulation of capital:* One of the recurring themes in employees' fears about the futures of their jobs is the constant threat of mergers and takeovers. But the predatory relationship between capital and public companies that is so common in the U.S. and Britain is not the only option. In Germany and Japan, for instance, shareholders are more closely bound into company strategies through a range of social and legal commitments. And there is little evidence that the volatility of capital in the U.K. and U.S. is in the benefit of long-term economic stability and growth; the only winners tend to be those involved in the capital markets themselves. In the light of the damage to individuals and families described in this report, there is a strong case for shifting the balance of power away from capital and back to employees.

Gone are the days when economic growth per se was the supreme goal for governments; it is now clear that the advanced industrialized countries with the highest rates of economic growth are no longer the best places to live in terms of health or quality of life. This shift may call for fundamental changes, but it is a test of how seriously we take the well-being of our workforce and the stability of its families.

# Introduction

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All industrialized countries have experienced sizeable upheavals in their labor markets over the past two decades, and one of the most significant recurring themes in this upheaval has been the reduction in employee security (OECD 1998). From the perspective of social psychology, three important questions arise about job insecurity. First, is it stressful, and, if so, who is affected by stress, and why? Second, how does job insecurity influence the motivations and attitudes of employees — does it make them more disciplined and hard working, or less motivated and less satisfied? And third, how does job insecurity affect domestic and family relationships beyond the workplace?

In the 1970s and 1980s the main themes that concerned politicians, academics, and the media centered firmly on the new distribution of work and the sudden and dramatic rise in the rate of unemployment. The marked human misery associated with unemployment was widely researched (Warr 1987; Feather 1990). Over the past decade, however, attention has switched to less obvious, but perhaps more pervasive — and ultimately more damaging — changes associated with job insecurity. A considerable international literature now exists that links job insecurity to its individual and social costs, and in the report that follows we attempt to describe and synthesize this body of work.

The U.S. might not be unique in facing these problems, but there is evidence that, despite its current relatively low level of unemployment compared to its European competitors, the level of job insecurity in the U.S. is considerably higher than the European average. For instance, the report on job insecurity by the Organization for Economic Cooperation and Development (OECD) in its 1998 *Economic Outlook* presents comparable figures on the number of employees who feel insecure. On an index of job insecurity based upon employees' responses to four questions in 1996 (e.g., "I am frequently worried about the future of my company" and "how satisfied are you with your job security"), the 21 countries surveyed scored an average of 44, but the U.S. had a score of 52. Only three other countries



had marginally higher scores: Japan (56), the United Kingdom (54), and France (53). The reasons for the high level of job insecurity in the U.S. is not attributable to any single cause, but a significant factor may be the much weaker legal regulation of the labor market consistent with the idea of “employment at will.”

In examining the psychological effects of job insecurity, we are not so much interested here in issues of objective stability in the labor market (as measured, for example, by turnover or tenure) but by individuals’ perceptions of risk of loss of their jobs or valued features of their jobs. As we have argued previously (Burchell et al. 1999), in some situations individuals may actually stay in jobs longer because they are worried about their security, and thus want to retain what seniority rights they have accrued. Furthermore, analyses of both job insecurity and tenure or turnover (e.g., OECD 1997) have found that labor markets with high average tenures can often simultaneously have high levels of job insecurity; job security and job tenure are not strongly correlated.