

Struggling to make ends meet despite a job: how economic vulnerability undermines worker well-being

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When workers' earnings fall below the poverty line they constantly have to worry about money, despite working. This violates an important part of the social contract, that a job should afford people a decent standard of living.

Economic vulnerability limits the ability to lead a life as one wants it and this affects well-being – their mental health and life satisfaction.

Components of Economic Vulnerability

Economic vulnerability consists of two components: objective and subjective vulnerability.

A worker becomes objectively economically vulnerable when their individual earnings fall below the poverty line (60% of the national median income, see Eurostat, 2024).

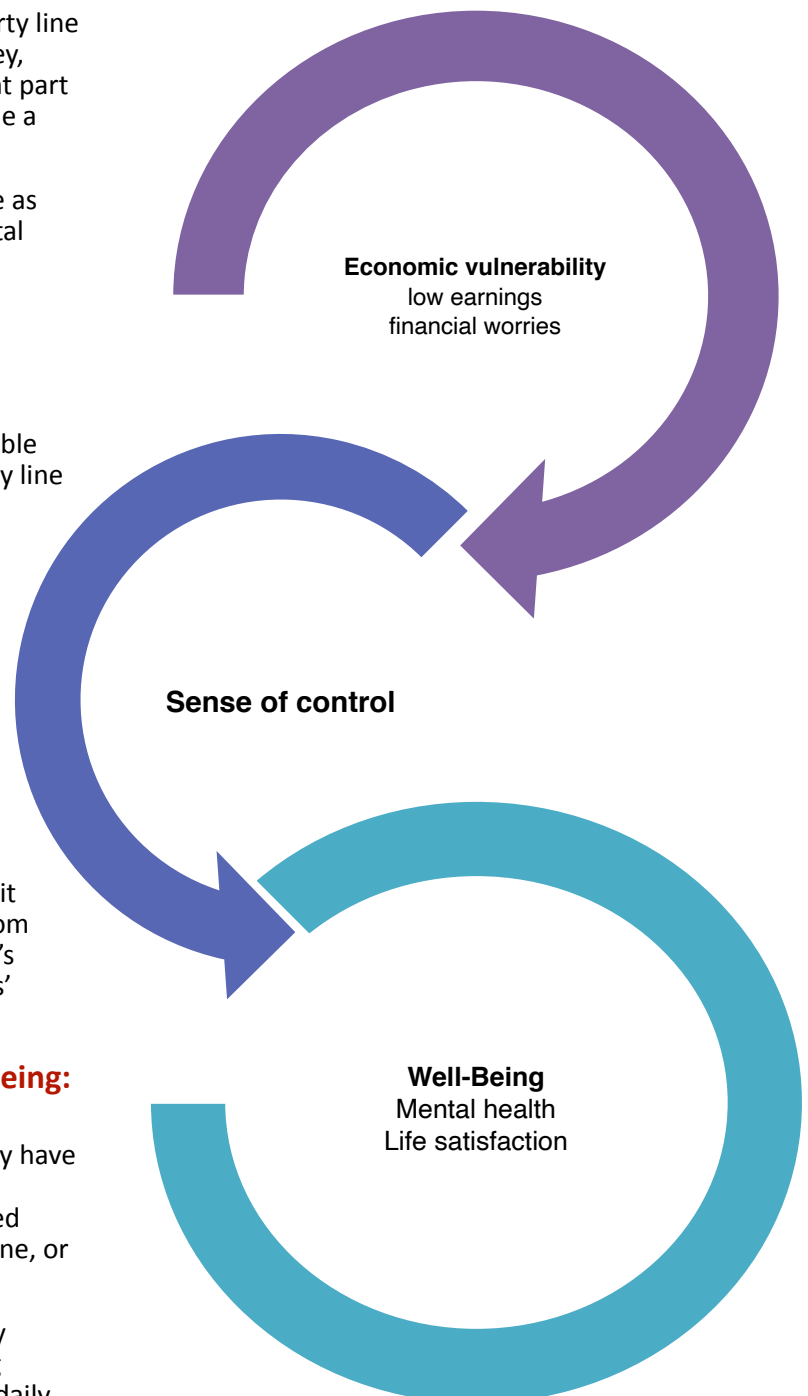
This criterion has been identified as the threshold at which people can no longer afford an acceptable, decent standard of living based on their own financial resources. Subjective economic vulnerability describes the perceptual side of economic vulnerability: the feeling of financial strain and a constant worry about money which often arises from low earnings.

Whereas low earnings reflect people's actual access to financial resources and pose a risk to well-being, it is often the psychological experience – the stress from the perceived inadequacy and inability to meet one's needs – that can take an even bigger toll on workers' mental health.

Impact of economic vulnerability on well-being: the importance of sense of control

Both objective and subjective economic vulnerability have negative consequences for well-being: employees experience worse mental health and are less satisfied with their lives when they earn below the poverty line, or when they are financially strained.

One important reason is that economic vulnerability restricts people's agency: people who are struggling financially are restricted in how they can lead their daily life, starting from their place of living, their sustenance, to



aspects like childcare, transport, health care, or dealing with daily hassles.

Financially restricted people also often cannot build savings, leaving them exposed to unforeseen expenditures.

Cognitively, the experience of injustice that results from investing significant effort – but not receiving a decent life quality in return, further undermines the sense of control people have over important life outcomes.

A sense of control describes a general sense of mastering and shaping one's own life rather than being the victim of one's circumstances or fate. This is an important ingredient to a happy and healthy life.

There are stable inter-individual differences in how different people experience sense of control, some people generally feel more in control than others. But personal sense of control can also change in response to changes in people's life circumstances.

The results of our representative 19-year panel study shows that when workers' earnings fall below the poverty threshold or their financial strain increases, their sense of control declines. In turn, when they feel less in control over their lives, their mental health and life satisfaction decline as well.

We know from broader psychological research that a healthy sense of control is important for coping with life's stresses and challenges in a constructive way, and therefore an important prerequisite for mental health.

It is crucial to note that this happens irrespective of what kind of household people live in (e.g., if there is additional income from a partner) or what kind of job they have. Economic vulnerability and its negative impacts are therefore not limited to certain sectors of work or groups within the population, but act as a catalyst for reduced sense of control. This reduced sense of control contributes to insidious impacts for well-being.



The hidden cost of low wage work

Understanding the psychological impact of low earnings sheds lights on the broader implications of low wage work for employees, organisations, and society as a whole. Potential organisational cost-savings (i.e. those generated by low salaries) come at a high individual (and over the longer term also societal) price – in terms of lowered mental health and life satisfaction.

Psychological research has identified a key role for sense of control in this relationship. There is an urgent need to address economic vulnerability, in order to mitigate the negative consequences this poses for individuals and societies' happiness and health.

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