
Dealing with job insecurity

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Abstract

We analyse the effect of perceived job insecurity on mental health using panel data on a representative sample of Dutch employees from 2008-2013. Using a fixed effects estimator to control for unobserved individual characteristics we find that job insecurity is a statistically significant predictor of mental health deterioration, but the effect size is small: a 100 percentage points increase in perceived chance of job loss is associated with a 1.6 points (on a scale of 0-100) decline in mental health. If part of the effect is attributable to reverse causality, the causal effect of job insecurity on mental health would need to be smaller still than the fixed effect found. In our instrumental variables approach we failed to identify such a causal effect. Detrimental effects of perceived job insecurity on mental health are found only when perceived job insecurity is high, and such effects are limited to particular groups of workers: men, especially men without a partner, with medium levels of education, and with a permanent contract. It is recommended that policy measures be targeted on these groups.

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