

Societal Income Inequality and Coping with Work-Related Economic Stressors: A Resource Perspective



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According to every major statistical and economic indicator, income disparities between the rich and the poor have markedly increased over the past three decades. For example, within the United States, the share of total income held by the top 1% increased from 8.9% in the early 1970s to 22% by the early 2000s (Saez, 2013). Corresponding disparities in income growth over time have been seen as well. In the period from 1979 to 2013, income grew nearly 40% for individuals in the bottom 20% of U.S. households; yet, households in the top 1% saw their income grow a staggering 200% during that same period (Congressional Budget Office, 2016). Such societal income inequality is not confined to the United States. Individuals in over 70% of the global working population each own less than \$10,000 in wealth. On the other hand, the wealthiest individuals (i.e., those with \$100,000 or more in assets) account for 86% of the overall global wealth (Credit Suisse Research Institute, 2017).

At the same time, workers within the United States (Kalleberg, 2013) and globally (Jütting & de Laiglesia, 2009) have seen growing labor market trends in favor of precarious and unstable forms of unemployment, weakened governmental and union protections for workers, and increasing concentrations of workers in low skills and low wage positions. Such trends, coupled with intermittent economic shocks such as the 2007–2008 global recession, its lengthy aftermath, and slow recovery, have resulted in workers today facing numerous forms of economic stressors related to their income and employment. The purpose of this chapter is to examine how rising societal income inequality might affect the way in which employees cope with work-related economic stressors.

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We begin this chapter by presenting a typology of work-related economic stressors and discussing some of the most commonly examined economic stressors. Next, we integrate the latent deprivation model (Jahoda, 1981) and conservation of resources theory (Hobfoll, 1989) to explain how and why economic stressors have detrimental health and well-being outcomes for individuals. Finally, we posit that societal income inequality serves as a contextual stressor that exacerbates the already negative outcomes associated with economic stressors.

Work-Related Economic Stressors

Stressors are defined as environmental situations or events that are capable of producing negative reactions in an individual. The negative reactions to a stressor, which can be psychological, physical, and/or behavioral in nature, are referred to as strain. In other words, stressors are stimuli or conditions that place demands on individuals leading to potential strain outcomes. Voydanoff (1990; also see Probst, 2005; Probst, Sinclair, & Cheung, 2017; Sinclair & Cheung, 2016; Sinclair, Sears, Probst, & Zajack, 2010) first defined *economic stressors* as “aspects of economic life that are potential stressors for employees and their families” (p. 1102). Commonly researched economic stressors include (1) unemployment and underemployment, (2) job insecurity, (3) economic/financial deprivation, and (4) perceived economic/financial inadequacy (Probst et al., 2018).

In her seminal work, Voydanoff (1990) created a typology to categorize these stressors based on whether they are (a) objective versus subjective in nature and (b) employment related versus income related. For example, unemployment and underemployment are objective employment-related stressors, whereas perceived job insecurity is typically considered a subjective employment-related stressor, that is, one that is largely “in the eye of the beholder.” Similarly, economic/financial deprivation concerns one’s objective, real inability to meet current financial needs (e.g., living below the poverty line), whereas perceived economic/financial inadequacy concerns the perceived inadequacy of one’s economic/financial resources. For example, a family of four might have an objectively high per capita household income, but individuals in that household might still perceive financial inadequacy due to high levels of debt, student loans, and/or living beyond one’s means.

Research indicates that both objective and subjective income- and employment-related economic stressors represent potentially potent sources of stress for employees and their families. Interestingly, while both types of stressors are important, research suggests that subjectively appraised stressors may be more predictive of outcomes than objective ones. For example, because basic needs (e.g., food and shelter) are often already satisfied in higher-income nations (Deaton, 2008; Grable, Cupples, Fernatt, & Anderson, 2012), perceived inability to afford desired or nonessential items is argued to be a better measure of economic difficulties and financial satisfaction (Layte & Whelan, 2009). In a study of employees undergoing an organizational merger, Probst (2003) found that perceptions of job insecurity were more

predictive of physical health and psychological distress than objective assessments of the extent to which those employees' jobs would be affected by the merger. Similar findings have also been demonstrated in medical settings (e.g., Hamama-Raz, Solomon, Schachter, & Azizi, 2007), where subjective factors (e.g., patients' cognitive appraisals of a medical diagnosis as threatening) were more predictive of psychological adjustment than objective factors (e.g., disease stage). Below, we present a resource-based theoretical perspective to explain why and how economic stressors result in negative health and well-being outcomes, and then discuss how societal income inequality may moderate these relationships.

Why Are Economic Stressors Stressful? A Resource Perspective

Based on the latent deprivation model proposed by Jahoda (1981), employment provides both latent and manifest benefits. Manifest benefits include income obtained via employment to allow daily maintenance and activities whereas latent benefits include collective purpose (i.e., making a meaningful contribution to the society), social contact (i.e., socialization with people outside the nuclear family), status (i.e., reflecting one's place in the society), time structure (i.e., purposeful time use), and activity (i.e., engaging in organized activities). As such, the latent deprivation model argues that the threats to the manifest and latent benefits of employment and incomes are the underlying mechanisms through which economic stressors might lead to negative outcomes.

Conservation of resources theory (COR; Hobfoll, 1989), on the other hand, posits that individuals are motivated to maintain, foster, and protect resources. Psychological stress might occur under three conditions. First, individuals may be threatened with the possibility of resource loss. Second, individuals may actually lose valuable resources. Third, individuals fail to gain resources after resource investment. COR theory categorizes resources into objects, conditions, personal characteristics, and energies, which are valued in their own right or serve as a means for obtaining other valued resources. Object resources include items with a physical presence (e.g., housing) and items indicative of status (e.g., jewelry). Condition resources (e.g., marriage and seniority) are states that allow individuals to gain access to other resources. Personal characteristics include learned skills and traits (e.g., self-esteem). Last, energies (e.g., time, money, and knowledge) can be exchanged or used in an attempt to acquire other resources. Both subjective (e.g., worries about potential job loss and perceived financial stress) and objective (e.g., announced layoff, pay cut, or demotion) economic stressors have the potential to lead to the loss or threat of loss of these important resources.

Integrating latent deprivation model (Jahoda, 1981) and COR theory (Hobfoll, 1989), stable employment can be viewed as a condition resource, which is valued by employees not only for its own purpose (Warr, 1987) but also for its ability to facilitate the attainment of other valuable resources including both manifest and

latent benefits (e.g., housing, food, clothing, income, social status, and respect). Therefore, unemployment may lead to negative consequences because the unemployed actually lose important resources in the form of employment and other key resources and benefits (Jahoda, 1981). Indeed, meta-analyses showed that unemployed individuals report lower physical and psychological well-being than do their employed counterparts (McKee-Ryan, Song, Wanberg, & Kinicki, 2005; Paul & Moser, 2009). Creed and Macintyre (2001) found that the deprivation of both latent and manifest benefits predicts decreased well-being in a sample of 248 unemployed individuals. Together, it suggests that losing both latent and manifest benefits as a result of unemployment might be the underlying mechanism for the relation between unemployment and detrimental outcomes.

Underemployment, by comparison, is a situation where a person has invested their resources (e.g., time and energies to obtain higher or vocational education; Feldman, 1996) but failed to receive expected resource gains (e.g., employment that fits with one's full working capacity and accompanied income and social status; also see person-job fit; Kristof, 1996). Thus, based on COR theory, underemployment might also be related to negative outcomes. Indeed, underemployment is associated with work-related outcomes, including reduced job satisfaction and organizational commitment but increased employee withdrawal, as well as well-being outcomes, including psychosomatic symptoms, depression, reduced mental health, and lower optimism (McKee-Ryan & Harvey, 2011).

The last employment-related economic stressor is job insecurity or the perceived possibility of job loss. In other words, an employed individual is faced with the potential of job loss in the form of stable employment and its associated resources (e.g., income). As such, COR theory proposes that job-insecure individuals might suffer from adverse outcomes. In support of this, a recent meta-analysis documents over 40 negative consequences of job insecurity, including decreased psychological and physical health and increased burnout and strain outcomes (Jiang & Lavaysse, 2018). In terms of underlying mechanisms from the resource perspective, job insecurity was found to threaten both manifest and latent benefits, which, in turn, were related to subsequent health complaints (Vander Elst, Näswall, Bernhard-Oettel, De Witte, & Sverke, 2016).

In addition to the negative consequences of employment-related economic stressors, COR theory posits that both subjective and objective income-related economic stressors are harmful because individuals who actually lack monetary resources (i.e., objective economic deprivation) or perceive insufficient monetary resources (i.e., perceived financial inadequacy) are more likely to experience adverse outcomes, because these monetary resources are necessary to acquire other valued resources for survival and comfort. In line with COR theory, low-income individuals report poor psychological, psychological, and cognitive functioning (Lynch, Kaplan, & Shema, 1997) and more depressive symptoms (Brett, Cron, & Slocum, 1995; Chou, Chi, & Chow, 2004; Deaton, 2008; Ford, 2011; George & Brief, 1990; Kim & Garman, 2003; Pereira & Coelho, 2013; Shaw & Gupta, 2001).

Similarly, previous research demonstrates that perceived financial inadequacy is a robust predictor of health outcomes. For instance, individuals in more fragile

financial positions have lower psychological well-being (Pereira & Coelho, 2013; Starrin, Åslund, & Nilsson, 2009) and a higher risk for health problems (Horwitz, 1984; Lundberg & Fritzell, 1994; Pihl & Starrin, 1998). A recent study using data from Northern Irish low-income households found that subjective financial inadequacy had a robust relationship with most aspects of health while objective financial deprivation (i.e., the size of the debt, the type of debt or the number of different lenders) did not add any extra explanatory power (French & McKillop, 2017).

In sum, the theoretical foundations provided by COR theory and latent deprivation theory explain why we would expect to observe adverse employee reactions in response to economic stressors. This, coupled with the overwhelming empirical evidence demonstrating that economic stressors have significant health and well-being implications for employees, has led researchers to increasingly argue the need to better understand contextual variables operating at multiple levels of analysis (e.g., individual, organizational, and societal) that might serve to exacerbate these adverse effects. Below we argue that societal income inequality represents one such important social, macroeconomic, and contextual variable.

Does Societal Income Inequality Worsen the Consequences of Economic Stressors?

While the body of research reviewed above documents the adverse effects of economic stressors for individuals, scholars also argue that an individual's reaction to economic stressors can be influenced by multiple contextual systems operating at different levels of analysis (Jiang & Probst, 2017; Jiang, Probst, & Sinclair, 2013; Probst et al., 2017; Sinclair et al., 2010; Shoss & Probst, 2012). Specifically, Johns (2006, p. 386) defined contextual influences as "situational opportunities and constraints that affect the occurrence and meaning of organizational behaviors as well as functional relationships between variables." Indeed, Probst et al. (2017) called for more research in the area of economic stress to examine how contextual variables, including income inequality, may influence individuals' reaction to various economic stressors.

Income inequality at the societal level (e.g., country) is the extent to which income is distributed unevenly among members of a group. Under the condition of high-income inequality, individuals perceive themselves to be deprived of desirable resources in relation to their counterparts in the wider society (Wilkinson & Pickett, 2008). Not surprisingly, societal income inequality has been conceptualized as a contextual stressor that has damaging effects on societies, including physical and mental health, drug abuse, education, imprisonment, obesity, social mobility, trust and community life, violence, teenage pregnancies, and child well-being (Wilkinson & Pickett, 2007, 2009).

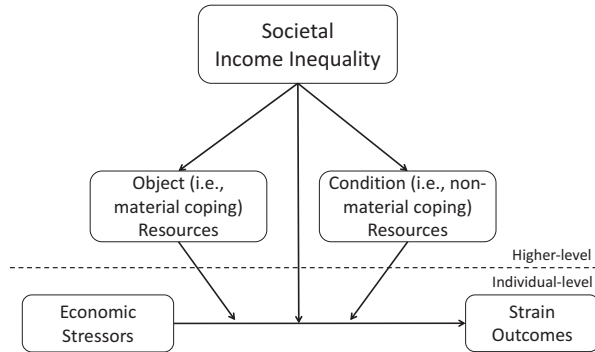
Resource-based theories across many disciplines (e.g., cognitive psychology, Kahneman, 1973; community psychology, Tilman, 1982; economics, Olalla, 1999; social psychology, Jaško & Kossowska, 2013) emphasize that resources that are

available to an individual are crucial in determining how the individual adapts to the surrounding environment. For example, using a social identity approach based on social identity theory (Tajfel & Turner, 1979) and Self-Categorization Theory (Turner, Hogg, Oakes, Reicher, & Wetherell, 1987), Jetten and colleagues (Jetten et al., 2017) argue that individuals can be expected to have more negative reactions to economic inequality when they believe that it is difficult to move up in society (i.e., a lack of upward mobility; Day & Fiske, chapter “[Understanding the Nature and Consequences of Social Mobility Beliefs](#)”; Wang, Jetten, & Steffens, chapter “[Do People Want More Wealth and Status in Unequal Societies?](#)”) and that the existing inequality is due to illegitimate factors such as corruption or nepotism. In addition to supporting the positive relation between economic stressors and negative outcomes at the individual level, COR theory also provides a rationale for expecting a cross-level exacerbating effect of societal income inequality on one’s reactions to economic stressors. According to COR theory (Hobfoll, 2001), individuals are embedded within their social contexts; these social contexts may threaten people’s resources; and those who lack resources are more vulnerable to resource loss.

As an extension of Hobfoll’s work, ten Brummelhuis and Bakker (2012) explicitly define contextual resources as those in the social context of the individual and outside the self- and macroresources—a subset of contextual resource—as variables in the larger economic, social, and cultural system in which a person is nested. Thus, macrolevel contextual resources, such as public policies on the availability of public childcare, tend to be stable and not under individuals’ control. Moreover, macrolevel contextual resources determine “the extent to which individuals need to call upon resources that are more directly in their reach and the extent to which other resources can be used effectively” (p. 548). Accordingly, they identify social equality as an example of macrolevel contextual resources. As such, we argue that societal income inequality, the opposite of social equality, can threaten one’s ability to reach both *object* and *condition* resources (ten Brummelhuis & Bakker, 2012), which might serve as two explanatory mechanisms underlying the expected exacerbating effect of income disparity on the above illustrated relation between economic stressors and strain outcomes (Fig. 1).

First, higher income inequality with greater disparity between the “haves” and the “have-nots” within society is indicative of societal distributive injustice (Zafirovski, 2005). Such inequality may be a function of deeply embedded cultural values. For example, income inequality at the country level is positively associated with power distance (Hofstede, 1997) because high power distance culture where individuals in a society accept inequalities in power, status, and resources (Hofstede, 2001) deems social inequality (e.g., income inequality) as legitimate and even preferable. Societies with high-income disparity are more likely to have fewer employment protections, an absence of labor standards, shorter duration of unemployment benefits, and lower union density and coverage (Zafirovski, 2005). On the other side of the coin, societies with low-income inequality are likely to offer more societal resources (e.g., the availability of employment opportunities, government financing, and dislocated worker programs; Hobfoll, Briggs, & Wells, 1995) and/or have policies in place that offer a social safety net for those experiencing unemployment (e.g., better access to

Fig. 1 A conceptual model



high-quality health care; Debus, Probst, König, & Kleinmann, 2012). In this situation, even if an individual becomes unemployed or faces the possibility of resource loss in the form of employment and/or income, he/she may feel less threatened. As such, greater income inequality may inhibit the obtainment of *object* (i.e., *material coping*) resources for those who are faced with economic stressors.

Thus, within the context of high income inequality, individuals who are confronted with actual and/or perceived employment- and/or income-related economic stressors suffer more negative consequences than those within the context of low-income inequality in that their already difficult situation of having to contend with the threat of losing the valuable latent and manifest benefits of employment and income becomes even worse when they do not expect to have equal opportunities to regain adequate monetary resources and sustain themselves during any unexpected periods of economic stress. In other words, because income inequality threatens one's obtainment of object resources, income inequality can be expected to moderate (i.e., exacerbate) the impact of economic stressors.

Second, income inequality may categorize individuals into the rich and the poor (Osborne, Garcia-Sanchez & Sibley, chapter "Identifying the Psychological Mechanism(s) Underlying the Effects of Inequality on Society: The Macro-Micro Model of Inequality and Relative Deprivation (MIREd)") and thereby divide community members (Putnam, 2000). According to social identity theory and self-categorization theory, whether a person provides support for another depends on whether he or she is perceived by the support provider as an ingroup member (Haslam & Ellemers, 2011). Thus, because of social categorization between the poor and the rich, the rich with resources are less likely to help the poor who are considered outgroup members compared to their ingroup members, that is, others who are wealthy. Indeed, figures (Stern, 2013) indicate that individuals in the upper 20% of income donate proportionally far less of their income to charity (only 1.3%) compared to those in the lower 20% who donate nearly three times as much proportionally (3.2%).

Not surprisingly, having access to a supportive system can mitigate the negative effects of job insecurity (e.g., its impact on life satisfaction; Lim, 1996). Similarly, supervisor support is a protective factor for individuals who experience underem-

ployment (Johnson & Johnson, 1992) and supportive and affiliative relations with one's spouse, friends, and relatives can buffer against the negative impact of unemployment on cholesterol, illness symptoms (Gore, 1978). As such, lacking support from wealthier segments of society might also exacerbate one's reactions to economic stressors. Moreover, income inequality may make people trust others less (Elgar, 2010; Ichida et al., 2009). Under high-income disparity, individuals are more interested in "keeping up with the Joneses" at the expense of trust and social cohesion (Wilkinson & Pickett, 2009; Wang et al., chapter "Do People Want More Wealth and Status in Unequal Societies?"). Indeed, Oishi, Kesebir, and Diener (2011) found that the perceptions that other people were less fair and trustworthy explain the negative relationship between income disparity and happiness. However, trust in management can attenuate the relationships of job insecurity with employee burnout, psychological distress, job satisfaction, and organizational commitment (Jiang & Probst, 2018). Thus, a lack of trust in the rich may also worsen one's responses to economic stressors. Taken together, because income inequality impedes the obtainment of *condition* (i.e., *nonmaterial coping*) resources (e.g., supportive relationships and trust), it may aggravate the positive relationship between economic stressors and individual strain responses.

According to COR theory, broader social trends provide a sociocultural backdrop that interacts with variables at more meso- and microsocial levels to pose a threat to or cause a depletion of individual resources. Because greater income inequality may hamper the obtainment of object (i.e., material coping) and condition (i.e., nonmaterial coping) resources (ten Brummelhuis & Bakker, 2012), those who are faced with economic stressors and therefore more vulnerable to contextual threats may experience more negative consequences as a result of economic stressors. In the presence of low-income inequality, the available object and condition resources may equip individuals to adaptively cope with economic stressors and consequently experience relatively low levels of adverse outcomes resulting from economic stressors (ten Brummelhuis & Bakker, 2012). In contrast, individuals exposed to the environmental stressor of greater income inequality posing a threat to their object and condition resources may be more susceptible to other threats of resource loss (e.g., economic stressors). Therefore, we argue that higher societal income inequality may serve as a contextual stressor to have a cross-level exacerbating effect on the relationship between individual-level economic stressors and negative outcomes.

In our own work, we applied this argument to one economic stressor: job insecurity. In particular, we examined whether income inequality exacerbated the positive relationship between job insecurity and burnout (Jiang & Probst, 2017). Study 1 did this by examining the moderating role of country-level income inequality on the individual-level relationship between job insecurity and burnout. We obtained employee job insecurity and burnout at the individual-level from the 2005's International Social Survey Program (ISSP Research Group, 2016). We obtained income inequality data—the Gini index—at the country-level from the Standardized World Income Inequality Database (Solt, 2009). Combining the individual-level data with the country-level data led to 23,778 individuals nested in 30 countries.

Using hierarchical linear modeling (Raudenbush & Bryk, 2002), we found that the cross-level interaction between individual-level job insecurity and country-level income inequality had a marginally significant effect on employee burnout. Specifically, the relationship between job insecurity on burnout was stronger among employees in greater income-inequality countries compared to those in countries with less inequality.

As an extension of Study 1, Study 2 conceptualized income inequality at the state-level rather than the country-level where individual employees are first nested in their state, which is further nested in the country. Because country-level income inequality is more distal than state-level inequality, we anticipate a larger effect of the cross-level interaction within the context of state-level inequality (Study 2) than the context of country-level inequality (Study 1). Thus, Study 2 similarly examined the moderating role of state-level income inequality in the individual-level relation between job insecurity and burnout. We collected individual-level job insecurity and burnout data from employees in the United States using Mechanical Turk. State-level data of income inequality came from the County Health Rankings and Roadmaps program (2015). Combining the individual-level dataset with the state-level dataset resulted in 402 individuals nested in 48 states in the United States. We used the same analytic strategies as in Study 1 and found a significant cross-level interaction effect of the individual-level job insecurity and state-level income inequality on employee burnout. Compared to the variance explained by the country-level income inequality in the job insecurity-burnout slope in Study 1 (20%), the state-level income inequality explained more variance in the job insecurity-burnout slope in Study 2 (44%). Together, this work suggests that the psychological demands placed on employees as a result of job insecurity are compounded when they occur in a context of economic inequality.

Conclusion

The past several decades have seen significant changes in the nature of work with organizations moving away from traditional psychological contracts exchanging hard work and loyalty for secure employment toward increasingly precarious and less stable forms of employment. Despite many of the world's economies slowly emerging from the aftermath of the most recent global economic recession, workers indicate that they face continuing and pervasive economic stressors as well as a decreased sense of security and reduced optimism regarding their future job opportunities (Grusky, Western, & Wimer, 2011). Indeed, surveys such as those administered by the American Psychological Association (2016) find that respondents consistently rank money, work, and the economy as their top sources of stress.

While much of the economic stress research stemming from the organizational psychology literature has understandably focused on delineating individual employee responses in reaction to these economic stressors, the purpose of this chapter was to highlight the role that a societal-level variable, namely, income

inequality, may play in better understanding these individual-level processes. Specifically, theorizing based on Conservation of Resources theory (Hobfoll, 1989; ten Brummelhuis & Bakker, 2012), coupled with empirical evidence (e.g., Jiang & Probst, 2017), appears to suggest that societal income inequality, in addition to having direct negative consequences, may also serve to further exacerbate the numerous adverse effects of economic stressors.

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