

## How has the recession affected young people's well-being in Europe?

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Key words: [attitudes](#), [Insecurity](#), [life satisfaction](#), [unemployment](#), [well-being](#)

### The impact of insecurity on well-being

It is well established that unemployment and insecurity have a negative impact on well-being. Yet it has been proposed that unemployment hits young people less hard, psychologically speaking, because work is not as central to their identity and because they have fewer financial responsibilities than prime-age workers. If this is true, then the high levels of youth unemployment during the great recession may be less damaging than high unemployment among older workers. However, early experiences of unemployment may 'scar' young people's later working lives. Levels of unemployment and employment insecurity differ across Europe, and it is less clear how this societal context affects young people's well-being and how policy interventions may help reduce these negative impacts.

### Measuring well-being across countries

Using data from the European Social Survey it is possible to compare the levels of well-being of unemployed young people (under 35 years) with those who are insecurely employed and those who are securely employed. Well-being is measured using a ten-point life satisfaction scale.

The scale of well-being differences by employment status can also be compared to that of prime-age workers (over 35 years). Comparative analysis across 20 countries allows us to test whether well-being effects are influenced by a range of policy and economic indicators such as level of spending on active labour market policies, and levels of youth unemployment.

The results are based on the analysis of two rounds of the European Social Survey across 20 countries (2004/5 and 2010). We restricted the analysis to those aged under 65 years. Institutional information for both time points was collected from a range of international sources and these were chosen on the basis of the balance of flexibility and security policies. Country level effects were analysed using multi-level models.

### Unemployment does have an impact

Unemployed young people had significantly lower levels of life satisfaction compared to their employed peers in all but one of the 20 countries analysed. Overall, the satisfaction gap between the employed and unemployed was narrower for younger people than among prime-aged workers, but the effect was nonetheless significant and substantial. Even among those currently employed, past unemployment had a scarring effect on life satisfaction.

Young people in insecure employment were significantly less satisfied with life than the securely employed and this relationship was just as strong as it was for prime-aged workers (Smith et al. *forthcoming*).

The level of economic hardship experienced by the unemployed is an important moderator of well-being effects, it explains a third of the difference in life satisfaction between unemployed young people and those in secure employment. Family support is also important for young people – living with two parents has a positive impact on life satisfaction for under 35s but no such effect was found for prime-age workers.

## **Country differences and policies**

Some measures such as active labour market policies (ALMP) might be expected to reduce the negative effects of unemployment on wellbeing. In fact we find that higher ALMP spending per unemployed person is significantly associated with greater life satisfaction for both the employed and unemployed. In contrast, low levels of spending on unemployment benefits (adjusted by unemployment rate) does not influence life satisfaction among unemployed youth – this may arise in the case of younger people because in many countries relatively few are covered by such income supports (Leschke 2013).

Conditions on the labour market may have an effect on people's overall feeling of wellbeing. The results show that increased rates of unemployment (in the preceding 2 years) are linked to reduced life satisfaction across the population – among young and older, employed and unemployed. Similarly, the higher the proportion of the employed population in a country who feel insecure, the lower the level of life satisfaction. This effect is somewhat stronger for those aged over 35.

## **Negative impacts from unemployment and insecurity on young people**

Our results show that unemployment and insecurity have a negative impact on the well-being of young people, which is almost as strong as it is for prime-age workers. In addition to this individual level effect, high levels of unemployment and insecurity at the country level have an additional depressing effect on well-being. There is little evidence that higher unemployment levels reduce the negative impact of individual unemployment by normalising the experience.

At the policy level, spending on active labour market programmes is positively associated with higher satisfaction, this is not confined to the 'at risk' group and so may be a more general effect of a pro-active welfare state on citizens' life satisfaction. The institutional measures are limited in the extent to which they capture the support available to younger people – this is especially true in the case of cash benefits – and policy-makers need quality data to analyse the impact of measures on young people.

## **Long-term consequences for young people require policy action**

Young people have been disproportionately affected by the rising unemployment and job insecurity in the Great Recession. These changes have had a substantial impact on their well-being, measured here by life satisfaction. Even after re-employment, unemployment in the past five years is found to have a scarring effect on well-being.

Economic hardship has a significant impact on young people's life satisfaction and wellbeing and while welfare state and parental support can mitigate these effects, the effects remain significant. Creating secure employment for young people should therefore be a priority for policy. The centrality of labour market policy to the well-being and life satisfaction of the population means that it is important that analysis and measures for young women and men are enhanced to improve policy at the EU and national level.

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