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**The Social Life of the European Crisis:  
A Multilevel Analysis of Youth,  
Employment and the Economy of  
Wellbeing 2007–2012**

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# The Social Life of the European Crisis: A Multilevel Analysis of Youth, Employment and the Economy of Wellbeing 2007–2012

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## Abstract

The economic crisis in Europe is often viewed as a continuation of the global financial crisis. However, it appears that the prolongation of the banking crises in the EU was catalyzed by real economic problems, like high unemployment rates, which were growing already before the global downturn. Multilevel methods are used to construct a more diffuse understanding of the European crisis, combining the European Quality of Life Survey with national statistics. The analysis suggests that there are two partially overlapping crises in Europe: the young, often viewed as being at the eye of the crisis, are burdened by unemployment in those countries suffering from the public financing problems. In contrast, where higher education is more common, the young are deprived and insecure. The paper demonstrates that this two-fold nature of the crisis has not been properly acknowledged by the public while national policies could have even deepened the crisis.

**Keywords:** European crisis, economic crisis, youth unemployment, deprivation, education

## Introduction

On 1 June 2007, Lucas Papademos was still happily unaware of the coming nightmare in Greece. Then Vice President of the European Central Bank (ECB), this Greek banker later to become prime minister began his speech with the following words:

*Being in Athens, it seems appropriate to start with a reference to a great thinker who established his Lyceum not far from this auditorium: Aristotle once said “We are what we repeatedly do. Excellence, then, is not an act, but a habit.*

Only two months later, on 9 August 2007, the French bank BNP Paribas had frozen the withdrawals from three of its funds due to heavy exposure to the subprime market. The ECB, the lender of last resort, infused the market with €94.8 billions of liquidity.

It was the first step towards the financial crisis, and also the first one of monetary ‘easing’. But far from easing the market by habit, the ECB was much slower to respond than the Federal Reserve in the US. As a result, when the world started to recover in March 2009—only months after Lehman’s collapse while reaching 5.3 % growth in 2010—the unemployment rates continued to grow in Europe (cf. Appelbaum, 2011). The highest rates are now found in Spain and Greece, hitting over 25 %. Outside Europe the crisis was brief also in terms of financial derivatives. As reported by the Bank of International Settlements (BIS), global speculation on highly technical, non-regulated ‘over-the-counter’ derivative markets amounted to \$647,762 billion in the end of 2011, as opposed to \$596,004 billion in the end of 2007.

There thus seems to be something peculiar about the economic crisis in Europe, where the brief derivatives crisis turned into a prolonged governmental and social political crisis. This study aims to picture this prolongation by focusing on its implications to employment and well-being. It contrasts with previous discussions largely focusing on the global crisis (Lysandrou, 2011; MacKenzie, 2012; also Beunza and Stark, 2012; Bryan et al., 2012; Davies and McGoe, 2012) and the relevance of ‘financialisation’ to contemporary culture and society (Ertürk et al., 2008; Engelen et al., 2011). It also aims to provide a more ‘holistic’ picture than the previous studies on the social political consequences of the crisis located in specific countries like Greece (Matsaganis, 2011; Petmesidou, 2013; Zambarloukou, 2015) and Spain (López-Andreu & Verd, 2016), or those on more specific themes like particular changes in the labour market (e.g. Gebel,

2010, Hurley, Enrique, & Storrie, 2013), in deprivation and welfare (e.g., Callan et al., 2011; Crettaz, 2015; Fraser et. al., 2011; Kvist, 2013).

There are several reasons why a more ‘holistic’ or ‘epidemiological’ picture is fruitful. First, as a collection of different countries in a unified market, the comparative perspective allows us to address the role of culture and policy in regulating its outcomes (cf. Castells et al., 2012). Europe is a particularly important case also because of the strong, but varying welfare models, which not only regulate how unemployment is being experienced (Gallie and Paugam, 2000) but also the functioning of the labour market at large.

Second, the European crisis is an interesting illustration of the functioning of the ‘multi-layered’ government in the EU (Christiansen et al., 2001; Dale, 2004; Marks et al., 1996; Rosamond, 2000; Walters, 2004) where Germany and other Protestant countries have resisted monetary measures to ease the situation in other Eurozone countries. In particular, the sovereign-debt crisis was made possible both by the peculiar government of the Eurozone and by Bundesbank’s opposition towards more open handed interventions by the ECB<sup>1</sup>. As a result, the bill of bailing out banks ‘too big to bail’ fell on the shoulders of individual member states, whereas the beneficiaries of the so-called ‘rescue’ operations were the German and French banks.

Third, the comparison of the EU as a whole allows us to ask whether there is a single crisis to speak of, or whether the economic developments in the EU should instead be viewed as an amalgam of different, though temporally overlapping crises. For instance, when comparing EU-countries at the macro level, the expansion of welfare related costs are accounted for by aging society and the rising health care costs, having little to do with the sovereign-debt crises that, according to a factorial analysis of Eurostat data, are explained by the increase in non-social government spending instead. The welfare and deprivation crises are thus rhetorically associated with the unemployment and debt crises, but their connection is actually less inevident.

This study attempts to understand the social ‘reality’ of the crisis beyond such rhetorical uses. We will first discuss how the economic crisis has been framed in previous research. This is followed by a brief discussion of the research design based on multilevel analysis. We will then analyse the effects of the crisis in different socio-

economic groups, focusing on unemployment and deprivation particularly among the youth. We will also discuss the effects of the crisis on labour market dynamics and whether the diffuse nature of the crisis has been properly acknowledged in public or national political representations.

## **Background**

Many scholars have asked to what extent the global financial crisis and the European sovereign-debt crisis are connected, but less emphasis has been put on the connections between the sovereign-debt crisis and the real economic crises in Europe. When asking about ‘the costs of the financial crisis [which] are disproportionately borne by those in lower socio-economic groupings’ (Ellis, 2011: 168), sociologists already attribute the debt crisis with a causal role, instead of viewing the growing unemployment rates as one of the causes. By contrast, this study emphasises not just the consequences but also the social political causes of the crisis. These are addressed in the context of four main themes: youth, employment, deprivation and welfare.

Youth is a carrying theme as the youth unemployment rates have grown vastly in the EU, hitting over 50 % in Greece and Spain. The position of youth resonates also the most immediately with economic change, including the nature of work and wellbeing. At the same time, a growing number of the young adults in Europe find themselves not in education, employment or training with adverse effects on the socialization processes in the ‘emerging adulthood’ (Tanner and Arnett, 2009; also Fenton and Dermott, 2006; Lowe and Krahn, 2000; also O’Reilly et al 2011, 581–582; Scherer, 2005).

Following the crisis, a series of studies addressing youth emerged but mainly in specific countries, such as the epidemiological studies on young adults’ depression and eating disorders in Greece (e.g., Economou et al., 2013; Frangos, 2012). It should be also noted that high youth unemployment rates have characterized many Southern economies for decades. The role played by the sovereign-debt crisis is thus open. Also, the socio-emotional consequences of unemployment (e.g., Jahoda, 1998; Kelvin and Jarret, 1985; Warr, 1987; Whelan and McGinnity, 2000) are not restricted to the current crisis.

Others have studied the crisis in the context of underemployment, like the growing number of fixed term contracts or otherwise ‘atypical’ jobs (e.g., Heyes, 2011). Also the ‘two-tiered’ structure of the labour market was emerging already before, however (Castel, 2003; Fenton and Dermott, 2006; Gash, 2008; Schömann et al. 1998). In this respect, the effects of the crisis are not straightforward, but in general the crisis has strengthened ‘workers’ dissatisfaction with opportunities to make use of their abilities’ (Heyes et al., 2016: 71).

Such structural changes could also bear some indirect socio-economic effects. López-Andreu and Verd (2016) report that in Spain ‘the role of family background seems to be more important than in the past, especially in trajectories marked by temporary employment’. Again the crisis should not be viewed as a unidirectional process, but it can reflect even opposite tendencies like the accentuation of the differences in gender roles in Southern and Northern Italy (Andreotti et al., 2013). Through such polarisations, the current crisis can teach something peculiar about the meaning of employment in contemporary society. It is not only the ‘labour process’ that is changing (cf. Braverman, 19759) but also the *employment process*.

It has also been suggested that the crisis serves as a temporal context for ‘working poverty’, which means that many of those who work that are also more likely of suffering from *deprivation* (Fraser et al., 2013). The effects are difficult to verify, however, because the crisis affects the composition of the labour force, and the overall level of 7 per cent of the employed population in the EU-15 has remained stable also in those countries most hit by the crisis. ‘Poverty in work’ also comes in many different guises, like Andress and Lohmann (2008: 17) argue: in addition to low wages or earnings it is associated with welfare state policies and the role of the family (Crettaz 2015, 312). Therefore, as a more general proxy of the crisis we have studied the general deprivation indicators reflecting poverty both in and outside work. Angel and Heitzmann (2015) suggest that even when poverty is largely explained by individual factors, country-level factors like the welfare regime make a significant contribution particularly for those families encountering a prolonged period of financial distress.

As the fourth theme, advanced *welfare states* play a peculiar role, as illustrated by Kvist (2013) who examines the effects of the crisis on social investment strategies across the EU: while investments in childhood and in higher education have not been greatly affected, there is a notable fall in the social investments in youth during the crisis.

## **Research Design**

### **Purpose of the Study**

The study aims to provide an ‘epidemiological’ perspective on the economic crisis in Europe, seeking to locate it in relation to different social groups as well as national differences in unemployment, deprivation and the conditions of work. The crisis is viewed as interdependent processes, similarly as Esping-Andersen (1999: 34f) defines the welfare regime as a ‘combined, interdependent way in which welfare is produced and allocated between state, market, and family’.

Basing on multilevel methods, the study locates micro-level experiences in the context of macro-economic change. First, we will ask what is the relationship of unemployment- and deprivation crises with the sovereign-debt crisis. Second, we will address what kind of actual changes in the employment process can be identified in the context of the crisis. Third, we will address whether these complex meanings of the crisis are adequately represented at the level of political representations of the crisis.

### **Multilevel methods**

The analysis is based on generalised linear mixed modeling (GLMM), which is a branch of multilevel modeling that extends binary logistics to hierarchical data<sup>ii</sup>. Multilevel methods were first introduced in an attempt to model collective entities like schools or nation-states in a way irreducible to individuals (on the ‘ecological’ and ‘atomistic’ errors, see Diez Roux, 2003: 100). In particular, the multilevel methods estimate the variances of the effects both *within* and *between* countries. This both enhances the reliability of the analysis and allows us to decompose national effects, say, what portion

of between-country variance is reduced by bond rate, the level of GDP or the portion of those with higher education.

## Description of Data

The individual level data comprises the *European Quality of Life Survey* (EQLS)—a cross-sectional data collected by the European Foundation for the Improvement of Living and Working Conditions (Eurofound) from 1000–2000 randomly selected individuals in each EU-country in every four years. The purpose of the data is to ‘examine[] both the objective circumstances of European citizens’ and ‘how they feel about those circumstances and their lives in general’. We will compare the two rounds collected in 2007/2008 and 2011/2012 in the 27 EU-countries, restricting the analysis to 18–64 year-old respondents. The national level data is provided by Eurostat.

## Development of the Model

Multilevel regression models combine two kinds of variables. The *outcomes* consist of variables like the employment-status, deprivation and social exclusion indices, as well as two variables related to subjective economic wellbeing. The *predictors*, by contrast, reflect themes that affect or regulate the different outcomes. Unlike outcomes, the predictors occur at two levels. The individual level predictors reflect respondents’ demographic status and socio-economic situation, whereas national predictors reflect the economic, financial and political contexts.

To compare the pre- and post-crisis situations, the year of response (*wave*) was used as a predictor in all models. We also included all its interactions with other predictors in order to evaluate changes in their effects through the crisis. In addition, the intercept and wave-effects were considered as random in order to analyse how their variation across countries is reduced by adding other predictors. The form of the model can thus be expressed as:

$$Y = \alpha + u + \sum_i \beta_i X_i + \text{wave} \cdot \left( \alpha' + u' + \sum_i \beta'_i X_i \right) + e$$



where  $u$  and  $u'$  are the random parameters and  $X_i$ 's stand for both the individual and national level predictors.

This approach allows us to distinguish between two temporal perspectives over the crisis: (1) as a catalyst of pre-crisis differences (independent wave-effect) and (2) by inducing new ones as an active agent of its own (interactions with the wave-effect). We can, for example, ask whether unemployment has a different relationship with deprivation before and after the crisis (it turns out not to). Furthermore, by looking at the random effects we may ask whether specific predictors like the GDP growth regulate the crisis-related changes in the effects.

### Choice of Predictors

The predictors were added in blocks as described in Table 1. For each outcome we developed 10 nested models. The structure of the economy -block consists of several variables standardly used in labour market studies (e.g., Bonoli, 2010; Vlandas, 2011, 2013) but union density was omitted as it was found to be irrelevant. The welfare regime was recoded into three geographic regions<sup>iii</sup>.

**Table 1. Outcomes and predictors used in the multilevel analyses.**

	Predictors
Null	No national predictors
Public finance situation	GDP growth 2007–2012, % National debt 2012, % of GDP EMU conversion criterion bond yield, 2012
Economy and equality	The portion of 30–34 year old with acquired tertiary education degree GDP per capita, PPP, euros Gender life expectancy gap, years GINI (economic inequality index, between 0 and 0.5)
Welfare	Southern and Anglosaxon Eastern Nordic and Continental (ref.)
Policy	Cabinet composition Change to cabinet composition The level of social expenditure (excl. health and pensions), % of GDP Increase in non-social expenditure, % Change to tax on income and wealth, 2007–2012, percentage points

The largest reasonably fit model was used as a basis of comparing the fixed effects. Given the high number of national level predictors and only 27 different countries involved, we used variance decomposition methods to assess the relevance of each block. The changes in random effects were averaged over models consisting of different combinations of other blocks, resulting in 12 different models for each outcome and 300 models altogether. In addition, four policy-related effects as well as the cuts to unemployment benefits -effect were decomposed individually, separating the direct and indirect effects based on a comparison of 1080 different models.

## **Results**

The real economic and financial situations of different EU-countries (Table 2) indicate that neither the sovereign-debt crisis nor the economic recession should be viewed as the direct causes of unemployment, social exclusion or deprivation. Instead, it is clear that high public account balance stands behind the sovereign-debt crisis, but only in the Eurozone, whereas in the UK the independent central bank policy allowed it to maintain a comparable deficit with Greece, Spain and Ireland without causing similar financial fallout. Interestingly, in all these countries overt public account imbalances seem to be correlated with the level of financial inequality (GINI) and high level of those at risk of poverty or social exclusion—two themes to which the prevailing austerity measures have contributed. This could be one of the reasons why the thirteen austerity packages introduced in Greece since 2010 have failed in turning the public economy into higher primary fiscal surplus.

[Table 2 here]

## **Divided Crisis for Youth**

We will now analyse these associations based on multilevel data.

### *Unemployment*

Unemployment is one of the most visible features of the crisis. To understand how exactly the national contexts have regulated the crisis, we are interested in the differences in these changes. For instance, 45 % of the crisis-related changes in

unemployment rates are explained by differences in the public finance situation, while the structure of the economy and the welfare regime explain another 15 % (Tables 3a and 3b). The structure of the economy -block, in turn, reflects 40 % of the differences in the pre-crisis levels, and these effects have been catalyzed by the crisis quite uniformly across the EU. The effects are very similar for long -term unemployment.

Focusing specifically on young adults (18–29 year olds), the odds of unemployment were higher than in the older working age population already before the crisis (.394\*, Table 4), and this difference has increased further since (.370\*). In other words, young adults in an otherwise similar position were thus about 48 % more likely of being unemployed in 2007 than older adults. The crisis contributed a further 45 % to this picture, and in the beginning of 2012 the young are approaching 116 % more likely of being unemployed than the older adults. The figures are even higher in the Eastern regime as well as in Catholic and Orthodox countries. Moreover, young adults are more vulnerable to the worsening of the consequences of unemployment, as indicated by the growing incidence of health limitations.

If the unemployment crisis overall is a structural problem, so are its youth-specific aspects. Again, the sovereign-bond rates or the level of national debt play a little role, while both lower GDP growth rates but also cuts to tax rates seem to bear a generational effect, contributing to youth unemployment. In particular, it would be wrong to blame the sovereign-debt crisis alone for the youth-specific crisis, without considering its associations with national policy. Indeed, the national economic policy plays an important distributional role from the generational point of view despite its negligible overall effect.

[Table 3a & 3b here]

### *Underemployment*

Young adults are affected in other ways as well. Heyes et al. (2016) argue that ‘the negative well-being consequences of workers’ dissatisfaction with opportunities to make use of their abilities became more substantial, as did the consequences of being

‘hours constrained’ and having an unsatisfactory workload’. Young adults are also more prone to finding themselves in fixed-term contracts or otherwise ‘atypical’ jobs (e.g., Fenton and Dermott, 2006), implying a widening ‘youth divide’ between those who secure permanent jobs and those facing ‘precarity’ in jobs inadequate to their skills (Jones, 2005). The crisis has furthered such divisions (Bell and Blanchflower, 2014; Blanchflower, 2015), but based on our data the incidence of temporary jobs is less related to the sovereign-debt crisis than unemployment, characterising more pervasive tendencies of economic change instead. On the contrary, the ‘flexicurisation’ process (cf. Bradley and van Hoof, 2005) could have even contributed to the emergence of the sovereign-debt crisis.

At the individual level, however, underemployment does not always result in lower salaries and in-work poverty, which have actually decreased in Ireland and Greece: two countries in which fixed term jobs have become more common between 2008 and 2011 (Fraser, Gutiérrez, & Peña-Casas, 2011). The crisis, Crettaz (2015: 322) notes, ‘led to a seemingly paradoxical evolution of in-work poverty, which hardly increased [...] because the ‘bottom’ of the labour market became more homogenous’. At the same time, ‘material deprivation shot up and the economic stress felt by workers at the bottom of the income distribution increased markedly’, further contributing to depression. Spain, where fixed term jobs have become less common due to loss of such jobs, has thrived no better. In all these countries ‘low-wage workers seem to have been much more affected by employment problems than better-off workers’ (Crettaz, 2015: 322).

### *Deprivation*

Looking at material deprivation, it appears that the public financing crisis explains only 29 % of crisis-related changes, whereas structural aspects of the economy reflect 44 %. This structural effect is explained particularly by the high portion of 30–34-year olds with tertiary education, indicating that there are other tendencies unexplained by the public financing crisis as such. The GDP growth is also a part of the public financing crisis -block and explains part of the financial and fiscal effects, suggesting that deprivation is even less directly related to public financing issues.

Interestingly, our data also indicates that after controlling for other variables, the direct effect of economic growth during the crisis has been opposite to what is conventionally

assumed: growth has resulted in higher material deprivation rates. Growth has also contributed to higher level of social exclusion and higher incidence of health related disabilities while lowering happiness and satisfaction -scores. These effects hold particularly among the young adults, suggesting us to ask what *kind* of growth has occurred during the crisis: has the crisis not only devastated economic output but also made the economy work towards less ‘social’ ends?

Deprivation is, therefore, a common theme that characterises both un- and underemployed young adults. The deprivation-related effects of the crisis are also relatively independent of the welfare regime. It is, in fact, in the Nordic and Continental regimes that difficulties in affording proper meals are more common relative to the pre-crisis situation. While the people in some countries suffer from *quantitative* difficulties (e.g., unemployment, bond rates), in others the crisis is *qualitative* in kind, pertaining to the changing employment process.

### **3.2 Changing Dynamics of Employment**

It has been suggested that economic trouble could postpone or even reverse the processes of domestic transition (cf. Furlong and Cartmel, 2006), affecting the moment at which young adults typically enter the labour market and independent adulthood. However, it turns out that there is little support for such effects, except possibly in the lower income quartiles, where economic support is otherwise negligible. Instead, the effects of the crisis are more dispersed. We can identify three different features of this process, which are related to gender, precarity and education.

#### *From Home to Work: Women Take the Jobs*

When analysing the unemployment crisis demographically, men appear to be slightly dominated while there is less pressure on female unemployment, particularly long-term. Instead, employment-rates have significantly improved among women, indicating a relative increase of 27 % when compared to men. The gender-specific odds of employment among the women following the crisis are further elevated in the Southern, Anglo-Saxon and Eastern regimes. At the same time, women stay home less often than before.

As Pollard (2012: 416) argues, gender is not only implied in the ‘explicit and implicit ideologies and practices of gender’ (Pollard, 2012: 416) but ‘the economic and social repercussions of financial crises’ involve the reshaping of economic subjectivities by affecting individuals feeling of security and expectations, affecting the gender balance in and outside families in culturally disposed ways. Depending on the welfare regime, every fifth woman who used to stay home has now started to work. Also, women with children were less likely to work before the crisis, but not that much anymore.

This also means a significant demand for jobs, explaining part of the increase in unemployment rates. Such a dislocation of the gender balance in the labour market is not a straightforward process, however, but it could also reinforce more conservative social positions: Andreotti et al. (2013) report that despite the developments in Northern Italy, women’s employment has decreased in Southern Italy, where women’s share of the labour market was much lower to begin with.

#### *The Precarious: Towards Elementary Occupations*

Income- and occupation-related effects provide another way to address the changing dynamics of employment. It appears that the lower middle-income group has suffered relatively the most, both in terms of short and long-term unemployment. This contests the conventional view that ‘crises tend to do the most damage to those at the bottom end of the income distribution’ (Pollard, 2012: 416), at least when looking at relative changes. The lowest quartile appears to have been relatively more secure, if only because of their being already more prone to marginalisation before. The lower income quartiles have also benefited from the fact that many fixed term jobs have opened up for those in elementary occupations, while they were absent before.

At the same time, the crisis has made the ‘flexicuration’ process increasingly evenly distributed across different occupations. If such insecure forms of employment used to be more common in sales, services or clerical support, many of such jobs have now ended. This in part explains the relative vulnerability of the lower middle-income quartile, as they fall out of the ‘precariat’ and are replaced by other occupation groups (cf. Neilson and Rossiter, 2008; Means, 2015).

### *Downskilling: A Crisis of Higher Education?*

Another important theme for the ‘precarious’ experiences of the crisis is education. It particularly appears that the effects of the crisis on the so-called ‘creative economy’ are ambiguous (Pratt and Hutton, 2013). Indeed, it is not those lacking education who have suffered relatively the most, but instead tertiary education no longer defends one against unemployment like it did still in 2008. The highly trained are now on par with other education groups in terms of both short and long-term unemployment. At the same time, those with tertiary education have become significantly more deprived during the crisis, and also the subjective evaluation of the ability to make ends meet is much lower. Health problems also indicate another form of vulnerability among the highly educated.

Of course, the relatively secure position of the highly trained prior to the crisis counterbalances their current position, but they are approaching the others. While Pratt and Hutton (2013) argue that the financial crisis was experienced particularly in ‘the city’, highly skilled and ‘cognitive’ labour play an obvious part. It could even be that the recession itself reflects the changing role of education in Europe, which could then be one of the causes of the sovereign-debt crisis. The inflation in the value of education does not affect only the highly educated, however: in those countries where tertiary education is the most common, *all groups* are affected. It is possible, for instance, that if those failing to secure skilled jobs look for low skilled jobs.

To conclude, the crisis has not only depleted the job market on a quantitative basis but there are structural changes involved, both because of the increased number of female workers and due to the diminishing demand for those with tertiary education. At the same time, ‘precarious’ jobs now characterize also the elementary occupations and affect increasingly also those in the lowest income quartile.

### **Misrepresented Crisis?**

While it is the case that economic performance is generally an important proxy of people’s levels of trust (Kroknes et al., 2015), it is not clear whether the aforementioned structural tendencies are adequately represented as part of people’s own conceptions about the crisis. On the contrary, as illustrated in Table 5, people tend to blame the government for the economic recession as well as for high bond rates, even though the

actual contents of economic policy is irrelevant to whether people trust government. Where the government was more left-leaning in 2012, trust in government also fell more rapidly. This is so even if the leftist governments are associated with slightly lower levels of material deprivation.

While the decomposition of national effects suggests that there is little that post-crisis governments could have done regarding either the public financing problems or economic output at large, national governments do have a clear power over the distributional effects of the crisis, particularly from the point of youth: cuts to the level of social protection and unemployment benefits have increased youth unemployment rates. Even so, the balance between social and non-social expenditure is not reflected in the level of political trust.

Instead, we can ask what aspects of the crisis are related to people's representations of social tensions. In this respect, economic policy seems to be on par with the public financing crisis, both blocks explaining 11 % of the variation of the effects of the crisis on the recognition of social tensions (and over 16 % among the young). The welfare regime outweighs both of them, explaining about 25 % of the crisis-effect on tensions. Therefore, even if the welfare regime little explains the actual outcomes of the crisis (e.g. unemployment), it anyway regulates how the crisis has affected people's perceptions of society.

As another relevant theme, inter-generational tensions are more clearly recognized in connection with the public financing crisis, explaining roughly 30 % of the variation of crisis-related changes. At the same time, the lack of association between other blocks suggests that structural economic change, even when it affects younger cohorts in particular, is not conceived as a relevant mechanism of the crisis—not at least from a generational perspective. On the contrary, the causal link seems to be the opposite: the public financing crisis does not explain age-related tensions but instead there, where such tensions were higher before the crisis, the public financing crisis became stronger.

## **Conclusion**

In 2015 Emmanuel Macron, who was France's economy minister then, warned that the continuing crisis would ensnare a war between Catholics and Calvinists. Indeed, from



the point of view of Max Weber's (2001) thesis of the *Protestant Ethic*, it might not only be an accident that, besides Luxemburg, all countries that have maintained an AAA-credit rating are Protestant. But even these countries are not free of the qualitative effects of the crisis. Also in Germany, where the unemployment rates actually fell between 2007 and 2012, the labour market has been transformed, resulting in higher levels of material deprivation and insecurity.

In effect, the crisis is not first and foremost a financial crisis but also, and possibly more so, a political one. The European economy has been overshadowed by austerity, and as established by variance decomposition methods, this has further contributed to youth unemployment and deprivation instead of tackling them by inducing higher incentives to work: the focus on incentives and demand of jobs has failed to resolve problems related to the anemic supply of jobs.

The unemployment and deprivation -crises should indeed be held as comorbid but distinct phenomena. They may contribute to each other because due to the lack of sufficient income, more people now compete for fewer available jobs. This explains part of the growing unemployment problem. At the same time, deprivation is now increasingly associated with higher education, which is no longer a defensive factor but could even be a source of misery, particularly in those countries where higher training is abundant.

The above narrative is rather different from the conventional one emphasising the role of the sovereign-debt crisis in the current depression. We have demonstrated that, from the political economic perspective, the actual nature of the crisis is similarly misrepresented at the level of its public understanding (cf. Wynne, 1995). The unemployment-crisis is being more directly linked to the sovereign-debt crises and economic policy, whereas the qualitative changes to employment—and the associated generational issues—have been mostly ignored.

Moreover, the national governments have failed to identify the distributional effects of economic and social policy. We suggest that national policy interventions should focus more clearly on the structural transformations of the economy, while the sovereign-debt crisis should be attributed to the failure of EU's 'multilayered' government (cf. Walters, 2004; Varoufakis, 2017). The supply of labour power has increased due to higher

number of women entering the labour market, particularly in the previously more family-oriented Southern regime, further contributing to the unemployment crisis. At the same time, many jobs in sales, services and clerical support have disappeared while the so-called elementary jobs have increased their share in the ‘precariat’, that is, among the ‘flexicurised’ work force. Also, welfare protection other than health services and pensions forms only a tiny share of national income, so austerity has strongly focused on forms of government spending that did not start the fire.

Yet the aforementioned processes are overshadowed by cultural and regional differences. In some countries, including Greece, those previously on fixed term contracts have lost jobs, whereas in others, like Spain, the share of such contracts is increasing. One of the crucial questions is the extent to which these divisions reflect *cultural* differences, like Weber anticipated (cf. Théret, 1999; Castells et al., 2012), or whether they could, for instance, result from economic *institutions* and particularly the structure of welfare (cf. Acemoglu and Robinson, 2012).

Based on our findings, the Catholic culture plays a strong role in economic solidarity and contributes to non-governmental forms of protection. Even so, especially the Catholic countries have been prone to the ‘flexicuration’ process. The Protestant countries, at the same time, have suffered from higher levels of material deprivation than what would be economically justifiable. By contrast, even if the Southern and Eastern regimes are characterised by lower minimal income standards, there is no indication that the welfare *institutions* should play any key role in regulating the economic outcomes of the crisis—not at least after controlling for the level of social expenditure. It is more important to maintain an adequate level of protection than to reform institutions.

In conclusion, the current crisis is a diffuse process. Welfare institutions, culture and national policy play some role, but their contributions are more likely to become visible in the long-term. At the same time, we should not only focus on economic cultures but on cultural *differences* as an engine of the crisis: the sovereign-debt crisis does not stem from the overall level of debt but from its unequal and uneven distribution, which is sustained by the failure of a cross-European political consolidation.

The main point of this paper has been asking in what kind of a crisis we believe to be living in. This question is crucial as our answer shapes economic and social policy, modulating the different futures of the crisis for which the globally induced financial crisis gives only a wavering narrative. The crisis, indeed, is not only an objective economic condition but, originating from the Greek phrase *krinô*, a crisis refers to the *subjective* and *political* need to ‘judge’, ‘cut’ or ‘decide’—to form a ‘diagnostic of the present’ (Roitman, 2011: 3) ‘under the pressure of time’ (Roitman, 2006: 360). In the current context, it is obvious that this need has contributed to crisis-oriented feelings and, possibly, its outcomes. Such adverse effects of crisis-thinking could be called ‘performative’ (cf. Callon, 1998; MacKenzie, 2012). They are caused both by the constitutive misunderstanding of what the crisis is all about and a causal misunderstanding of the distributional effects of current economic policies.

Of course, there is nothing new about crises in Europe (Koselleck, 1998), and 'Greece [has] found itself virtually in continual default' until very recently, while France has defaulted eight and Spain six times prior to 1800 (Reinhart and Rogoff, 2009). It is thus possible that the unity provided by the EU is a historical exception rather than the norm. On the contrary, the organisation of the monetary system in the Eurozone is one of the main reasons why the sovereign-debt crisis emerged in the first place. This further emphasises the need for national governments to better understand the economic and social precursors of the crisis in order to enhance economic equality and the prospects of growth in a socially responsible way.

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## Tables in the text

**Table 2. The real economic and financial situation of the different EU countries in 2012.**

Country	Unemploy	Change,	At risk of	Change,	EMU	Public	GDP	GINI
Spain	24.8	16.6	27.2	3.9	5.9	-8	-3.5	34
Greece	24.5	16.1	34.6	6.3	22.5	-8.6	-1.1	33.5
Portugal	15.8	6.6	25.3	0.3	10.6	-5.5	-0.6	34.2
Latvia	15	8.9	36.2	1.1	4.6	-0.8	1.1	35.4
Ireland	14.7	10	30	6.9	6.2	-8	-3.4	31.1
Slovakia	14	2.8	20.5	-0.8	4.6	-4.2	5.2	25.7
Lithuania	13.4	9.1	32.5	3.8	4.8	-3.2	4.5	32.9
Bulgaria	12.3	5.4	49.3	-11.4	4.5	-0.5	5.9	35.1
Cyprus	11.9	8	27.1	1.9	7.0	-5.8	-0.2	29.1
Hungary	11	3.6	32.4	3	7.9	-5.6	-0.4	26.8
Italy	10.7	4.6	29.9	3.9	5.5	-3	-0.3	31.9
Poland	10.1	0.5	26.7	-7.7	5.0	-3.7	4.1	31.1
Estonia	10	5.4	23.4	1.4	4.0	-0.3	1.9	31.9
France	9.8	1.8	19.1	0.1	2.5	-4.9	1.0	30.8
Slovenia	8.9	4	19.6	2.5	5.8	-3.7	0.1	23.8
Sweden	8	1.9	15.6	1.7	1.6	-0.9	2.7	24.4
UK	7.9	2.6	24.1	1.5	1.7	-8.3	-1.9	33
Finland	7.7	0.8	17.2	-0.2	1.9	-2.1	0.9	25.8
Denmark	7.6	3.8	19	2.2	1.4	-3.9	1.0	27.8
Belgium	7.6	0.1	21.6	0	3.0	-4.1	1.6	26.3
Czech Republic	7	1.7	15.4	-0.4	2.8	-4	2.7	25.2
Romania	6.8	0.4	41.7	-4.2	6.7	-3	2.2	33.2
Malta	6.3	-0.2	23.1	3.4	4.1	-3.7	3.9	27.4
Germany	5.4	-3.1	19.6	-1	1.5	0.1	2.0	29
Netherlands	5.3	1.7	15	-0.7	1.9	-4	0.5	25.8
Luxemburg	5.1	0.9	18.4	2.5	1.8	0.1	2.0	27.2
Austria	4.3	-0.1	18.5	1.8	2.4	-1.5	2.0	26.3

**Tables 3a and 3b. The reduction of the country-level variance of the general and wave-effects when different blocks of or separate national variables are added, %**

	Outcome	Unemployed		Unemployed (young)		Long-term unemp.		Fixed term		Job shame		Deprivation		Deprivation (young)		Social exclusion	
		orig	change	orig	change	orig	change	orig	change	orig	change	orig	change	orig	change	orig	change
Variance decomposition: blocks																	
	Policy	6		6	6			30			29	20	10		29	15	8
	Welfare regime + policy	6		6	7			32			32	8	10		26		
	Public financing crisis		46		36		12	80	48			15	29		19		6
	Structure of the economy	38	14	19	21	45	28		39	23	13	76	44	64	28		18
	Welfare regime								32				16		7		
Variance decomposition: policy effects																	
	Social expenditure (excl. Health or pensions)										8	21		14		na	na
	Increase in non-social government expenditure		14		28		16							28		na	na
	Change to the level of unemployment benefits				23											na	na
	Cabinet composition (left higher)											8				na	na
	Change to cabinet composition	8				14		10		12		8				na	na
	N	48486		9441		48486		29984		29984		45784		8780		46766	
Variance decomposition: blocks																	
	Outcome	Happiness		Political participation		Trust government		Social tensions		Social tension (young)		Age-related tensions (young)					
		orig	change	orig	change	orig	change	orig	change	orig	change	orig	change				
Variance decomposition: policy effects																	
	Policy	33	22	46		21	30		11		16						
	Welfare regime + policy		30	46		6	33		25		28		12				
	Public financing crisis		10		13		30										
	Structure of the economy	7	36	44		30	6		11		16		20	28			
	Welfare regime	26			11	13			25		22						
Variance decomposition: policy effects																	
	Social expenditure (excl. Health or pensions)	13	9	20							9		5				
	Increase in non-social government expenditure			8		9			17				8				
	Change to the level of unemployment benefits	9			9	25											
	Cabinet composition						13								6		
	Change to cabinet composition			30					10		21						
	N	48266		48486		48486		39932		7794		9441					

## **Appendix: Fixed effects in the full GLMM models**

The following analyses are presented for instructional purposes as they involve a large number of higher level predictors and cross-level interactions. In addition to evaluating the full models, the actual effects reported in the text are based on variance decomposition methods (Tables 3a and 3b) and, when necessary, the use of corresponding fixed effects in suitable submodels with a lower number of predictors.

Table 4. Fixed effects of the multilevel models on outcomes related to employment and deprivation (\*:  $p < .05$ , \*\*:  $p < 0.01$ ; \*\*\*:  $p < 0.001$ ).

	Outcome	Unemployed		Unemployed (young)		Fixed term contract		Looked down because of job		Deprivation index		Deprivation index (young)		Social exclusion	
		pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change
Random effects	change from null model	effect 80%	.028 41%	.027 78%	.019 80%	.021 87%	.035 43%	.150 —	.062 31%	.041 88%	.003 92%	.095 74%	.011 80%	.020* 39%	.007* 59%
Fixed effects	intercept	intercept/ 18–29 year old 30–35 year old female	–3.327*** .394* –.361** –.096	.481 .370* –.233 –.294	–3.896*** .700*	–.226 –.189 –.243* .112	.603*** –.125 –.048 –.150	–2.079*** –.287* –.038 .021	.019 –.235 –.067 –.009	–.073 .071 –.153 –.067	.194 –.153 –.067 .020	–.055 .042	–.055 .042	2.063*** .049 .025 –.012	–.242 –.050* –.009 .002
	lower middle income (rel.)	low income	.957***	–.085	.651*	–.028	–.009	.248**	.028	.268***	.003	.192*	.099	.136***	–.016
	higher middle income	high income	–.354**	–.357*	–.409*	–.118	.190*	–.085	–.293**	–.321***	–.029	–.344***	.094	–.078**	–.017
	income not reported	primary education	–.1084	–.221	–.665*	–.145	.223*	–.330***	–.200	–.964***	.013	–.728***	–.005	–.182**	–.005
	secondary education	tertiary education	–.127	–.062	–.399**	.173	.046	–.271**	–.138	–.326***	.076	–.306***	.116	–.105***	.040
	education not reported	services, sales and clerical support	.050	.070	.507*	–.111	–.142	.234*	.004	.215***	–.087	.388**	–.274	.044	–.011
	elementary jobs	managerial, professional and high skilled (rel.)	–.202*	.337***	–.362**	.448***	–.214***	–.105	.274**	–.061*	.148***	.012	.153*	–.003	.062**
	occupation not reported	Number of children	.266*	.138	.116	–.1322***	1.078***	.239***	.114	.065*	.220***	.048	.351***	.082***	.034
	health limitations	health limitations	–.202***	.184**	–.282*	–.061	.103	–.008	–.052	.078***	–.056**	.155***	–.129*	–.008	–.017*
			.136	–.282*	.065	–.157*	.106	.354***	.095	.300***	–.012	.037	.197	.188***	–.025
	GDP growth 2007–2012		.217*	–.403**	.730***	–.647***	.303*	–.230**	.116	–.085	–.129***	.064	–.087***	–.067	.129
	Change to tax on income and wealth		.090	–.167	.104	–.293***	.036	–.202**	.103	–.425***	–.275***	–.076	.046	.088	–.079**
	National debt		1.222***	–.125	.374*	–.024	.594	–.334*	.543**	.292*	–.167***	.487***	–.241***	–.374	.161
	Bond rate		–.216	–.008	.173	–.101	–.436**	–.049	–.349**	.097	–.156***	–.158*	.204***	.097	.061
	GDP per capita, PPP		–.507*	.251	.479**	–.139	.439*	–.280	–.162	–.391***	–.173***	–.577***	–.303***	–.097	.032
	Openness		.086	.032	.208	–.125	.013	.023	.072	–.122***	.175***	.045	.070*	–.054	–.029
	Old age dependency ratio		.073	–.261*	.520***	–.415***	.196*	.227***	.205	.203***	–.109***	.043	–.121*	–.024	.085
	Portion of 30–34 year old with tertiary edu.		.392***	–.021	–.200	–.107	–.470***	.539***	.268*	.263**	.105***	.097	.114*	.125	.118
	increase in non-social expenditure		.278***	.092	.019	–.140**	.143	–.078*	.010	.366***	–.082***	.101	.060*	–.224*	.106***
	soc. expenditure (excl. health and pensions)		–.084	–.112	.640**	–.478**	1.389***	–.1.92***	–.409	–.629***	.235***	–.586***	.098	–.466*	–.048
	Cabinet composition (leftist higher)		–.112	.077	–.057	.118	.333	.333	.236	.118	–.058	.153	–.071	.358**	–.225
	Change to cabinet composition		–.132	.058	–.057	.118	.333	.333	.236	.118	–.058	.153	–.071	.358**	.202*
	Southern and anglo-saxon		–.1.220**	–.024	.946***	–.598***	1.376*	–.1.128***	–.477	–.260	–.457***	–.305***	–.305***	–.592	.288
	Eastern		1.059	.594	2.589***	–.333	3.425**	–.2.920***	.626	–.1.010**	–.1.013***	.038	–.1.270***	–.1.127	.195
	Nordic and Continental (ref.)														
	N	48486	9441	55166	29984	148472	29984	158866	45784	188396	8780	38496	46766	129135	
	-2-log likelihood	302919	55166	148472	29984	158866	45784	188396	8780	38496	46766	129135			

Table 5. Fixed coefficients of the multilevel models on outcomes related to subjective experiences and social representations

Outcome	Happiness		Satisfaction		Trust government		Social tensions		Social tension (Young)		Age-related tensions (Young)	
	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change	pre-crisis	change
Fixed effects spt												
Intercept /	7.320***	.018	-.020	.052	.636***	-.215	-.905***	-.161	-.011	-.183	.798	-.819*
18-29 year old	.286***	.197*	-.046	-.006	.074	.321*	-.026	.039	-.060	.145*	-.025	.200
30-35 year old	.267***	.036	.006	-.010	-.172	.234**	.049	-.068	-.049	.023	.084	.008
female	.161***	.001	-.010	.007	-.045	.017	1.27***	.054*	-.036	.111	-.045	.168
low income	-.318***	.116	-.225***	.097	-.164*	2.41*	.030	.052	-.031	.214*	-.044	-.360
lower middle income (ref)												
higher middle income	.076	.093	.066*	.060*	.030	.042	-.006	-.004	-.060	.145*	-.025	.200
high income	.196***	.108*	.207***	.098**	.221**	.050	-.008	-.021	-.049	.023	.084	.008
income not reported	.006	.220*	.059*	.123**	-.069	.020	-.010	.063	-.036	.111	-.045	.168
primary education	-.126*	.018	.002	.002	-.061	2.03*	.108	-.203**	.044	-.079	-.044	-.360
secondary education (ref)												
tertiary education	.100**	.090*	-.004	-.004	.349***	.055	-.033*	.043*	.073	.046	-.010	.025
education not reported	-.100	.089	.037	.037	.020	.398	.075	-.334*	.252	-.04	-.095	-.860
services, sales and clerical support	-.050	.015	-.013	-.064	.026	-.106	-.002	.015	-.058	.129*	-.081	.282*
elementary jobs	-.116**	.120*	-.127***	-.027	.022	-.138*	-.028	.016	-.018	.008	-.097	.091
managerial, professional and high skilled (ref)												
occupation not reported	.761***	-.806***	.506***	-.612***	.675	-.810	-.205	.178	.176***	-.224**	.534*	-.456
Number of children	.053***	-.029	.015	-.002	.061*	-.019	.001	.012	-.003	.101*	.062	.135
health limitations	-.732***	.040	-.418***	.000	-.222***	-.151*	1.29***	.050	.147*	-.104	.455*	-.133
GDP growth 2007-2012	.077	-.281***	.019	-.167*	-.006	-.488**	.740***	.054	.015	-.019	-.095	-.167*
Change to tax on income and wealth	.021	.004	1.30***	-.081**	-.008	3.48***	-.281***	-.031	.003	-.124***	1.36*	.116*
National debt	-.099	-.216*	-.230	.222*	-.173***	-.329*	.492***	-.123*	.242*	.011	.612	-.750***
Bond rate	.077	-.198**	.159	-.182*	.498***	-.531***	.216	.037	.073	-.012	-.288	.094
GDP per capita, PPP	-.012	.019	.076*	.164	1.001***	-.786***	1.164***	-.193*	-.136	-.264***	.945*	-.962***
Openness	.129***	-.247***	-.244***	.136***	.011	-.267***	-.123**	-.063*	-.074	.011	-.441**	-.041
Old age dependency ratio	.129***	-.280**	.136***	-.359***	-.355***	-.097	2.47***	-.012	.006	.017	-.089	-.214*
Portion of 30-34 year old with tertiary edu.	.162***	-.221***	.281***	-.236***	-.722***	.727***	-.386***	.125**	.105*	.110**	.089	.037
Increase in non-social expenditure	.109**	-.104***	-.036	-.062	-.535***	1.00	.056	-.109***	.018	-.044	-.062	-.159*
soc. expenditure (excl. health and pensions)	.081	.030	-.636***	.318**	.428***	2.88*	1.424***	-.194	-.131	-.205***	.008	.045
Cabinet composition	-.101	.187**	.421***	-.155*	-.033	3.43***	-.896***	.028	-.053	.034	-.245	-.227
Change to cabinet composition	.252***	-.412***	-.032	-.136*	-.581***	-.450***	.475***	.089	-.037	.182***	-.364	.090
Southern and anglosaxon	.464**	-.511***	-.605***	-.124	.877***	-.1.817***	1.232**	.168	-.616***	.057	-.957*	.307
Eastern	-.074	-.669**	-.1.294***	.331	-.1.036*	3.466***	3.680***	-.592*	.314	-.344**	.693	-.640
Nordic and Continental (ref.)												
N	48266		46138		48486		39932		7794		9441	
-2 log likelihood	195418		144832		233315		116053		22510		45027	

## Notes

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<sup>i</sup> In comparison to the FED or the Bank of England, it took five more years for the European Central Bank to start direct government bond purchases.

<sup>ii</sup> Standardly used in sociological research, the GLMM allows the estimation of the effects of different predictors (e.g. unemployment) unlike, say, the generalized estimation equations more commonly used in epidemiology.

<sup>iii</sup> We chose to use a geographical division as it has been common to reflect the crisis as one concerning the ‘Southern’ and ‘Eastern’ Europe. The five regimes were recoded somewhat unconventionally: both Nordic and Continental regimes reflect more substantial employment-related protection, whereas in the Southern and Anglo-Saxon regimes state-protection is less substantial, even if for different reasons (family vs. individual oriented).