

## **The Social Consequences of Unemployment in Europe: a Two-Stage Multilevel Analysis**

**ABSTRACT:** In this paper we examine the relationship between unemployment and social participation and aim to identify the role of national policies and attitudes as possible mediators. We use the 2006 EU-SILC module on social participation – a dataset that provides rich information on social participation for 24 EU countries. We adopt a two-stage multilevel design, allowing us to directly examine the impact of national policies and norms on individual outcome. The paper reveals clear evidence that the negative impact of unemployment on participation levels can be alleviated by macro-level factors. Societies where egalitarian ideals are held high have higher social participation rates amongst their unemployed.

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## **1. Introduction**

In the summer of 2011 major cities across the UK experienced large scale rioting which led to widespread looting, arson and thousands of arrests. Many of the rioters arrested came from areas of high unemployment and multiple deprivation (Low, 2011). The relationship between social disadvantage and social breakdown is well known (e.g. Harris and Wilkins, 1988), what we are less certain of are the policies and institutional structures which might support social cohesion and lessen the isolation of the unemployed. This paper therefore examines the relationship between unemployment and social participation and seeks to understand the role of national policies as possible mediators. Declining social participation, and in particular cleavages in the participation between the unemployed and the employed, are regarded as problematic for a variety of reasons. First, social participation is a pre-requisite of democratic and civil societies. Democracies need people to interact and engage with one another across boundaries of economic status. Second, there is a known link between social participation and health, well-being and happiness (e.g. Helliwell, 2006; Stiglitz et al. 2009; Putnam 2000). Finally, social participation strengthens social networks, which provide social and economic resources such as information about jobs (Granovetter, 1973). These resources have not only been shown to increase job quality (e.g. Franzen and Hangarter, 2006), but to also facilitate labour market re-entry for the unemployed (Brandt, 2006).

Previous work suggests that the unemployed have lower levels of social participation (e.g. Brand and Burgard, 2008; Gallie et al., 1994; Paugam and Russell, 2000). The mechanism behind unemployed individuals' reduced participation is commonly attributed to the economic and psychological distress associated with unemployment. Not only do the unemployed experience a sharp drop in income due to wage loss but they are also found to experience psychological strain as a result of losing their work based identity. This psychological distress is compounded by the negative attitudes surrounding unemployment (see e.g. Gallie et al., 2003) which risk further alienating the unemployed. The reduced social engagement and isolation of unemployed workers are important social problems that need investigation.

This paper examines the impact of unemployment experience on social participation in Europe using the 2006 EU-SILC module on social participation. These data provide rich information on different spheres of sociability for 24 EU countries. These data are complemented by macro-level data on institutions, social norms and economic climate from a variety of sources. The paper adopts a two-stage multilevel design, directly testing the impact of national policies and norms on individual outcome. Our analysis, therefore, goes beyond the few existing cross-national studies on this topic which were constrained to a 'small N' comparison and were unable to statistically test the degree to which macro-level variables mediate the impact of unemployment.

## **2. Previous work on Unemployment and Social Participation**

The interest of sociologists in the impact of unemployment on social participation is a long-standing one. In Jahoda et al.'s (1933) seminal study high unemployment, as a result of the closure of the principal employer in the town of Marienthal, was shown to decrease social life and civic participation, setting the agenda for future research on the unemployment experience. More recent contributions, on large-scale data, have confirmed the continued negative relationship between unemployment and sociability. Paugam and Russell (2000) found unemployment to be associated with reduced levels of formal social participation (defined as: participation in a club or organization) in the majority of the 11 European countries they examined. The authors also found that unemployment led to reduced levels of informal participation (defined as: interaction with friends and relatives) in some countries, though it led to increased levels in others. The cross-national differences they observed suggested no clear pattern in terms of welfare regimes. They did note, however, that Germany showed the strongest negative effects of unemployment on both formal and informal participation and was at the same time the country where the unemployed felt the most stigmatised.

Julkunen (2002) analysed the effects of long-term unemployment on social participation (using an indicator consisting of both informal and formal types of participation) amongst young people, comparing Scotland and the Nordic countries (Sweden, Denmark, Finland, Norway and

Iceland). She found that the Nordic social-democratic welfare model was more effective at reducing the negative impact of unemployment on sociability than the Scottish liberal model. The author also discovered significant variation among Nordic countries - with Denmark being by far the most successful in maintaining high social participation levels of the unemployed. Gallie et al. (1994) found for the UK that unemployment led to lower levels of 'costly' sociability (e.g. going to the movies or the pub), implying that financial constraints may play a central role in explaining reduced levels of social participation amongst the unemployed. Brand and Burgard (2008) used US data from the Wisconsin Longitudinal Study to examine the impact of unemployment arising from firm closure (displacement) on a range of different types of formal and informal social participation. They found that unemployment had a long-lasting impact on social participation which persisted far beyond the actual spell of unemployment. Taking advantage of their longitudinal data, they were further able to demonstrate that unemployment had a true *causal* effect on social participation, with the negative association between unemployment and participation persisting after selection effects were accounted for.

### **3. Theory and comparative institutional context**

#### **3.1. Theoretical Considerations**

There are a number of reasons why we would expect the unemployed to have lower levels of social participation. Existent evidence has pointed to some of these factors though it is unclear which are the most relevant. The first mechanism concerns the financial constraints of unemployed workers. Unemployment can lead to income poverty and even when the unemployed are entitled to benefits these tend to be lower than previous earnings. Many forms of social participation cost money, this is true for many forms of formal participation such as club memberships, as well as for informal social interactions such as meeting friends for dinner in a restaurant, for the movies or sports events (c.f. e.g. Gallie et al. 1994). Even accepting invitations for a meal can become an issue when the unemployed person feels s/he will not be able to reciprocate. A second likely mechanism is the

stigma attached to being unemployed (c.f. e.g. Paugam and Russell, 2000). The perception that the unemployed are without a job because of their personal failings and their attitude to work is widespread (Gallie, 1994). The unemployed are aware of these societal attitudes towards them and their situation and feel stigmatised as a consequence (McFayden, 1995). If unemployed individuals feel degraded and experience loss of self-esteem this is likely to lead to their withdrawal from social activities. Moreover, friendships with former work colleagues can come under strain when a person becomes unemployed. Likewise any type of job-related sociability (e.g. participation in the firm's sports-team) is prone to terminate upon job-loss. Finally, we know that the experience of unemployment reduces individuals' physical and psychological health (e.g. Murphy and Athanasou 1999) and expect this reduction to negatively affect unemployed persons' social participation rates. The direction of causality is unclear however, since it could also be the reduced sociability upon job-loss that drives the deterioration of the unemployed worker's health and well-being.

### **3.2. Institutions and Macro-Economic Contexts as Mediators**

In view of the empirical evidence reviewed and the theoretical considerations discussed above, we outline 5 macro-level factors we regard as central in mediating the effect of unemployment on social participation and thus in explaining cross-national differences in the association between unemployment and sociability. While the few existing comparative studies in this area have sought to identify the central macro-level mediators, their 'small N' research designs have not allowed for a stringent statistical testing of macro-level effects.

We expect financial support for the unemployed to be a central macro-level mediator. Generous unemployment benefits should allow the unemployed to socially participate even in activities that cost money. Additionally, welfare generosity may mediate the negative impact of social participation indirectly. Research has found that unemployed persons' health is more likely to deteriorate when the financial deprivation experienced is severe (Hagquist and Starrin, 1996). This suggests that generous benefits may also decrease the negative effect of unemployment on social

participation by impeding health deterioration amongst the unemployed. As noted earlier, though, the direction of causality is unclear.

The second series of variables we test are attitudinal, aiming to capture national attitudes towards disadvantaged groups such as the unemployed, as we expect such attitudes to shape the social participation of the unemployed. Since no direct measures of such attitudes were available to us,<sup>i</sup> we use two proxies. The first reflects a society's level of egalitarianism, this variable measures respondents' level of support for redistributive state policies to reduce income inequalities. Societies with high levels of egalitarianism are likely to be more sympathetic towards the unemployed with less blame associated with the status of unemployment. Instead unemployment is seen as a consequence of economic circumstance or misfortune. Such social perceptions are expected to decrease the feelings of worthlessness and shame often associated with unemployment (e.g. Eales, 1989), and thereby increase the social participation of the unemployed. Societies with low levels of egalitarianism, by contrast, are expected to reinforce the feeling of worthlessness and shame among the unemployed and thereby decrease social participation. The second proxy we examine is trust. Our measure of trust is comprised of both inter-personal trust and institutional trust. We regard trust to differ from egalitarianism as it is likely to be more directly self-referential.<sup>ii</sup> Assessments of trust involve calculations of the implications of others' (unknowable) behaviour in relation to one's own well-being. It is recognised that people find it easier to trust others similar to themselves (Coleman, 1990). We further know that people who have experienced disadvantage show lower levels of trust (e.g. Alesina and Ferrara, 2002). In high trust societies most people think of their fellow citizens – irrespective of their labour market status be they unemployed or not - as honest and trustworthy. It is thus less likely that the unemployed would be perceived as 'work-shy' or 'benefit cheats' in such contexts. More generally, we expect mistrust between insiders (e.g. the employed) and outsiders (e.g. those currently unemployed) will be less pronounced in high trust societies, which should increase the social participation rates of the unemployed.

Finally, we predict aggregate levels of unemployment to influence the social participation of the unemployed. This effect can work in two possible directions. First, we expect the unemployed to

feel less stigmatised about their labour market status when the national level of unemployment is high. This would lead to lower levels of social withdrawal. Second, there is also the possibility that greater rates of unemployment may foster a sense of hopelessness amongst the unemployed as they are aware that their prospects of re-entering the labour market are low. This may then lead to a more pronounced social withdrawal amongst the unemployed, increasing the social participation gap.

#### **4. Research Aims and Hypotheses**

Our comparative analyses provide insights into cross-national differences in the level of social withdrawal. We consider four types of social participation: 1.) church-related sociability, 2.) participation in recreational groups, 3.) 'going out' activities (e.g. movies, cultural sites); and 4.) contact with friends. We classify the former two as formal social participation and the latter two as informal social participation. Previous research has underscored the importance of differentiating analyses between the formal and informal spheres (e.g. Li et al. 2001). We understand formal participation to be crucial for the development and maintenance of weak social ties and informal participation to measure strong ties (Granovetter, 1973). While we consider all types of social capital to be relevant for social well-being, it is weak ties which are generally understood to be central for labour market mobility and success (ibid.). By conducting separate analyses for different types of social participation, we can examine whether certain forms of participation are more negatively affected by unemployment than others.

The most central aim of this study is, however, to discern how societal context shapes the relationship between unemployment and social participation. In this endeavour we test whether the macro-level variables which we expect theoretically to mediate the impact of unemployment also prove to be empirically relevant. By looking at different types of social participation we will also be able to discern whether certain macro-level variables have different relevance depending on outcome: for some forms of social participation alleviating the stigma of unemployment may be most relevant, for others the reduction of financial losses may be most central. An additional test

investigates the role of welfare regimes (e.g. Esping-Andersen, 1990; Gallie and Paugam, 2000). This allows us to establish whether 'single' institutional and attitudinal macro-measures are indeed more powerful at explaining cross-national differences in the consequences of unemployment than a country's ideal-typical policy-mix.

We formulate the following hypotheses:

*Hypothesis 1:* The unemployed will participate less than the employed in all countries under study.

*Hypothesis 2:* Due to cultural and institutional differences the size of the 'social participation gap' will differ across countries.

*Hypothesis 3:* Benefit generosity, high levels of egalitarianism and high rates of trust will reduce the negative impact of unemployment on social participation. Benefit generosity is expected to mediate the financial constraints associated with unemployment, while the attitudinal variables are expected to attenuate the stigma attached to unemployment.

*Hypothesis 4:* High levels of aggregate unemployment can work in two ways: they can reduce the stigma effect of unemployment but they can also trigger a sense of hopelessness amongst those affected. If the stigma reduction effect is the predominant one, high levels of aggregate unemployment will increase social participation amongst the unemployed. If the main effect is increased resignation, by contrast, high levels of unemployment will reduce social participation amongst those affected.

*Hypothesis 5:* The relevance of our macro-level factors will vary by forms of social participation.

*Hypothesis 5a:* The unemployed will be more concerned with their stigmatised/peripheralised status with acquaintances (weak ties) than with friends (close ties). We thus expect formal participation to be particularly sensitive to stigma effects. For formal participation the macro measures of egalitarianism and trust should thus be the most central mediators. The same should hold true for high levels of unemployment if their main effect is stigma reduction.

*Hypothesis 5b:* By contrast, interaction with friends and going-out will be more directly affected by financial constraints. In the former case because reciprocity may be challenged, and in



the latter because going-out often involves costly activities. Benefit generosity should thus be particularly crucial.

*Hypothesis 5c:* If the main effect of high levels of aggregate unemployment is an increase in the resignation and hopelessness of the unemployed, it will be equally relevant in explaining their withdrawal in the formal and in the informal sphere.

## **5. Data, Statistical Methods, and Variables**

### **5.1. The Data**

Our analyses are based on the 2006 ad-hoc module on ‘Social Participation’ of the European Union Statistics on Income and Living Conditions (EU-SILC), which contains a whole range of measures of both formal and informal types of social participation (which will be described in detail later). This module was surveyed on the same sample as the main questionnaire<sup>iii</sup> (Lelkes, 2010: 219) and covers 24 countries. The sample size ranges from 5,600 in Ireland to 21,600 in Italy. Unfortunately, it is not possible to link the EU-SILC cross-sectional data to its of the ad-hoc module to the EU-SILC panel data, and we are therefore constrained to cross-sectional analyses. Our sample consists of the economically active population aged between 20 to 65 years. The EU-SILC data are supplemented by macro-level data on institutional context, societal attitudes and macro-economic conditions sourced from the OECD, Eurostat, and the European Social Survey (details are provided in sub-section 5.4.2). Due to data limitations on the micro- (EU-SILC social participation measures) and macro-level (availability of relevant country-level indicators) we were only able to include 20 country cases<sup>iv</sup>. These are: Austria, Germany, France, the Netherlands, Belgium, Italy, Spain, Greece, Portugal, Denmark, Finland, Norway, Sweden, Czech Republic, Hungary, Poland, Estonia, Slovakia, Ireland, the UK.

### **5.2. The Method**

The estimation of the impact of country-level institutional and macroeconomic factors on individual-level outcome is at the core of our analysis. In order to measure the effects of macro-level variables, we require a multi-level design. Researchers can choose between two different applications of multi-level models, they can estimate a *simultaneous* model (i.e. a standard hierarchical linear model) or apply a *two-step* model where individual-level parameters are estimated first for each country, and are then, in the second step (the macro-level regression), used as dependent variables and regressed on country-level predictors. Which of these two options is more efficient and practicable 'depends on dataset dimensions and properties and on substantive contexts and goals' (Franzese, 2005: 431). We refrain here from a detailed discussion (though cf. Franzese, 2005; as well as Primo et al., 2007 for an exhaustive as well as instructive debate), but point instead to the two issues most relevant in our decision for the two-step approach. First, simultaneous models tend to experience convergence problems when faced with large clusters (i.e. a high number of observations per level-2 unit) – a problem not shared by two-step models (Primo et al., 2007: 453). Second, two-step models are less reliant on large sample sizes at level-2 than the simultaneous approach (Franzese, 2005: 442,444; Maas and Hox, 2005; Primo et al., 2007: 453). The vast majority of cross-national comparative work applying a multi-level design, including our own, tends to have a maximum of 20-25 cases at level-2, while for simultaneous models a minimum of 50 is required for correct estimation of level-2 errors (Maas and Hox, 2005). That two-step models are less demanding with regard to the level-2 sample size was thus another central factor driving our choice.

In step-1 of our analyses we estimate logit models as well as linear regression models to determine the effect of unemployment on the likelihood or levels of social participation while controlling for key compositional differences. In step-2 these estimated parameters (i.e. the coefficients of difference between the unemployed and employed) then become our dependent variables which we regress on the macro-level predictors at the country-level (e.g. generosity of benefits, level of egalitarianism). Regression models in which the dependent variable is estimated (as opposed to observed) effectively have an error term with two components (Lewis and Linzer, 2005: 346). The first one stems from the fact that the dependent variables is estimated, the second

component is the usual random error present in any model even if the outcome were to be observed. If the sampling variance differs across level-2 observations (i.e. the aggregate level unit), the first error component will be heteroscedastic (ibid). Since in the case of our data the estimated variables are based on very different samples, our analyses need to account for this uncertainty. We follow Lewis and Linzer (2005) by applying a feasible generalized least squares (FGLS) procedure, which allows us ‘to address the problem of heteroscedacity in the first level error component without assuming that the second level error component is similarly heteroscedastic’ (ibid. 347).<sup>v</sup>

Employed and unemployed workers may differ in systematic ways that would have led to differences in their social participation rates even if the latter had not actually experienced unemployment. With panel data researchers can account for such between-group differences as they have information on individuals’ pre-unemployment characteristics and can ensure that only persons with similar ‘pre-treatment’ characteristics are compared. Crucially, by taking advantage of differences in pre- and post-unemployment characteristics, the researcher can also account for time-invariant unobserved differences between persons who experienced unemployment and those that did not. Pre-unemployment measures of our outcome variables (social participation) would be necessary for us to make ‘true’ causal claims. Unfortunately, as noted above, the data we use is available in cross-sectional format only limiting our ability to make causal claims. Nonetheless, we take succour from existent work using panel data that finds unemployment to have a causal effect on social participation. Even after controlling for observed covariates which drive selection into unemployment including pre-unemployment social participation Brand and Burgard (2008: 235) found ‘enduring, substantively and statistically significant lower probabilities of social involvement over the life-course’ among the unemployed. In our analysis we thus assert that while the unemployed may have had somewhat lower participation rates even in the absence of the unemployment spell, that the experience of unemployment in and of itself has a substantial negative effect on workers’ participation rates.

### 5.3. Variables at the micro and the macro level

#### 5.3.1 The micro-level

We analyse four dependent variables which capture different components and spheres of social participation. The variables analysed operationalise components of both the formal and the informal sphere. This was theoretically motivated in that this allows us to see whether the effect of unemployment differs by form of participation and whether the relevance of our macro-level mediators varies across different forms of participation. We also chose variables that are empirically appropriate in terms of: cross-national comparability, analytic consistency (we aggregated variables that were statistically indistinct), and item response (some variables had such low response rates that their relevance became questionable).<sup>vi</sup> The first two variables are binary, and identify respondents' participation in church activities or religious groups, as well as respondents' participation in recreational groups or organisations. The other two dependent variables are substantively count variables and relate to the informal sphere. The first is an aggregate of four variables that identify the frequency over the previous year that people 'went out' to the cinema, to a live performance, to a cultural site, and/or to a sporting event. The aggregated variable varies from zero (the respondent reported no social outings in any of the categories) to 52 (the respondent reported a minimum of 52 outings in the past year, i.e. reported going out at least 13 times in the past year in each of the four categories). The second count variable concerns the frequency with which respondents met up, or were in contact with, friends and neighbours in the previous year.<sup>vii</sup> This variable ranges from zero, no contact/meetings, to 356 (meeting/contacting friends or neighbours at least once a day in the previous year).

Our central explanatory variable is employment status which is binary. It is coded 1 if individuals are currently employed and have been employed continuously throughout the past 12 months and 0 if individuals are currently unemployed and have been unemployed for at least 6 months during the past 12 months. This operationalisation, which takes account of individual's employment status over the past 12 months, is necessary as social participation is measured

retrospectively having a 12 month reference period. This operationalisation excludes 4 percent of respondents who experienced between 1 and 5 months of unemployment, the majority of the sample, 87 percent, experienced no unemployment while 9 percent experienced at least 6 months of unemployment. In all our analyses we control for sex, age, education, health, and marital status (summary statistics can be obtained from Table A1 in the appendix).

### 5.3.2 The macro-level

The dependent variables in the macro-level regressions are the estimated parameters identifying the differences in social participation between the continuously unemployed and employed from country specific micro-level analyses. Given our comparatively small level two N, we are rather restricted in the number of macro-level variables we can include in our model and also need to be especially mindful of multicollinearities and of endogeneity in our level two models. After conducting the relevant tests, our models include the following variables: national unemployment rates (from the EULFS 2005; and based on the ILO definition of unemployment), generosity of unemployment benefit (from the OECD 2006; with generosity of benefit measured by national replacement rates<sup>viii</sup> averaged over four family types and three earnings' groups), egalitarianism and trust (both estimated from round two of the European Social Survey (European Social Survey, 2004)).<sup>ix</sup> Egalitarianism is measured by agreement with the statement: "The government should take measures to reduce differences in income levels"(1=disagree strongly->5=agree strongly). Trust is a composite variable of 4 trust indicators, covering interpersonal and institutional trust (0= very low trust levels 10= very high trust levels). These variables asked respondents about their agreement with the following statements: 'Would you say that most of the time people try to be helpful or that they are mostly looking out for themselves?'; 'Most people can be trusted or you can't be too careful'; 'Most people try to take advantage of you, or try to be fair'; and a combined institutional trust variable comprising an assessment of an individual's trust in their country's: parliament, legal system, police, politicians and political parties.<sup>x</sup> For the analyses which test the role of a country's ideal-typical policy mix, we constructed five regimes which closely follow existent typologies (e.g. Esping-Andersen, 1990; Gallie

and Paugam 2000). We distinguish a social-democratic (Denmark, Norway, Finland, Sweden), a conservative (Austria, Belgium, Germany, France, the Netherlands), a liberal (Ireland, the UK), a Mediterranean (Greece, Italy, Portugal, Spain), and an Eastern European regime (Czech Republic, Hungary, Poland, Estonia, Slovakia). Further details on the operationalisation of our explanatory macro-level variables and their distributions can be obtained from Table A3 in the appendix.

## 6. Findings

Table 1 presents both the prevalence of social participation by employment status as well as multivariate analyses of predictors of social participation based on pooled country data. For our sample we find 18 percent of employed people are involved in religious groups while the proportion of unemployed people is somewhat higher at 21 percent. The situation is reversed for participation in recreational groups with the proportion of unemployed involved in these groups being half that of the employed's 22 percent, a situation replicated in the average number of times unemployed and employed people go-out per year (6.5 times per year for the employed versus 3.3 times for the unemployed). Finally, we find that the continuously unemployed have slightly more contact with friends than the employed. Table 1 also presents multivariate regressions which control for compositional differences between the employed and unemployed. These reveal that being unemployed significantly and substantially reduces social participation (*Hypothesis 1*) for three out of the four dimensions considered. The one remaining exception is participation in religious groups; here the unemployed have a higher likelihood to be engaged than the continuously employed. This finding may indicate that people in socially and economically difficult situations turn increasingly to religion where they expect less negative judgement than in other spheres. Additionally, participation in religious groups tends to be free of charge (or is heavily subsidised) with the plight of those less financially able a common and unifying concern across many religious denominations. It is also worth noting that the higher tendencies for the unemployed to have contact with friends in the bivariate analysis is no longer true once we control for differences (such as age) between the two sub-

samples: now the unemployed have significantly less contact with friends than the employed. As our main focus is on the relationship between unemployment and social participation and its macro-level mediators, we refrain here from detailed discussion of the effects of our micro-level control variables. Suffice to mention that – in line with existent work – we find our key covariates to be important determinants of social participation. Notably, the social participations patterns of persons with bad health resemble those of the unemployed: they have significantly lower participation levels than those with good health – the only exception being church-related activities. This would again suggest that persons in difficult situations tend to withdraw socially but increasingly turn to religion.

**[Table 1 here]**

Table 1 presents rates of social participation for a pooled model of all countries.<sup>xi</sup> The countries are grouped by welfare regime. First, examining the countries as regime clusters, we find that the social participation gap between the employed and the unemployed appears most pronounced in the liberal and the Eastern European cluster. The gap appears least pronounced in the Mediterranean country group and the conservative and social democratic regimes take an intermediate position. Notably, however, the within cluster differences appear substantial. The participation gap in Finland, for example, is much smaller than that observed in the other countries belonging to the social-democratic regime. In fact the gap in Finland is half the size of the gap observed in Sweden. Moreover, the Eastern European cluster unites both the most (Estonia) and the least (Slovakia) pronounced social participation gap in our entire sample.

In Table 2 we shift our attention to our central research question: whether macro-level institutions can mediate the impact of unemployment on social participation. The table presents four models for each type of social participation. Models 1-3 reveal the effect of single institutional,

economic and attitudinal macro-level variables, while model 4 reveals the impact of regime type, identifying the relevance of a country's ideal-typical policy-mix. While model 1 includes the full set of country-specific macro-level variables, models 2-3 are estimated with either trust or unemployment rate as these variables are shown to correlate highly with each other and are therefore likely to be collinear leading to model misspecification (cf. Table A4).

It was predicted that generous unemployment benefits would alleviate the financial strain of unemployment and should thus be an important mediator (*hypothesis 3*) – especially for 'going out activities' and 'contact with friends' (*hypothesis 5b*). Our findings do not confirm this. We also tested a series of additional variables that could also have acted as measures of unemployment benefit generosity. We looked at replacement rates for the short-term unemployed, as well as the duration of unemployment benefits for the unemployed. These variables were also unsupportive of our hypothesised relationship between benefit generosity and increased social participation. Not only do we find no indication that more generous unemployment benefit increases the social participation of the unemployed, the results also reveal a surprising negative relationship for those engaged in religious groups. This suggests that when financial needs are less severe, unemployed individuals are less likely to turn to church activities. It also suggests that governments which provide generous benefits erode the relevance of religious groups for the unemployed, which offers a new interpretation of the Catholic principle of subsidiarity, a principle which asserts that governments should not intervene in social problems unless less centralised and independent charitable groups are unable to do so.

**[Table 2 here]**

We formulated two competing expectations regarding the effect of national unemployment rates (*hypothesis 4*). On the one hand, high levels of unemployment can reduce the stigma of unemployment leading to higher participation rates, especially in the formal sphere (*hypothesis 5a*). On the other hand high levels of unemployment can lead to feelings of hopelessness amongst those



affected due to fears of not being able to re-enter the labour market. This latter scenario should lead to reduced participation amongst the unemployed in both the formal and informal sphere (*hypothesis 5c*). Our findings give no clear support to either of these predictions. High levels of unemployment appear to reduce participation in church-related activities as well as well as unemployed's interaction with friends. At the same time, high levels of unemployment seem to increase the going-out rates of unemployed persons.

We expected our two attitudinal variables to decrease the peripheralisation of the unemployed from social engagement. We predicted egalitarianism to reduce the stigma effect of unemployment and therefore be especially relevant for formal types of sociability which tend to involve interaction with acquaintances, i.e. church-related participation and participation in recreational groups (*hypothesis 5b*). We find strong and consistent evidence that egalitarianism increases the level of social participation of the unemployed for all four dimensions of sociability – notably also informal ones.

We also tested the effect of trust on social participation. Living in a trusting society was expected to increase unemployed persons' social participation. Our findings suggest that trust increases the social participation of the unemployed for all but one of our social participation variables. The one exception is going out. Here trust seems to decrease participation.

To summarize models 1-3 the predictor measuring egalitarian attitudes has by far the most unequivocal effect on social participation. It is the only variable which substantially and significantly increases the social participation of the unemployed across all four dimensions. The findings suggest that in egalitarian societies the unemployed are likely to feel less stigmatised resulting in a substantially reduced participation gap between this group and the employed.

Finally, we also examine the relevance of regime differences at explaining cross-national variation in the association between unemployment and social participation (model 4). Here our 'single' institutional and attitudinal measures are replaced by regime dummies. The national unemployment rate remains included, however, in order to account for differences in economic climate. The effect of unemployment on social participation is consistent across all four outcomes in

the liberal welfare regime cluster only. The conservative regime is statistically similar to the liberal regime for religious groups and going-out, while the eastern regime is similar to the liberal regime for religious groups and recreational groups. We find the social democratic and the Mediterranean regime to have comparatively high rates of social participation among the unemployed relative to the reference category for each outcome.

Table 2 presents the R<sup>2</sup> statistic allowing us to identify which model offers the best explanation of the relationship between the dependent variables and predictors. We are particularly interested in establishing whether the ‘policy-mix’ welfare regime dummies offer better accounts of variation than those directly measuring policies or attitudes with a single variable. We find no straightforward evidence that one set of specifications outperforms the other. While the regime dummies improve the regression fit when formal social participation is concerned (most clearly in the case of recreational activities), this is not the case when the focus is on informal sociability. Here the models using the ‘single’ macro-level measures lead to a better regression fit (most substantially so in the case of sociability with friends).

## **7. Concluding Discussion**

This study examines whether institutional and societal structures can mediate the negative relationship between unemployment and social participation thereby supporting social cohesion and decreasing the risk of isolation of the unemployed. We used the EU-SILC module on social participation which allowed us to investigate this issue across 20 European countries. We found the unemployed have lower social participation rates than the employed population. This is true across three of our four outcome variables: the unemployed participated less recreationally, they went out less and even had less contact with friends than the employed. The only exception to this tendency was religious activities which was higher amongst the unemployed. We attributed this to religious activities being free of charge or heavily subsidised, making them more attractive to unemployed individuals. It is also likely that the unemployed perceive the religious sphere as less judgemental of

their economic status than other social participation spheres in advanced capitalist economies. In general there is a strong tendency across a broad range of European countries for the unemployed to be less socially engaged. This is problematic for social cohesion and has important implications for the unemployed themselves in terms of their own well-being as well as for their future employability.

The second step of our analyses showed clear evidence that the negative impact of unemployment on participation levels is mediated by macro-level factors. We found societal attitudes to be central in mediating the negative effect of unemployment on participation, and found them to be more important overall than benefit generosity. We found a particularly strong relationship between societies where egalitarian (and redistributive) ideals are held high, and a low social participation gap between the employed and the unemployed. Trust had a similar, though less pronounced, effect. These results suggest that attitudinal variables are more relevant as an explanation of the social withdrawal of the unemployed than the financial constraints they experience. This was contrary to our predictions which held that benefits – by mediating financial constraints – should be most central in encouraging unemployed persons' participation in the informal sphere. This 'non-relevance' of benefit generosity was robust to various alternative operationalisations. The variable measuring national unemployment rate provided a divergent picture. National levels of unemployment increased the going out activity amongst the unemployed. At the same time their interactions with friends and participation in church-related activity were significantly reduced.

Finally, our results suggested that welfare regime constellations, i.e. a country's ideal-typical policy mix, were also relevant for explaining differences in the relationship between unemployment and social participation. We found that the negative impact of unemployment on social participation was highest in the liberal cluster. This was followed by the conservative regime and the Eastern European regime. We also found strong tendencies for greater social participation among the unemployed in both the Southern European and the social democratic regime. Moreover, the regime dummies offered greater predictions of engagement in the formal sphere than single institutional variables, suggesting the ongoing relevance of regime type as a classification system. This paper

identified a number of factors associated with the social participation of the unemployed, the implications of the ongoing economic crisis for Europe's unemployed and civil society appear particularly strained for those in liberal regimes and in contexts where national attitudes towards outsiders are negative.

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## Tables

**Table 1. Prevalence and Micro-level Predictors of Social Participation**

	Participation in religious groups	Participation in recreational groups	Going-out to Cinema/Cultural sites	Frequency of relationships with friends
	Mean(SD)	Mean(SD)	Mean(SD)	Mean(SD)
Consistently Unemployed	0.208 (0.40)	0.102 (0.30)	3.310 (5.73)	105.72 (122.6)
Employed	0.179 (0.38)	0.216 (0.41)	6.454 (7.60)	95.00 (110.2)
<b>Multivariate Analyses</b>	Logit	Logit	OLS	OLS
	Coef./ (std.error)	Coef./ (std.error)	Coef./ (std.error)	Coef./ (std.error)
Consistently Unemployed (ref: Employed)	0.334*** (0.02)	-0.748*** (0.03)	-0.449*** (0.01)	-0.193*** (0.01)
Female	0.294*** (0.01)	-0.327*** (0.01)	-0.097*** (0.01)	-0.007 (0.01)
20-24yrs of age	0.186*** (0.03)	-0.086** (0.03)	0.265*** (0.01)	0.790*** (0.02)
25-34yrs	0.062*** (0.02)	-0.197*** (0.02)	0.043*** (0.01)	0.411*** (0.01)
55-54yrs	-0.061*** (0.02)	0.089*** (0.02)	-0.001 (0.01)	-0.144*** (0.01)
Lower secondary Education	-0.103*** (0.02)	-1.010*** (0.02)	-0.904*** (0.01)	-0.014 (0.01)
Upper secondary Education (ref: Tertiary Education).	-0.008 (0.01)	-0.527*** (0.01)	-0.582*** (0.01)	-0.108*** (0.01)
Bad health	0.130*** (0.03)	-0.496*** (0.04)	-0.370*** (0.01)	-0.335*** (0.02)
Never Married	-0.601*** (0.02)	0.133*** (0.02)	0.306*** (0.01)	0.442*** (0.01)
Widowed	-0.164*** (0.04)	0.132** (0.04)	0.006 (0.02)	0.171*** (0.02)
Divorced	-0.757*** (0.03)	0.059* (0.02)	0.132*** (0.01)	0.215*** (0.01)
Constant	-1.182*** (0.01)	-0.606*** (0.01)	1.663*** (0.01)	3.659*** (0.01)
No. of Obs	1.65e+05	1.71e+05	1.67e+05	1.65e+05
r2			0.140	0.081
p	0.000	0.000	0.000	0.000
chi2	2966.643***	5857.414***		
	excl. BE		*excl NO	*excl DK

Notes: All analyses are weighted by survey weights. ~p<=.10, \*p<=.05, \*\* p<=.01, \*\*\* p<=.001 While the emphasis of this paper is the impact of unemployment on social participation relative to employment, other labour market categories for our age segment, 20-65yrs, exist. These include students, the early retired, those engaged in care duties in the home and 'other inactive' which comprise 27% of the remaining sample. Weighted by cross-sectional survey weights using the European Survey for Income and Living Conditions 2006.



**Table 2. Macro-level Predictors of the relative Social Participation Rates of the Unemployed**

	Participation in Religious Groups				Participation in recreational groups				Going Out to Cinema.Cultural Sites				Frequency of Contact	
Unemp. Replacement Rates	-0.018*	-0.017*	-0.017*		-0.001	0.003	-0.001		0.000	0.000	0.003		-0.010	-0.006
Unemp. Rate	-0.021	-0.040**		-0.031*	0.000	-0.013		0.010	0.011**	0.012***		0.013***	-0.001	-0.014*
Egalitarian Society	0.544***	0.439**	0.630***		0.282*	0.250~	0.282*		0.243***	0.244***	0.227***		0.287*	0.260*
Trusting Society	0.015*		0.029**		0.010*		0.010		0.000		-0.008***		0.011	
Conservative Regime				-0.13				0.126*				0.04		
Mediterranean Regime				0.474*				0.394***				0.192***		
East European Regime				0.309				-0.058				0.139**		
Social Democratic Regime				0.279*				0.154*				0.120***		
Ref: Liberal Regime														
CONSTANT	-0.368	0.701	-1.449~	0.982***	-0.756	-0.373	-0.756~	0.391***	-0.373~	-0.388	-0.062	0.428***	0.011	0.436
N of countries	19	19	19	19	20	20	20	20	19	19	19	19	19	19
R squared	0.685	0.665	0.662	0.763	0.225	0.178	0.225	0.711	0.908	0.908	0.861	0.842	0.434	0.390
P of model	0.001	0.001	0.002	0.000	0.045	0.129	0.034	0.000	0.000	0.000	0.000	0.000	0.015	0.020

Notes: ~p<=.10, \*p<=.05, \*\* p<=.01, \*\*\* p<=.001. The regime dummies represent the following countries (with the exception of the exclusions already noted): Austria, Germany, France, Netherlands (conservative); Belgium, Italy, Spain, Greece, Portugal, (Mediterranean) Denmark, Finland, Norway, Sweden (social democratic); Czech Republic, Hungary, Poland, Slovakia (Eastern); Ireland and the UK (Liberal).

## Appendix

**Table A1. Summary Statistics Micro-Level**

		consistently unemployed	Female	lower Secondary	Upper Secondary	badhealth	Married	Mean(Age)
Conservative	AT	0.05	0.43	0.15	0.55	0.03	0.58	40.63
	BE	0.09	0.45	0.18	0.34	0.03	0.55	40.58
	FR	0.06	0.48	0.14	0.53	0.03	0.55	40.50
	NL	0.02	0.42	0.22	0.40	0.01	0.58	41.10
	DE	0.08	0.46	0.14	0.52	0.05	0.59	42.20
	LU	0.03	0.42	0.33	0.37	0.03	0.60	40.37
Liberal	UK	0.03	0.48	0.18	0.41	0.02	0.56	41.30
	IE	0.05	0.42	0.30	0.25	0.01	0.54	40.10
Social Democratic	DK	0.03	0.46	0.23	0.47	0.02	0.56	42.90
	FI	0.08	0.48	0.17	0.45	0.02	0.52	42.70
	NO	0.01	0.46	0.20	0.43	0.02	0.53	42.80
	SE	0.03	0.48	0.13	0.49	0.02	0.46	42.70
Mediterranean	IT	0.07	0.40	0.41	0.36	0.03	0.60	40.56
	ES	0.08	0.41	0.43	0.23	0.04	0.60	39.70
	GR	0.08	0.41	0.34	0.34	0.02	0.63	40.30
	PT	0.07	0.46	0.70	0.16	0.07	0.69	40.20
East European	CZ	0.10	0.44	0.07	0.77	0.05	0.62	40.80
	HU	0.08	0.46	0.15	0.61	0.06	0.56	39.90
	PL	0.15	0.46	0.10	0.65	0.05	0.68	40.10
	EE	0.05	0.49	0.10	0.49	0.04	0.49	41.20
	SI	0.05	0.45	0.16	0.62	0.03	0.56	40.60
	SK	0.09	0.48	0.04	0.77	0.05	0.68	39.80

**Table A2 Correlation Matrix of X var for the level 2 analysis.**

	replacement rate	unemp.rate	egalitarian	trust	gdp2005	REG1	REG2	REG3	REG4
replacement rate	1								
unemployment rate	-0.1262	1							
egalitarian	-0.27	0.3214	1						
trust	0.4369	-0.7031	-0.5396	1					
gdp2005	0.3613	-0.7286	-0.4707	0.8063	1				
REG1	-0.3534	-0.3167	-0.1484	0.0951	0.2653	1			
REG2	0.4257	-0.1188	-0.3004	0.1284	0.3367	-0.1632	1		
REG3	-0.1121	-0.058	0.4858	-0.1648	-0.0648	-0.1632	-0.3279	1	
REG4	-0.4692	0.6063	0.212	-0.6854	-0.8239	-0.1634	-0.3282	-0.3282	1
REG5	0.4142	-0.263	-0.3415	0.7395	0.4346	-0.1352	-0.2717	-0.2716	-0.2719

**Table A3 Summary Statistics Macro-Level**

		<i>Trust<sup>1</sup></i>	<i>Egalitarianism<sup>2</sup></i>	<i>Replacement Rate<sup>3</sup></i>	<i>Unemployment Rate<sup>4</sup></i>	<i>GDP<sup>5</sup></i>
Conservative	AT	5.25	3.76	63.00	5.20	125
	BE	4.93	3.61	61.00	8.40	120
	FR	4.71	4.21	75.00	9.20	110
	NL	5.66	3.29	74.00	4.70	131
	DE	4.92	3.34	69.00	10.70	116
Liberal	UK	5.19	3.53	54.00	4.80	122
	IE	5.70	3.76	49.00	4.30	145
Social Democratic	DK	6.73	2.92	70.00	4.80	124
	FI	6.28	3.77	70.00	8.40	114
	NO	6.29	3.64	68.00	4.60	177
	SE	5.96	3.65	75.00	7.40	122
Mediterranean	IT	4.37	4.00	54.00	7.70	105
	ES	4.79	3.98	67.00	9.20	102
	GR	3.78	4.46	55.00	9.80	91
	PT	4.05	4.21	83.00	7.60	79
Eastern European	CZ	4.14	3.53	56.00	7.90	79
	EE	4.80	3.91	55.00	7.90	62
	HU	4.17	4.25	49.00	7.20	63
	PL	3.45	3.98	59.00	17.70	51
	SK	3.74	3.82	56.00	16.30	60
SD		0.88	0.34	8.82	3.67	35.81
3 sd		2.63	1.01	26.47	11.01	107.43
Mean		4.83	3.81	63.07	8.52	104.83
more than 3 sd from mean		<b>7.46</b>	<b>4.82</b>	<b>89.54</b>	<b>19.54</b>	<b>212.26</b>

<sup>1</sup> Estimated as the national mean for each country from ESS data (round 2, 2004).

<sup>2</sup> Estimated for each country from ESS data (round 2, 2004).

<sup>3</sup> Initial replacement rate average across four family situations and three earnings levels for the year 2004. Typical case calculations relate to a 40-year old worker with continuous contributions since age 18 (OECD, 2006).

<sup>4</sup> Based on the EULFS for the year 2005 (European Commission, 2008). Except for the figures for Norway. These are also for the year 2005, but come from the OECD (2007).

<sup>5</sup> GDP per capita in Purchasing Power Standards in 2005 calculated in relation to EU-27=100 (Eurostat 2011).

**Table A4. Country level variation in individual level predictors**

		Participation in Religious Groups	Participation in Recreational Groups	Going Out to Cinema/Cultural Sites	Frequency of Contact with Friends
Regime Type:		Coeff of diff between unemp and emp			
Conservative	AT	-0.580*	-0.604**	-0.500***	-0.269**
	BE	NA	-0.569***	-0.369***	0.018
	FR	-0.059	-0.388**	-0.367***	0.148*
	NL	-0.490~	-0.228	-0.561***	-0.075
	DE	-0.641***	-0.536***	-0.578***	-0.289***
Liberal	UK	0.185	-0.874***	-0.727***	-0.358***
	IE	-0.287	-0.726***	-0.660***	-0.233*
Social Democratic	DK	0.266	-0.661*	-0.409**	NA
	FI	0.006	-0.373**	-0.411***	0.103
	NO	0.334	-0.685*	NA	0.239~
	SE	-0.082	-0.743***	-0.432***	-0.209~
Mediterranean	IT	0.354***	-0.046	-0.347***	0.139***
	ES	0.108	-0.248*	-0.292***	-0.330***
	GR	0.008	-0.373~	-0.178***	-0.022
	PT	-0.291*	-0.489*	-0.131*	-0.176*
Eastern European	CZ	0.100	-0.894***	-0.492***	-0.205**
	EE	-0.042	-1.353***	-0.398***	-0.012
	HU	-0.188	-0.564*	-0.352***	0.243***
	PL	-0.312***	-0.756***	-0.205***	-0.161***
	SK	0.090	-0.214~	-0.358***	-0.162**

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**ENDNOTES:**

<sup>i</sup> The 'Welfare Attitudes in a Changing Europe' module of the 2008/2009 ESS provides a more direct measurement of national attitudes towards the unemployed (e.g. agreement with the statement 'most unemployed people do not really try to find a job'). However, this module was fielded three years after our EU-SILC micro-level data observation window. Using these attitudinal measures would thus mean that our explanatory variable is measured after our dependent variable which clearly is a questionable strategy. As some have argued that societal attitudes are generally rather stable over time and tend to change slowly, we ran some tests with these data. These tests suggested that negative attitudes towards the unemployed seem to decrease the social participation of the unemployed. They further suggested a high correlation between positive attitudes towards the unemployed and egalitarianism.

<sup>ii</sup> Trust and egalitarianism are both theoretically and empirically distinct, as shown in table A2 in the appendix.

<sup>iii</sup> Exceptions are Finland, The Netherlands, and Slovenia who cover only a sub-sample.

<sup>iv</sup> For one of our social participation outcomes 20 country-cases are available for the remainder 19.

<sup>v</sup> This was estimated employing the EDVREG routine in STATA.

<sup>vi</sup> Issues of cross-national non-comparability were checked directly by looking for unexpected distributions between countries in our dependent variables. Any unusual distributions were followed up through assessments of variation in the wording of national questionnaires. This work uncovered some small inconsistencies in wording, though none of the variables analysed were deemed sufficiently problematic to warrant exclusion due to non-comparability. Nonetheless in all our analyses we had to exclude some countries for reasons of non-comparability. For participation in religious groups Belgium was excluded as the question was not asked of respondents, for the variable looking at the frequency of going out to cultural events Norway was excluded as Norway did not ask the frequency of visiting cultural sites. Finally, Denmark was excluded from the analysis of the frequency of contact with friends as there is a coding error with the data (see Lelkes, 2010). Regarding item response, in our sample only 6 and 8 percent of respondents were engaged in charities and in an undifferentiated other category of formal organisations. We did not analyse these two subgroups as they represented such a small proportion of respondents.

<sup>vii</sup> The original 'going out' variables were coded from 1 to 6, ranging from 1 corresponding with no outings in the past year, 2 corresponding with 1-3 outings, 3, corresponding with 4-6 outings, 4 corresponding with 7-12 outings, and 5 corresponding with more than 12 outings. We recoded the count to the lowest number of outings as this was always a known number. The original contact with friends variable were coded from 1 to 6, 1 corresponding with daily contact (recoded as 365), 2 corresponding with weekly contact (recoded as 52), 3 corresponding with several times a month (recoded as 24), 4 corresponding with monthly contact (recoded as 12), 5 corresponding with once a year (recoded as 1).

<sup>viii</sup> Duration of benefits should also matter. However, benefit duration (using an indicator from the OECD; OECD 2006) correlates highly with the level of the replacement rate. We could thus not include both indicators in the same models. Alternative analyses (not shown here) using benefit duration rather than replacement rate yielded substantively the same findings as those using replacement rates.

<sup>ix</sup> Another variable we had initially intended to include was GDP. However, our correlation matrix (cf. Table A2) revealed that GDP is strongly correlated with a number of other relevant macro-level predictors. In order to avoid multicollinearity problems we decided against the inclusion of this variable.

<sup>x</sup> A principle component factor analysis revealed these four items to have an extremely high Eigenvalue of 3.62 with each item loading with a factor greater than .92 to the common trust factor. The alpha for the combined variable is .7.

<sup>xi</sup> Table A4 in the appendix presents the results for all of our dependent variables.