

**Coping with Long-Term Unemployment:
Economic security, labour Market Integration and Well-being**
Results from a Danish Panel Study, 1994-1999

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1. Introduction

In most European countries, the integration philosophy underlying welfare policies has changed from an emphasis on social rights to an emphasis on employment as an indispensable precondition for social integration and citizenship (Born and Jensen 2001). This is rooted in three partly interconnected beliefs: *First*, the idea of ‘structural unemployment’ - especially the ‘unemployability’ of the least qualified workers under conditions of high minimum wages - a problem that is aggravated by ‘hysteresis’: accumulation and sedimentation of unemployability due to loss of qualifications among long-term unemployed. *Second*, the idea of negative incentives of social protection, which may even constitute ‘poverty traps’ for the unemployed. And *third*, a ‘deprivation perspective’ underlining the (social-)psychological rather than the economic consequences of unemployment. A combination of the incentive and the deprivation perspective is found in the idea of a ‘dependency culture’ (Murray 1984) that pictures a subculture with low employment commitment, high dependency of public support, deteriorating family structures, and transmission of such norms to the next generation.

Instead of providing adequate resources to enable self-determination and full participation in social and political life among the unemployed, such beliefs dictate ‘employment at any price’. Along with a concern for future dependency ratios, they have served as the main arguments for restructuring social protection for the unemployed, be it in the shape of ‘Jobs strategy’ (OECD 1994) and ‘Making Work Pay’ solutions (OECD 1996) or ‘third way’ efforts of activation and workfare (Lødemel and Trickey, 2001), usually backed by retrenchment of rights and entitlements. There is a large bulk of economic and sociological theory underlying such beliefs and strategies. When it comes to solid empirical research, however, the amount of hard empirical evidence is surprisingly small. This holds for the abovementioned economic theories (Calmfors and Holmlund 2000) which are furthermore at odds with the significant decline of unemployment in many European countries (Auer 2000; Goul Andersen and Jensen 2001). And it holds for the assumptions concerning the unemployed where most research has been concerned with labour market problems or with describing the well-known social problems and risks associated with long-term unemployment. Less is known about the situation of the *typical* unemployed, and in particular about how they themselves perceive of the problems. Moreover, also in this field, recent evidence seem to contradict the ‘conventional wisdom’ underlying current policies (Carle and Julkunen, 1997; Hammer, 2000; Gallie and Paugam, 2000; 2001).

The limited knowledge about actual behaviour and about the conditions of full citizenship among the unemployed is the point of departure for this article which is based on a nation-wide, representative Danish panel study of long-term unemployed interviewed for the first time in 1994

and reinterviewed in 1999.¹ Denmark is no exception to the trends described above: Even though activation policies are increasingly founded on arguments about social integration rather than on economic rationales, efforts to examine conditions of citizenship among the unemployed are few and have hardly entered public policy discussions. More importantly, however, Denmark is a strategic test case in relation to all three ideas described above, as wage structures are ‘compressed’ (OECD, 1998; Ministry of Finance, 2000: 125-135), as the country has suffered from enduring high unemployment for nearly 25 years, and as both unemployment benefits and social assistance is unusually generous (Goul Andersen 1996; Hansen 2000; Clasen et al. 2001; Heikkilä and Kazepov 2001). If structural unemployment problems are small, if incentive effects negligible, and if financial hardship is the most severe problem of unemployment, even under these conditions, it constitutes a strong argument against prevailing philosophies.

The leading question here is concerned with contrasting the two notions of integration and citizenship, concentrating on well-being as the main aspect to be studied here²: What is the most important precondition of well-being among the unemployed: Generous social security or labour market integration? Is labour market integration the only road to full citizenship, and is generous social security and well-being among the unemployed counter-productive as it impedes re-employment chances? As economic sustainability is an indispensable precondition for discussing citizenship at all, the analysis will also touch upon the economic aspects and relate the concern for well-being and citizenship to the question of possible disincentives.

1) The survey formed part of a project about ‘Unemployment, marginalisation and citizenship’ (financed by the Danish Social Science Research Council, SSF), as well as of a comparative Nordic project on ‘Unemployment, early retirement and citizenship: Marginalisation and integration in the Nordic countries’ (financed by the Nordic Social Science Research Council, NOS-S). For full project descriptions, see <http://www.socsci.auc.dk/ccws/projects/BChangingLabourMarkets/b1.htm>

For description of the data set, see appendix. The panel consists of a nation-wide, representative sample of long-term unemployed (defined as six months of uninterrupted unemployment preceding the interview) in November 1994, who were reinterviewed in February/March 1999. In all, 831 persons who fulfilled this criterion were interviewed (by telephone) on both occasions, corresponding to a response rate of 76 per cent in 1994 and 68 per cent in 1999. As the original sample was disproportionally stratified, the data are weighted (but controls reveal almost no significant differences between the weighted and unweighted results). Even though response rates are reasonable, it is safe to expect a certain under-representation of unemployed with serious social problems so that, on balance, our picture of the unemployed may be a bit too positive. However, our interest here is not the minority who have heavy problems and who often seem to serve as reference group for policy formulation. Our focus is on the problems of the ‘typical’ unemployed, and with this purpose in mind, there is little reason to expect significant deviations.

2) The questionnaire contains a rather complete mapping, specifying three dimensions of citizenship: Rights, participation, and identities, and covering different fields or arenas of social action (Goul Andersen et al., 1998; Goul Andersen 2001a).

2. Employment trajectories

As a first step, and as an, admittedly, weak, test of the idea of structural unemployment and hysteresis, we briefly sketch what has actually happened in terms of labour market careers to those who were long-term unemployed in 1994. Although Denmark is among the countries with the most significant decline in unemployment from 1993/1994 to 1999/2000 (Goul Andersen and Jensen 2001), it has often been claimed in national debates that this is mainly “window dressing” where people have been moved from unemployment to early retirement, or to activation where they do not formally appear in the unemployment statistics. However, even though there has been an increase in early retirement, and even though there was initially some ‘window dressing’ in the figures, it is undeniable that since the mid-1990s, there has been strong, genuine improvements, not least for the long-term unemployed (Goul Andersen and Jensen 2001).³

This picture is also confirmed by our survey (Table 1), even though it also reveals some of the problems that remain. By 1999, about one-half of the respondents were employed, 19 per cent were unemployed, 26 per cent were on an early retirement scheme, and seven per cent were in another situation, most typically in education. To begin with the employed, an important question is what sort of employment they have entered - for instance, whether it is a subsidized

Table 1. Employment status 1999 among people who were long-term unemployed in 1994 (panel study). Per cent.

	employed	unemployed	early retired	education, else	(N) unweigh- ted
Total	48	19	26	7	831
18-29 years	62	21	1	16	228
30-39 years	66	24	3	7	194
40-49 years	49	27	19	5	180
50-59 years	19	7	73	1	229

Age in this table refers to 1994.

activation job, or whether it is a sort of ‘precarious’ job. It turns out that only 10 per cent of the formally employed were having a job established as part of some employment programme

3) Comparatively speaking, long-term unemployment is rather low in Denmark (OECD 2000:220). Because labour market marginalisation has often been operationally defined (theoretical definitions are rarely found in Danish studies) as an unemployment ratio above 0.7 over a three-year period, improvements appear with some delay in the statistics and erroneously seemed to indicate limited improvements until the mid-1990's (Goul Andersen 2001a).

whereas the remaining 90 per cent were in ordinary jobs. On average, those employed had been in an ordinary job for 36 months during the last five years. As to 'precariousness', only 16 per cent were in a temporary job. Not surprisingly, fixed-term contracts were most widespread among those who had the shortest employment record. Job satisfaction indicates that the formerly unemployed are generally employed in 'good' jobs: 93 per cent were satisfied with their job, three per cent were neutral, and only four per cent were dissatisfied. As employment protection legislation is unusually liberal in Denmark (rank next to UK and Ireland among EU countries, see OECD 1999:66), a permanent job is no safeguard against unemployment but it does seem that long-term unemployed have quite good chances to find a satisfying and *relatively* permanent job. Turning to the 19 per cent who were unemployed, indications of precariousness were somewhat stronger. Apart from activation, 32 per cent of the unemployed had not had any ordinary job in the five-year period between 1994 and 1999. Among the rest, about one third had been employed in one job, another third in two jobs, and the remaining third in three or more jobs. Still, more than one half - 52 per cent - had been on a normal labour contract in their last job, and regardless of labour contract, job satisfaction was pretty high: Only 14 per cent had been less satisfied in their last job. Contrary to predictions from a structural unemployment perspective, it seems that the borders between employment and unemployment are quite open for the majority of the unemployed: Except for particular groups (notably people above 50 years and immigrants), most of the unemployed manage to get a satisfying job but often with a relatively high risk of returning to unemployment. In economic terms, this may be the price of a flexible labour market; an important question is how the unemployed feel about it.

This question is also interesting when it comes to the 26 per cent of the formerly long-term unemployed who have entered some early retirement scheme. The very high figure reflects that in 1994-1995, it was possible for long-term unemployed to retire already from the age of 50, on a 'transitional allowance' before entering 'early retirement allowance' at the age of 60. Being pessimistic about future job chances, large numbers of elderly unemployed chose that solution before it was too late, so that there was a huge hoarding effect in the last months before entrance to the programme was closed (it will be phased out by 2006). Thus, among the early retired in the sample, 41 per cent were on early retirement allowance in 1999, 39 per cent were on transitional allowance, 17 per cent were on disability pension, and three per cent on some other pension. The question as to how those involved feel about this situation will be addressed below; at present we may note that 66 per cent of the respondents indicated that the transition to early retirement was largely a voluntary choice of their own; 14 per cent answered 'no, not really', and 13 per cent answered 'no, not at all'.

Like in most other countries (Goul Andersen and Jensen 2001), there is a strong gender dimension to unemployment problems in Denmark. 60 per cent of the respondents in our sample were women, and women have been particularly inclined to choose early retirement (two thirds of the early retired were women; the same holds for people on education). The age dimension, however, is even more significant: Among the 18-39 years old (in 1994), nearly two-thirds were employed by 1999; but among the 50-59 years old, 73 per cent had retired whereas only 19 per cent were employed. As mentioned, this corresponds with a high pessimism as to job chances - a pessimism that is confirmed by actual events. From an economic point of view, this is an unlucky situation. The question is to what extent this also holds from a social policy point of view. We know that in general, people on early retirement allowance are very satisfied (Nørregaard 1996) - not surprisingly, as they would otherwise have continued working; but what about the unemployed who may have felt they had to choose the smallest of two evils?

3. Unemployment and well-being

As pointed out by Halvorsen (1994, 1999), debates about the unemployed have often oscillated between two extremes: On the one hand, the traditional sociological ‘deprivation perspective’ stressing the powerlessness and the accumulation of social problems among the unemployed, and on the other hand an increasingly influential economic ‘incentive perspective’ which is concerned with disincentives and ‘poverty traps’. Closely associated with the last perspective is the idea of a ‘dependency culture’ which has been particularly influential in the Anglo-Saxon world (Dean and Taylor-Gooby 1992) but also appeared in Denmark in the mid-1990s. Although policy proposals are highly different, both perspectives tend to converge in their picture of the long-term unemployed as a weak and powerless group subject to increasing problems of marginalisation.

As an alternative, Halvorsen (1994) has developed the ‘coping perspective’: Unemployment is a serious problem but most people have resources to find strategies to cope with this problem. From this perspective, economic resources are assumed to be an important precondition for citizenship and well-being among the unemployed. Further, even though there might be negative incentive effects of generous unemployment benefits, being able to maintain a normal way of life constitutes a resource effect that must be supposed to work in the opposite direction. This coping perspective may be criticised for being almost impossible to falsify, but it does provide a useful frame of reference and will be used as such below.

Usually the impact of unemployment on well-being is measured and explained by examining the association, and the intervening variables between employment status and some dependent variable on well-being: ‘psychological distress’, ‘mental health’, ‘self-confidence’, ‘satisfaction’

or ‘happiness’ (Halvorsen 1999; Björklund and Eriksson 1998; Whelan and McGinnity 2000). Below, we follow a partly different approach. In the first place, we examine a number of aspects of well-being, including even a few behavioural categories such as contacts with friends. In other words, ‘well-being’ serves as an umbrella concept, and as a broader concept than e.g. ‘psychological distress’ which may only affect the few.⁴ Secondly, we interpret the effects of unemployment partly on the basis of the perceptions of effects, problems and advantages among the unemployed themselves. If the questions about effects were interpreted literally among the respondents, and if they reported correctly, this would solve the well-known selection problem, which can never be fully controlled for in cross-section analyses⁵. In practice, answers about ‘change’ cannot be interpreted that literally, perceived effects cannot replace ‘objective’ associations between variables. But it is a useful supplement, and we are to quite some extent able to judge on the validity of the answers, and on the basis of panel data, we are also able to judge on the association between well-being and chances of re-employment.

The results from 1994 and 1999 are presented in Table 2. Not surprisingly, 34 per cent of the long-term unemployed in 1994 reported a decline in general well-being during unemployment; more surprisingly, however, 28 per cent reported an *improvement* in well-being as compared to when they were employed. Thus the reported net effect was close to zero. This pattern was repeated when asking about contact with friends, with the modification that more people in fact reported *improved* contact rather than less - a finding that is also confirmed by other studies as a rather general phenomenon across countries (Paugam and Russell 2000), and which speaks against the classical ‘psychological deprivation’ model.⁶

4) It is a general experience, however, that the associations are pretty similar, regardless of definition and operationalisation of the dependent variable (Winefeld, 1995); still, people can feel decline in well-being or satisfaction without necessarily suffering from psychological distress or bad mental health which affect only a minority. Furthermore, like happiness and satisfaction, well-being can be genuinely positive, and not just absence of negative symptoms.

5) As the risk of unemployment is affected by all sorts of psychological and life-style variables, the direction of causality between unemployment and psychological or behavioural variables cannot be assumed to be unidirectional. In principle, panel studies can solve that problem, but only provided that all relevant control variables are included in the study.

6) As to the quality of social contacts, a core question is whether long-term unemployed and others outside the labour market develop interactions and come to constitute a separate group - an ‘underclass’. This is at the heart of the concepts of ‘unemployment culture’ or ‘dependency culture’, and to some extent also of the concept of ‘social exclusion’ (Littlewood and Herkommer 1999). But if such a group exists, it is much smaller than sometimes implied: Only 15 per cent of the unemployed reported that one-half or more of their friends were unemployed, and 5 per cent answered ‘quite a few but less than one-half’. 35 percent had ‘a few’ friends who were unemployed, and 12 per cent ‘a single’. Although this is significantly higher than among the employed, the figures must be considered rather small. Among the married/cohabiting, 23 per cent reported that their spouse was unemployed - slightly higher than in 1994 and significantly higher than among the employed but not dramatic figures. As to the closest family being unemployed, (continued...)

Table 2. Reported changes in well-being among long-term unemployed, as compared to situation before unemployment. Percentages and PDI (Percentage Difference Index), 1994 and 1999.

	Much or somewhat better	No change, or don't know ¹⁾	Much or somewhat worse	PDI: better minus worse
1994				
General well-being	28	38	34	-6
Contacts with friends and acquaintances	28	60	12	16
Alcohol consumption (-)	8	82	10	-2
1999				
General well-being	20	49	31	-11
Contacts with friends and acquaintances	23	64	13	10
Alcohol consumption (-)	6	81	13	-7
Killing time	12	62	26	-14
Loneliness	7	71	22	-15
Self-confidence	13	56	31	-18
Wish to work	38	50	12	26

1) Including not relevant (don't drink)

wording:

Considering your general well-being, has it improved or has it become worse while you have been unemployed, as compared to the period before?

Have you been seeing friends and acquaintances more or less while you have been unemployed, as compared to the period before?

Have you been drinking more beer, wine or liqueur while you have been unemployed, than before you got unemployed?

Have you felt more often, or more rarely, that it was difficult killing time?

Have you more often or less often felt lonely?

Has your self-confidence increased or decreased?

Have you got more or less wish to get back to work?

6)(...continued)

there was no association with present employment status, and only 3 per cent reported 'one half or more', or 'quite a few'. Even among the very small group (six per cent of the long-term unemployed in 1994) who had been without ordinary employment 1994-1999, only 28 per cent indicated, that 'quite a few' or 'one half or more' of their friends were unemployed, and almost three quarters of the spouses in this group were employed. Even allowing (conservatively) for a possible bias in response rates, there are no indications of a *widespread* 'unemployment culture', let alone 'dependency culture', not even among the 'least unemployable'.

As unemployment has become far less common in 1999, and probably also less socially acceptable - at least the norm about duty to work seems to be strengthened (Goul Andersen 2001b) - one should expect a more negative picture than in 1994 if stigmatization is important (Gallie and Russell 1998; Halvorsen 1999). Furthermore, as well-being in Denmark tends to be negatively (but not much) associated with duration of unemployment, the unemployed in our panel study should feel even less well-being in 1999. However, we find only a negligible and insignificant change on the questions that were replicated. When asking about killing time, loneliness and self-confidence (which were only included in 1999), we do find somewhat larger proportions reporting negative effects; but even here, the majority reports no change.

Table 3. Reported changes in well-being during unemployment, by termination of last ordinary job. PDI (Percentage Difference Index). 1999.

	termination last ordinary job (not activation)		
	-1990	1991-1997	1998-1999
General well-being	-24	-2	-12
Contacts with friends and acquaintances	3	1	24
Alcohol consumption (-)	-16	1	-9
Killing time	-25	-9	-14
Loneliness	-37	-10	-8
Self-confidence	-35	-16	-11
Simple average of six aspects above	-22	-6	-5
Wish to work	37	29	19
(N) unweighted	31	80	67

From a social policy point of view, these data are reassuring; certainly, they should not be interpreted too literally, but they at least seem to indicate that people are able to cope with the problem of unemployment. From an economic point of view, however, the results might appear more disturbing as problems of well-being could serve as a non-economic incentive to work. It could be tempting to interpret the data as a sign of a 'dependency culture' among the long-term unemployed, or even as a sign of declining work ethic in society; in fact, this was a matter of some political concern in Denmark in the 1990s. There is nothing to substantiate such an interpretation, however. As already mentioned, it is not supported by patterns of social interaction, and as to work ethics, Danes have an even stronger 'non-financial work commitment' than the population in the other Nordic countries (Svallfors, Halvorsen and Goul Andersen, 2001; in fact, the Danish figures were the highest measured among all 30 countries fielding the 1997 ISSP survey). And turning to our data, we may note from Table 3 that (this time in accordance

with deprivation theory) problems of well-being are largest among those who have been unemployed for a very long time⁷; from a ‘dependency culture’ hypothesis, we should rather expect the opposite pattern. Further, we observe that the unemployed express increasing wish to get back to work - and slightly more so, the longer they have been unemployed.

More important in relation to the disincentive problem, however, is the finding that there is no association between well-being in 1994 and labour market position in 1999 (Table 4); in the sample, we even find a weak (but insignificant) tendency that those with the highest level of well-being are more inclined to have a job.⁸ In conclusion, there is nothing to indicate that well-being during unemployment has any negative incentive effects. Besides, we may infer from the data in Table 4 that, there were almost no differences in well-being by 1994 between those who are presently employed, retired or unemployed in 1999. In other words, whatever differences we may observe between these groups in 1999, seem attributable almost exclusively to the changes in employment situation.

Table 4. Employment status 1999, by well-being during unemployment, 1994. Percentatges.

General well-being as unemployed, 1994	Employment status 1999				
	employed	un-employed	early retired	education, else	(N) un-weighted
Much or somewhat better	49	16	27	8	228
Neither better or worse	49	16	28	7	312
Much or somewhat worse	45	25	24	6	290

4. Coping with unemployment

As mentioned, the coping perspective implies that those unemployed are able to cope with their problems, not that they feel very well about it. Therefore, it is interesting to compare perceived changes in well-being between the unemployed, the early retired and those who have managed to get back to employment. The results are presented in Table 5.

7) N’s in the table are small but the association is confirmed by the 1994 survey and the 1999 cross-section survey.

8) Using job expectation as the dependent variable, an analysis on the 1994 data showed that there was a small but significant ‘disincentive effect’ which was offset by a ‘ressource effect’ pulling in the opposite direction (Goul Andersen 1995: 113).

It turns out that even though the unemployed, on average, do not report much deterioration of well-being, their answers stand in sharp contrast to those of the employed, as the latter group almost unanimously report an increase in general well-being. The percentage difference index for this group is as high as +60. Also among the early retired, many have experienced the transition to retirement as a relief - the percentage difference index for this group is +28.⁹ In short, there is an asymmetry which can exactly be interpreted in a coping perspective and which is in fact more informative than a simple correlation between some indicator of well-being and employment situation (even if the selection problem can be solved).

Turning to contacts with friends and acquaintances, we may observe that the answers are symmetrical: The unemployed and the early retired (on average) report a minor increase in such contacts, and the employed report a minor decline. This also tends to confirm the validity of the answers: The employed do not without reflection report improvement in each and any respect.

When it comes to the other aspects, the pattern is fairly uniform. Increased alcohol consumption occurs more frequently among the unemployed but is not by any means typical, and the association is not statistically significant. Even though unemployed people, on average, have slightly more contact with friends and acquaintances, they somewhat more frequently report problems of killing time, and problems of loneliness than the employed; still, the differences in these respects are moderate. The most significant result is the difference in reported change in self-confidence. Only relatively few among the unemployed themselves report a decline in self-confidence (average PDI: -18) but among those employed we find a marked increase (average PDI +60). This is a highly significant finding which strongly confirms what has often been described as a major problem of well-being among the unemployed.¹⁰

9) Looking at the association between perceived changes in well-being during unemployment in 1994, and perceived changes in 1999, we find a rather strong correlation among the unemployed ($r=.34$), nearly zero correlation among the early retired ($r=.08$), and a weak but significant correlation among the employed ($r=-.16$). Among the employed who reported improved well-being during unemployment in 1994, 57 per cent (against 8 per cent) reported improved well-being during employment by 1999; among those who reported less well-being in 1994, the figures were 80 and 2 per cent, respectively.

10) The interpretation is less clear, however. Losing self-confidence is often attributed to stigmatization of the unemployed in a society with high employment commitment (Halvorsen 1999); however, the effect of stigma appear small in our survey. Thus, those unemployed were asked whether they had 'occasionally felt that people looked a little bit down on them because they (you) receive unemployment benefits or social assistance' (often; seldom/almost never; not at all). Here, the correlations between feeling stigmatized and (change in) well-being were moderate, except for loneliness ($\eta=.35$). Eta values were .26 for killing time, but only .24 for self-confidence. For seeing friends, $\eta=.24$, for well-being in general, it was only .22, almost the same as for wishing to go back to work ($\eta=.21$ - the only finding confirming that stigma can also be a work incentive). Only alcohol consumption was not significantly related to stigma. But statistically speaking, the effects of stigma on well-being are moderate.

Table 5. Perceived change in well-being among unemployed, early retired, and employed, among persons who were long-term unemployed in 1994. PDI.

	Unemployed	Early retired	Employed
General well-being	-10	28	60
Contacts with friends and acquaintances	10	20	-15
Alcohol consumption (-)	-7	1	3
Killing time	-14	12	27
Loneliness	-15	2	18
Self-confidence	-18	4	60
(N) unweighted	158	206	399

Note: Unemployed are asked to compare with when they were employed; employed are asked to compare with when they were unemployed, and early retired persons are asked to compare with their situation immediately before retirement (most frequently unemployment)

However, we can explore further into the perceived problems of coping with unemployment. From a coping perspective, it should be recognised, however, that there are not only problems but also advantages of being unemployed. Therefore we have asked about both the major problems and major advantages of being unemployed. Our data certainly do not allow us to compare the costs and benefits of being unemployed (but the information above leaves no doubt about the answer). Still we are able to present a ranking of the problems, and of the advantages, as perceived by the unemployed.

The results are quite interesting, both from a theoretical perspective and from a policy-oriented perspective. Thus, one of the classical hypotheses about sources of psychological distress among unemployed is the allegation that the unemployed lose sense of purpose and find it difficult to structure everyday life when they don't have anything to get up to in the morning (Jahoda 1982; Olsén 1982) . The coping perspective does not exactly rule out this possibility but it could nevertheless be assumed that this is one of the problems that the unemployed are able to cope with. It could also be assumed that in present-day society where opportunities of participation are rich, and where even the unemployed possess relatively high levels of resources, this will not be among the most pertinent problems felt by the unemployed. And our empirical data confirm that this is not the case: The feeling of not having anything to get up to in the morning is reported as an important problem (6-10 on a scale from 0 to 10) only by 21 per cent of the respondents (Table 6).

Table 6. Personal problems of unemployment among long-term unemployed, 1999. Percentage indication values 6-10 on a scale from 0 (no problem at all to 10 (very serious problem))

	Pct.
1. Nothing to get up to	21
2. Fear of being outside mainstream society	22
3. Feeling that somebody looks down at you	28
4. Fear of losing qualifications	35
5. Loss of daily contact with colleagues at the workplace	35
6. Feeling not to be master of one's life	37
7. Fear of not being able to return to active employment	38
8. Feeling of being controlled	39
9. Economic insecurity	50
(N) unweighted	179

Wording: Now I have some questions about what you personally experience as the biggest problem - and perhaps the biggest advantage - of being unemployed. Beginning with the problems, imagine a scale from 0-10 where 0 means that you do not personally experience this as a problem at all whereas 10 means that you personally experience this as a very big problem.

The fear of 'being outside society' is also among the less important problems but the rather abstract wording of the question may warn against drawing too strong conclusions. Stigmatisation is another classical problem which is considered somewhat more important (28 per cent) but still remains among the relatively minor problems. Fear of losing qualifications (35 per cent) and fear of not being able to return to a job (38 per cent) are considered more important, and they also indicate that the unemployed are relatively conscious about the need to maintain the value of their most important asset: Their qualifications. It also provides a plausible explanation of the small effects of short-term incentives on the search activity among the unemployed (Goul Andersen 1996; Pedersen and Smith 1998; Smith 1998). The main economic incentives are long-term, in contrast to the assumptions underlying mainstream economic search theory.

From a social psychological perspective, however, one would rather stress the importance of work for the fulfilment of human needs: Structure in everyday life and sense of purpose, self-esteem, self-realisation in work, and social contact. As mentioned, we were not able to confirm the first mentioned, and the next two have not been measured in this battery, but social contact is mentioned as important by 35 per cent; it may be added that this is the only perceived problem where we find a significant (but small) gender difference: Social contact is slightly more

important to women than to men;¹¹ otherwise the sufferings of being unemployed are the same to men and women.

From a citizenship perspective, two other problems are of major interest: The feeling not to be master of one's own life, and the feeling of being controlled (mentioned as important by 37 per cent and 39 per cent, respectively). These aspects concern citizenship, more specifically feeling of autonomy (for a discussion of autonomy as a core aspect of citizenship, see Rothstein 1998). It is also worth noting, that feeling of losing self-determination and autonomy may depend to a large extent on the rules and the practices of the welfare state. This holds even more for the single most important problem measured here: Economic insecurity (mentioned by 50 per cent). This confirms, firstly, that classical social security is as indispensable as it ever was for the well-being of the unemployed. Next, it is worth noting that the most important among the reported problems are not so much related to unemployment as such, as it is related to public policies towards the unemployed.¹² This is in line with classical orthodoxy. But it has tended to be forgotten in public discourse in a time when 'classical', non-stigmatising social security for the unemployed has been described as mere 'passive support' (Sinfield 2001). Also in research, it has been emphasized too little although most research has always confirmed the central importance of economic hardship unless this is measured simply by income.

11) Correspondingly, we find only minor (but stable) gender differences in well-being among the unemployed, except on one aspect: feeling of loneliness.

12) Unlike the other indicators, feeling of being controlled is not much related to general well-being or to satisfaction with life ($r=.26$ and $r=.11$, respectively). The strongest correlations are found with economic insecurity ($r=.44$ and $r=.34$), followed by not being master of one's life ($r=.37$ and $r=.33$).

Table 7. Perceived advantages of unemployment among long-term unemployed. Percentage indicating values 6-10 on a scale from 0 (no advantage at all) to 10 (very big advantage).

	Per cent.
1. More time to your family	63
2. Being able to decide your own time	58
3. Less busy/ less stress	51
4. More time for friends	48
5. More time for recreational interests	47
6. Possibility to do more in your home or to your dwelling	45
6. More energy	29
7. Free from having to go to work	25
(N) unweighted	179

Wording: Correspondingly, I would like to hear whether you experience the following as advantages where 0 means that you do not experience it as an advantage whereas 10 means that you personally experience it as a very big advantage.

Turning to advantages, most of the unemployed do not find it difficult to point out certain advantages. The most important advantages are less stress and more time to family, friends, recreational interests, and people's home. Being able to structure your day yourself is also mentioned as a major advantage (58 per cent) - again in contrast to the traditional social psychological picture of the problems of the unemployed.¹³ The need to have a structure imposed from external sources on your everyday life could seem to belong to the period before postindustrial society and postmaterialist value change. But it is important to note that 'being free from having to go to work' is only infrequently considered an advantage, and that only a few (29 per cent) indicate 'more energy' as an advantage. Work, all in all, gives more energy than it takes.¹⁴

13) In accordance with classical perspectives, however, it is the aspect that is most strongly related to well-being and life satisfaction, closely followed by the time and energy indicators, however.

14) Having more time to your family does not unambiguously mean improved relations, either. When asked whether unemployment had affected family life to the worse or the better, 22 per cent answered better and 13 per cent worse; for relations to one's children, the figures were 38 per cent and 9 per cent, respectively; but for relations to spouse, only 19 per cent reported a positive effect and 23 per cent a negative effect. As to friends, most people reported no change. Finally, and in accordance with calculations of economic incentives (Smith 1998), 69 per cent reported a worsened economic situation, 6 per cent improvements, and 25 per cent no change. But unlike economic hardship, the latter variable did not correlate very strongly with well-being.

As mentioned above, there were very small gender differences in experiences of problems: Unemployment as such is as unpleasant to women as to men, in a society where women have for decades been fully integrated at the labour market. However, when it comes to advantages, there are quite big gender differences. This does not pertain to such issues as ‘not having to go to work’ but women feel it more easy to see the advantages of having more time for other activities than work, as compared to men.. Only time for recreational activities is as highly valued among men as among women; not surprisingly, the gender difference peaks when it comes to ‘more time for your family’ which is mentioned by 73 per cent of unemployed women, as compared to 52 per cent of unemployed men in our sample. This seem to lead to the conclusion that work is as important for women as for men but women have more alternatives and are therefore more able to cope with an unemployment situation.

5. Economic insecurity or joblessness as source of distress

The emphasis on economic problems is remarkable as Denmark is usually portrayed as the EU country with far the lowest frequency of poverty among the unemployed - with estimates of relative poverty ranging from 3 to 8 per cent (Commission 1995; 1997; Hauser and Nolan 2000: 40-44; Gallie, Jacobs and Paugam 2000) - at least among the 12 member countries before 1995 (see also Kazepov and Sabatinelli 2001). Unemployment benefits are not particularly generous but up to a relatively low ceiling, they provide a high compensation of 90 per cent of previous earnings - in practice, it is a very good basic security - and a flat-rate benefit for the majority (Clasen, Kvist and van Oorschot 2001:208); besides, the large majority of the unemployed receive unemployment benefits rather than social assistance. But as indicated by Table 7, the experience of economic hardship among the unemployed is nevertheless quite widespread even in Denmark.

Table 8. Experience of economic problems among employed, unemployed, and early retired, 1999, among persons who were long-term unemployed by 1994. Percentages.

	Unemployed	Early retired	Employed
Sometimes had difficulties paying current expenses	39	14	24
Not possible to pay an unexpected bill (400)	64	22	24
Uncertain about economic future (3-5 years ahead)	54	25	26
(N) unweighted	158	206	399

wording.

1. Has it occurred within the last year that your household has had difficulties paying current expenses for food, rent, transportation, etc?
2. Has your economic situation during the last year allowed you to pay an unexpected bill of, say , 3.000 DkK?
3. Looking 3-5 years ahead, would you say you feel secure regarding your economic situation?

Thus, 39 per cent of the unemployed have experienced difficulties (at least occasionally) paying current expenses, as compared to 24 per cent among the employed and only 14 per cent among the early retired. No less than 64 per cent would not be able to pay an unexpected bill, and 54 per cent are somewhat uncertain about their economic future. Among those employed or early retired, the figures are about one quarter.

Table 9. Well-being during unemployment as compared with earlier, among long-term unemployed 1999. By economic hardship. PDI.

	economic problems		eta
	low/moderate	high	
General well-being	12	-33	.32***
Contact with friends/acquaintances	13	6	6
Alcohol consumption	4	-18	.25**
Killing time	2	-29	.26***
Loneliness	-10	-20	10
Self-confidence	-2	-35	.26**
Wish to work	30	22	6
(N) unweighted	99	80	

Index formed on the basis of the three questions in Table 7:

Current expenses: Often or sometimes=2 ; yes but seldom=1; else=0.

Unforeseen bill: No, can't pay=1; else=0.

Economic security: Very insecure=2 ; Somewhat insecure=1 ; else=0.

Index in this table is dichotomized: 0-1 = low/moderate ; 2-4 = high.

As it emerges from Table 9, our data also confirm the finding that well-being during unemployment depend very much on economic conditions. Economic problems do not have very high impact on contacts with friends or on feeling of loneliness. But self-confidence, killing time and in particular general well-being depend heavily on the respondent's economic situation. Even increased alcohol consumption is significantly related to economic hardship (although in this instance, the direction of causality might be less certain). Wish to work, however, is not positively related to feeling of economic hardship, rather the opposite.

Economic hardship also explain nearly all the difference in well-being between unemployed on unemployment benefits (average: -5) and social assistance clients (average: -28) in our sample;

among the former, ‘only’ 44 per cent experience serious economic problems, among social assistance clients, the figure is 69 per cent.¹⁵

The final question is to which extent differences in economic hardship also explain differences in well-being between unemployed, early retired and employed in our sample. At this point, it is a bit difficult to use the indicators of well-being above where people are asked specifically about effects of changes in their employment situation. Therefore we begin by the ‘conventional’ strategy of examining effects of employment status on overall life satisfaction (Table 10).

Table 10. Overall life satisfaction 1999 (scale 0-10), by current employment status and perceived economic hardship, among formerly long-term unemployed.

	unemployed	early retired	employed	total
small economic problems	7.74	7.88	8.03	7.94
big economic problems	6.25	6.74	6.96	6.61
total	7.00	7.67	7.86	7.63
(N) unweighted				
	82	165	342	589
	72	39	54	165
	154	204	396	754

wording:

All in all, how satisfied would you say you are with life these days? Imagine a scale from 0 to 10 where 0 means very satisfied and 10 means very dissatisfied.

As expected, we find a significant (but in fact, rather weak) association. However, in our sample, this mainly reflects the economic hardship of the unemployed as there is a strong association between economic hardship and life satisfaction (average values of 7.94 and 6.61 in the group with small and big economic problems, respectively). Among people with small economic problems, the effect of employment status is negligible, and among people with big economic problems, life satisfaction is much lower, regardless of employment status - it appears to be especially low among the unemployed but the difference between the three groups is not significant. In fact, much of the (insignificant) variation that remains is due to the dichotomiza-

15) Unemployed on unemployment benefits include three categories: People on leave, people on activation and ordinary unemployed (who constitute the large majority). People on activation may include a few social assistance clients. Unemployed on activation and in particular on leave experience higher levels of well-being than ordinary unemployed. Unemployed on social assistance feel more stigmatized than unemployed on unemployment benefits, but in our sample, this holds also for unemployed on activation, and it is financial hardship rather than stigmatization that explains most of the difference.

tion of the economic problems variable: If we use the detailed index, the association between employment status and overall life satisfaction almost evaporates.¹⁶

Thus the message could seem clear: Life satisfaction is not a matter of labour market position but one of economic situation. Lower life satisfaction among the unemployed can be almost exclusively explained by the economic hardship experienced among the unemployed, not by their marginalisation on the labour market. This runs completely counter to the dominant philosophy that has guided labour market reforms in Denmark since the mid-1990s, according to which labour market integration is considered indispensable for having a good life, and economic security is described as 'passive support'.

To draw this conclusion may be going to far, however. If we use perceived change in well-being associated with change in employment status as our dependent variable, a different picture emerges (table 11). As pointed out above, people who get unemployed, on average report a much larger decline in well-being if they at the same time experience economic problems whereas they even report a positive balance between improvements and deterioration (average PDI: +12) if they do not at the same time have economic problems. A similar but more weak pattern is found among the early retired. But the employed are happy to get a job, regardless of economic situation (PDI = +62 and +50, respectively). Statistically speaking, we find a highly significant effect of change in employment status, a strong but to some extent spurious effect of economic situation (which does remain significant after controls, however), and a significant interaction effect (as the effect of economic problems depend on employment status). These effects are summarized in the MCA analysis in appendix 2.¹⁷

16) The explanatory value of economic hardship is significantly higher in our survey than what was found in analyses of the European Community Household Panel (ECHP) survey (Whelan and McGinnity 2000). However, there are several differences: First, the study here includes only long-term unemployed. Secondly, there are differences in dependent variable (overall life satisfaction versus composite index of satisfaction with main daily activity, housing situation and financial situation), as well as independent variables (economic hardship versus lifestyle deprivation as measured by possession of e.g. consumer durables). Given these operationalisations, there is bound to be strong correlations between both lifestyle deprivation and employment status and satisfaction. Importantly, both studies follow register- or self-defined unemployment rather than ILO criteria which are very unreliable in the Danish case (Goul Andersen 2001c); this holds especially for long-term unemployed where about one-half do not meet the ILO criteria (Goul Andersen 1996) - and those who do not meet the ILO criteria tend to be the most satisfied (Goul Andersen 1995). However, fulfilling the ILO criteria in 1994 has no causal effect at all on the propensity to be in employment by 1999.

17) Addition of other variables affecting life satisfaction etc. tend to improve the explained variance somewhat but has virtually no impact on the associations described above. Also, using variables with more categories rather than dichotomized ones or PDI's (=trichotomized) only has marginal impact on the strength of the associations.

Table 10. Change in general well-being associated with change in employment status to present status, by current employment status and perceived economic hardship, among formerly long-term unemployed. PDI.

	unemployed	early retired	employed	total
small economic problems	12	34	62	46
big economic problems	-33	3	50	1
total	-10	28	60	35

In short, the latter analysis provides a completely different picture. Now, these analyses are not completely equivalent, and there are some logical flaws in a straightforward interpretation of the latter. Most importantly, if people experience economic hardship, it is not very surprising that they are happy to get a job - to some people, this may even improve the increase in well-being. Thus, even if economic problems were the only thing that *did* matter about change in employment status, we could not expect that people should not care about going from unemployment to employment.¹⁸ And certainly we should not expect economics to be the only thing that matters about employment. Rather, we should expect economic problems to be among the things that matters mostly about unemployment, and this is clearly confirmed.

6. Conclusions

This paper has tried to test some of the premises underlying the changing strategies of social citizenship in Western Europe that give very high priority to activation policies, not just as a supplement, but also as an alternative, to generous social security for the unemployed. While testing only some aspects of well-being and life satisfaction here, we are nevertheless able to draw some quite significant conclusions:

- Most people who left unemployment in favour of early retirement (and who could on purely formal criteria be considered entirely ‘excluded’) do not report negative changes in well-being - rather the opposite, provided that they have the necessary economic resources.
- People clearly prefer to have a job from being unemployed but contrary to the ‘deprivation perspective’ underlying public policies, we found strong indications that most of the unemployed were able to cope with their situation. Reported effects of

18) This is confirmed by the fact that in this case, we can obtain a higher explained variance simply by using one of the economic questions, namely the future-oriented question of economic insecurity when looking 3-5 years ahead. Here we observe as much effect of the economic variable among early retired as among the unemployed; however, even if the effect increases slightly among the employed, PDI’s remain positive and high even among those who feel insecure about the future.

unemployment on well-being were not very good but neither were they *that* bad. More specifically, in a number of respects, the effects on well-being were rather small, and employed and unemployed agreed that unemployment gave the opportunity to have more contact with friends and acquaintances. Feeling of loneliness and isolation was not widespread, and people rarely reported about problems of purpose and structuring everyday life. But they did complain about feeling dependent, and in particular about economic hardship. But this is to a large extent a matter of more generous and 'empowering' policies vis-a-vis the unemployed *qua* unemployed.

- As to 'dependency culture', we found no signs whatsoever; on the contrary, we found that even among the most 'unemployable', far the most were married to a person in ordinary employment, and most friends were also employed. Further, wishing to get back to a job was increasing with duration of unemployment, and we found complaints about 'feeling dependent'. As to incentives, this will be examined in much more detail elsewhere; here it was only necessary to ask whether we could find indications that more generous policies vis-a-vis the unemployed would have negative effects on job motivation. And at this point, the conclusions are clear: There is no positive association between economic hardship and wish to have a job, and there is absolutely nothing to indicate that increased well-being among the unemployed would have negative effects on their job chances. Furthermore, we even found a zero association between wanting, seeking and being available for at job, as well as willingness to accept *any* job, one the one hand, and subsequent success on the labour market on the other: There was absolutely nothing in our data that could to legitimize tightening conditions of the unemployed in order to improve their employment chances.
- Perhaps the most significant finding is the overwhelming importance attached to economic insecurity among the unemployed, and the impact of economic insecurity on life satisfaction and well-being. This is nothing new; but it has certainly not been much on the agenda. As economic insecurity depends on the strategies pursued in public policies, it seems difficult to escape the conclusion that considerable improvements could be obtained at a relatively low cost - without any detrimental effects on motivation or flexibility among the unemployed. In short, there are strong arguments to oppose further retrenchment and perhaps even (an unthinkable idea!) to reverse some of the retrenchments that have taken place during the 1990s - *even if* one accepts the premise of having to curtail public expenditure and the premise that it is important to avoid negative incentive *effects*. This is in line with earlier Norwegian findings (Halvorsen 1995; Johannessen 1995) but certainly not in line with the changed social policy paradigm in Western Europe these years which dictates to 'make work pay' and is based on the philosophy of social integration through work only.

- Still, this should not overshadow that work *is* important: Feeling of autonomy to some extent depend on having a job, regardless of welfare policies, and the loss of self-confidence in a work-oriented society is a severe problem for many unemployed people. In short: For most people, work *does* provide quality of life that cannot simply be compensated for by economic security. But it is a serious failure to believe that economic security can be dispensed with, and even in a country like Denmark that is usually considered generous towards the unemployed, retrenchment appears to have gone too far, even evaluated on criteria that are in conformity with economic ideals of competitiveness, efficiency and flexibility.

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Appendix. The Panel Survey:

The panel study forms part of the project 'Unemployment, marginalisation and citizenship: The Danish welfare state in a comparative perspective' (Grant 9700417 from the Danish Social Science Research Council (SSF)). The survey was coordinated with a project on early retirement, directed by Per H.Jensen. The Danish study also forms part of a comparative Nordic Project on 'Unemployment, early retirement and citizenship: Marginalisation and integration in the Nordic countries' (Jørgen Goul Andersen, Per H.Jensen, Knut Halvorsen, Einar Overbye, Asbjørn Johannessen, Gunnar Olofsson, Stefan Svallfors, Olli Kangas, Heikki Ervasti), financed by the Nordic Social Science Research Council (NOS-S). The programme 'Democracy and Political Power' has co-financed an expansion of the citizenship aspect of the study. For a description of the project, see home page:

<http://www.socsci.auc.dk/ccws/projects/BChangingLabourMarkets/b1.htm>

The panel consists of a nation-wide sample of long-term unemployed in 1994 (drawn at random from administrative registers) who were reinterviewed in 1999. The sample was disproportionately stratified on five strata: Insured 18-24 years; non-insured 18-24 years, insured, 25-59 years, non-insured 25-59 years, and people on activation. From a gross sample of 2000 persons, 1528 interviews were obtained in 1994. All of these were sought reinterviewed in 1999, along with a few who were not successfully contacted in 1994. In all, 1113 persons were interviewed in 1999, that is, 56 per cent of the original gross sample.

The sampling criterion in 1994 was three months of uninterrupted unemployment prior to sampling. As there was three months between sampling and interviewing, only 1251 respondents were still without work at the time of interviewing. These 1251 persons constitute a representative sample of people with an unemployment period of at least six months prior to interviewing. Among these, 831 respondents, that is, 66 per cent, were reinterviewed (by telephone) in 1999. The remaining 282 respondents in the 1999 survey were not included in the analysis. Because of disproportional sampling, data are weighted (keeping total N constant). However, weighting does not affect the results in a statistically significant way.

Appendix table. MCA analysis.

	life satisfaction			change in general well-being (1-5 scale)		
	average	uncontrolled category effect	controlled category effect	average	uncontrolled category effect	controlled category effect
Employed	7.86	.23	.14	2.00	-.43	-.39
Unemployed	7.00	-.63	-.31	3.16	.73	.63
Early retired	7.67	.07	-.2	2.56	.13	.15
eta/beta		.17	.09		.41	.36
small econ.problems	7.94	.31	.28	2.26	-.16	-.10
big econ.problems	6.61	-1.03	-.93	2.93	.51	.30
eta/beta		0.29	0.26		.25	.15
R ²			9.1			18.5