

Chapter 3

Well-being and the global financial crisis

How did people's life change during the global economic and financial crisis? In the wake of the crisis, household income and wealth, jobs and housing conditions deteriorated and have not completely recovered yet in many OECD countries. This had the effect of increasing poverty and inequalities, especially among young people and low-skilled workers. The number of discouraged workers and inactive people has increased, as did perceived work-life conflicts for employed people. Clear negative trends have also emerged in subjective well-being and civic engagement, with increasing levels of stress, lower life satisfaction and decreasing trust in national governments. Trends in other well-being dimensions, such as health and social connections, are less clear. Information on short-term trends in well-being is limited, however, and there is a need to improve the timeliness and frequency of the statistical base used to guide short-term policy decisions in order to better take into account households' perspective.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Introduction

This chapter uses the *How's Life?* well-being framework presented in Chapter 1 to assess trends in a range of economic and non-economic well-being outcomes since the start of the global economic and financial crisis¹ at the end of 2007. It focuses on short-term developments in the *How's Life?* dimensions where changes are likely to have been the most visible between 2007 and 2012. These dimensions include income and wealth, jobs and earnings, health status, civic engagement, subjective well-being and social connections. While there is also research on how the crisis may have affected other dimensions of well-being that are not considered in this chapter (e.g. education and skills or personal security, e.g. Dao and Loungani, 2010; Chowdury et al., 2013; OECD, 2013), these impacts are usually visible in the medium to longer-term only: developments in these fields are therefore not discussed here, as data are not yet available to present statistical evidence. The chapter does not attempt to present any systematic inferences or analyses of the “causal” impacts of the crisis on well-being outcomes (i.e. isolating the impact of the crisis from other drivers). Its main objective is to present evidence on the most recent changes in people’s well-being.

The evidence presented in this chapter relies mainly on the *How's Life?* headline outcome indicators for the dimensions selected above, as these indicators provide the best available evidence for international comparisons of well-being. However, these indicators may not be sufficiently detailed to capture all the well-being implications of the crisis as they are not compiled on a sufficiently frequent and timely basis and mainly refer to the population as a whole rather than specific groups that may have been most exposed to the crisis (e.g. the unemployed). Supplementary indicators, as well as indicators that are disaggregated by age and socio-economic status, are therefore also used, along with evidence from available research, to provide additional information on recent trends in people’s well-being. While the chapter covers the majority of OECD countries, changes in well-being outcomes are discussed in more detail for Europe and the United States as these are the areas that have been the most affected by the global financial crisis.

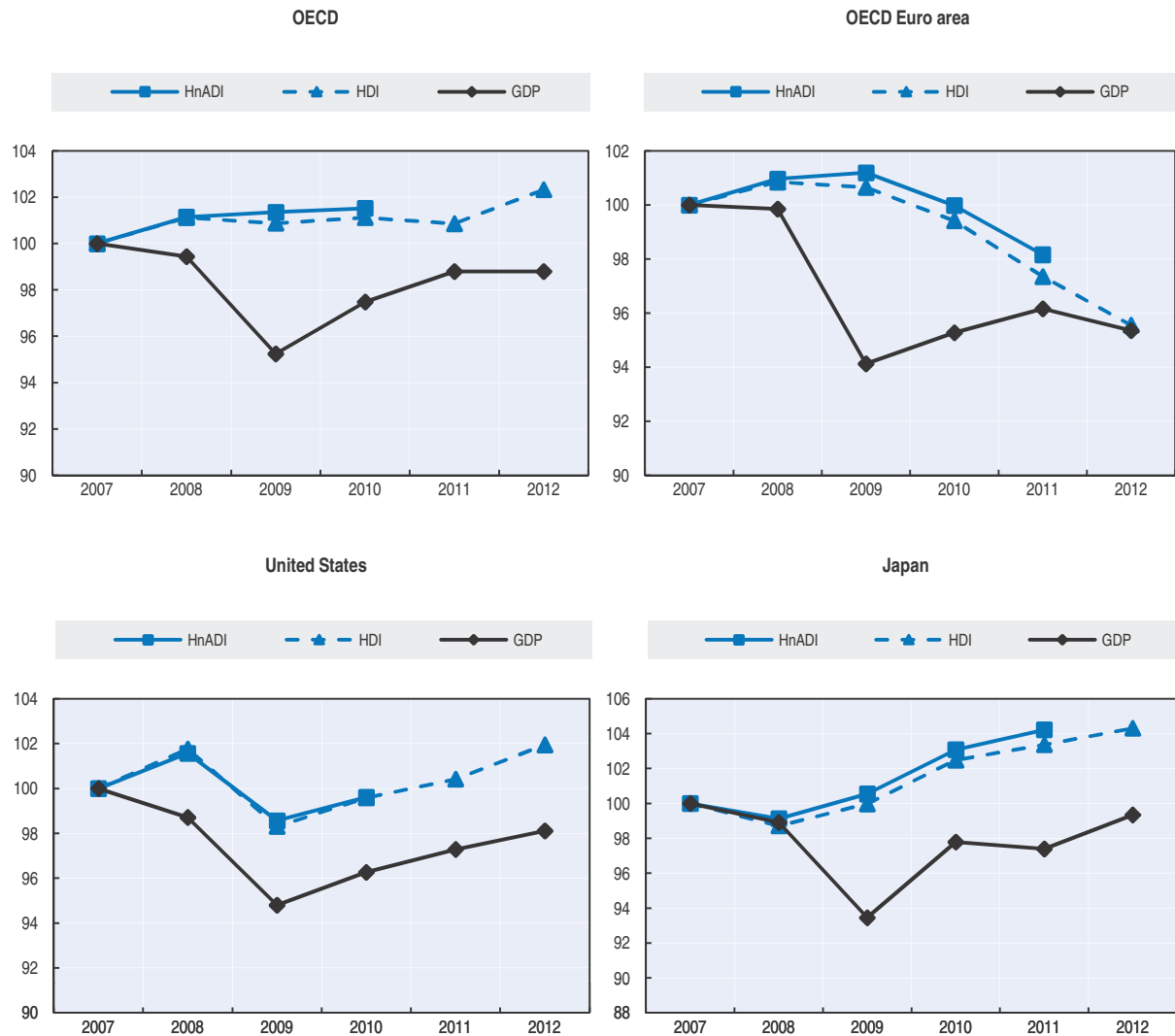
The chapter only discusses evidence from the global financial crisis. It does not provide an analysis of other economic and financial crises nor of the specific characteristics of the sovereign debt crisis that some countries are facing. Finally, the chapter does not take any stance on whether well-being outcomes observed before the crisis were sustainable or not; therefore, it does not make any judgment on whether the observed changes in well-being indicators could be interpreted as a “return to some equilibrium” in some countries.

Income and wealth

Between 2007 and 2009, real GDP per capita declined by almost 2.5% per year in the OECD area as a whole, with slow growth resuming since 2010. Between 2010 and 2011 real GDP per capita increased by 1% and remained flat in 2012. In 2012, the level of real GDP per capita was, for the OECD area as a whole, still 1% below its pre-crisis level. By contrast, national accounts measures of real household net (adjusted) disposable income per capita (HNADI, the *How's Life?* headline indicator) showed more resilience than real GDP per


Figure 3.1. Trends in real GDP and in real household income during the crisis

Per capita, US dollars at 2005 PPPs, 2007 = 100



Note: Households include non-profit institutions serving households, except for New Zealand. Private consumption of Households is used as deflator for the Household net disposable income (HDI), while actual individual consumption is used as a deflator for the household net adjusted disposable income (HNADI). The OECD average excludes Chile, Israel, Iceland and Turkey. Data on real GDP per capita for the OECD area as a whole are based on OECD estimates for New Zealand in 2010; and on OECD estimates for Australia, Canada, Israel, Japan, Mexico and New Zealand in 2011. Data on real household net disposable income for the OECD as a whole are also based on OECD estimates for Australia, Canada, New Zealand and Switzerland in 2011. All 2012 values are estimates based on OECD *Economic Outlook*, No. 93. Household net disposable income estimate for 2012 for OECD excludes Greece.

Source: OECD (2013a), *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/na-data-en>; Statistics New Zealand; OECD (2013), *OECD Economic Outlook: Statistics and Projections* (database), <http://dx.doi.org/10.1787/16097408>; OECD (2013), *OECD Economic Outlook*, Vol. 2013/1, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_outlook-v2013-1-en; OECD calculations.

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capita, with continued growth, albeit at very modest rates (Figure 3.1). In particular, real household net (adjusted) disposable income per capita grew by 1% in 2009, when real GDP per capita was falling most sharply (by 4%).

Across OECD countries, however, both the timing and the magnitude of changes in real household disposable income per capita have differed markedly. In the euro area, the impact of the economic crisis on real household income was more delayed than elsewhere but also,

overall, more severe: real household disposable income per capita continued to increase up to 2009 and started to decline from 2010 onwards. Between 2009 and 2012, real household disposable income per capita dropped by more than 1% per year, with the largest decline occurring in 2011, when real GDP per capita had started to pick up again. In 2012, both real GDP and household net disposable income per capita dropped again. Overall, since the start of the crisis, the largest declines in real household disposable income in Europe have occurred in Greece (by more than 10% in both 2010 and 2011), Ireland (by nearly 3% in 2010, and by more than 4% in 2011), Hungary (by 4% in 2009 and by 3% in 2010), Italy (by 3% in 2009 and by around 1% in both 2010 and 2011), Portugal (by 5% in 2011) and Spain (by above 4% in 2010 and by 3% in 2011). By contrast, Norway, Poland and Switzerland experienced a significant increase in real household disposable income (by 2% per year or more).

In the United States, changes in household net adjusted disposable income reflect more closely movements in GDP, in terms of both timing and size: real household disposable income per capita and real GDP per capita contracted by around 4% in 2009, with growth in both aggregates resuming from 2010 onwards. By the end of 2012, real GDP per capita was almost back to its pre-crisis level while real household net disposable income was 2% higher than in 2007. In other (non-European) OECD countries, real household net (adjusted) disposable income was generally more resilient to the crisis than real GDP per capita, notably in Korea and Japan (Figure 3.1), as well as in Canada and Australia (Figure 3.A1.1 in Annex 3.A1).

These different patterns in real household net disposable income per capita across the OECD area reflect diverse patterns for both primary income (i.e. the sum of compensation of employees, property income and operating surplus) and secondary income (i.e. social transfers in kind received, cash transfers from the public sector, and taxes and social security contributions paid by households), the two broad components of household adjusted disposable income.

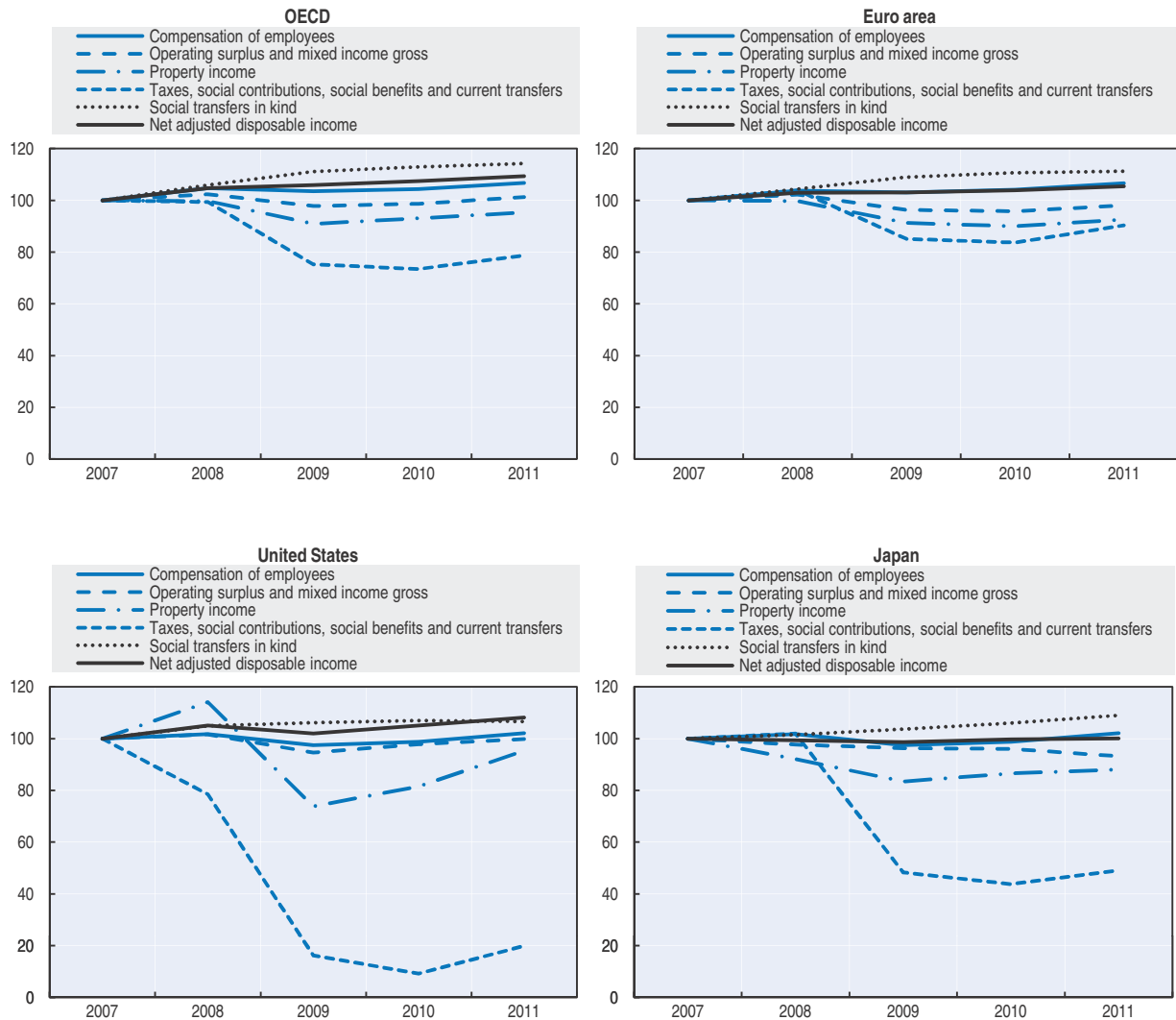
For the OECD area as a whole, household primary income per capita fell only in 2009 (by 2.6%) and increased from 2010 onwards (by more than 1% per year, Figure 3.2). The fall in primary income per capita mainly reflected the decline in operating surplus (minus 4% in 2009) and in property income (minus 9% in 2009), as compared to a more modest fall in compensation of employees (minus 1% in 2009). Between 2007 and 2011, net transfers paid by households fell by 20%, while social transfers in kind increased by 10%.

In the euro area, the fall in primary income per capita followed a similar pattern to that of the OECD area as a whole, although both property income and operating surplus continued their decline in 2010 (Figure 3.2). However, in contrast to patterns prevailing in the OECD area as a whole, the redistribution of income through taxes and transfers towards households sustained primary income only up to 2009; from 2010 onwards, net transfers paid by households started increasing again, while social transfers in kind stagnated.

In the United States, the large fall in household primary income in 2009 (minus 8%) resulted from a plunge in property income (minus 40%), a large decline in income from self-employment and dwellings (minus 7%) and a smaller drop in compensation of employees (minus 4%); conversely, secondary income (i.e. the income that government redistributes to households) increased substantially just after the crisis (Figure 3.2). A similar pattern occurred in Japan, where primary income fell significantly in 2009 as a result of large declines in compensation of employees (minus 4%) and property income (minus 9%), while secondary income increased significantly as a result of a strong reduction in net transfers paid by households.


Figure 3.2. **Components of household adjusted net disposable income**

2007 = 100



Note: OECD excludes Australia, Canada, Chile, Israel, Iceland, Switzerland and Turkey.

Source: Calculations based on OECD (2013a), OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en>.

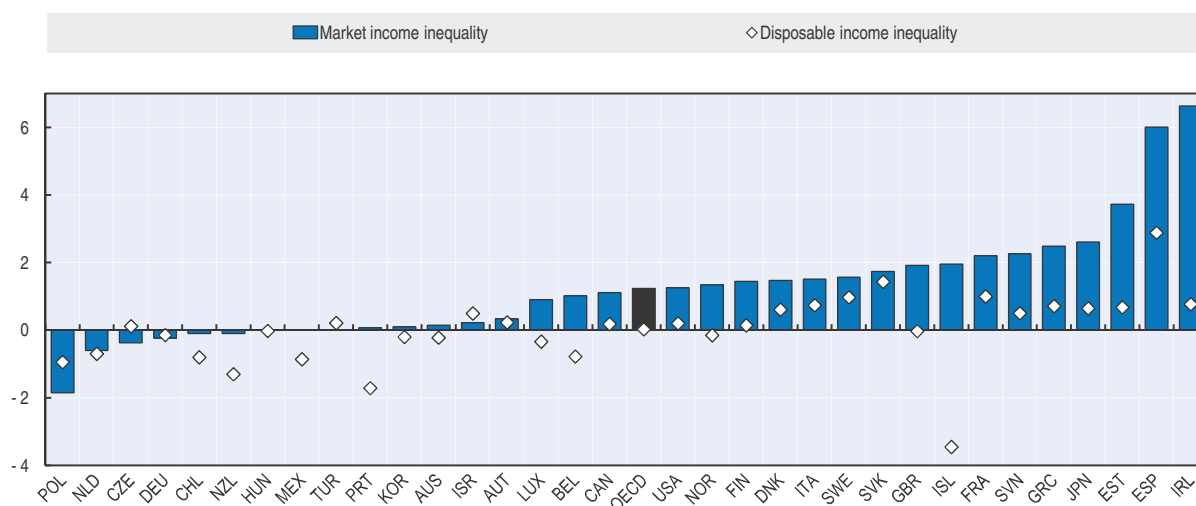
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Movements in secondary income per capita reflected the operation of both automatic stabilisers and discretionary changes in fiscal policies. While both elements supported household income in the early stages of the crisis up to 2009, general government deficits started to narrow in 2010, as fiscal consolidation became a policy priority and economic activity recovered timidly in some countries. The reduction of the government structural primary deficit was the largest in the euro area, and was associated with a large decline in real household disposable income per capita.

How have these changes in macro-statistics on household income affected households with different characteristics? According to household microdata,² average household income fell by 2% per year in real terms between 2007 and 2010 (the latest year available at the time of writing). Low-income households were more affected by this contraction than those at the top of the distribution (OECD, 2013d). Measured by the Gini coefficient, a


standard measure of income dispersion, inequality in household disposable income in the three years to 2010 edged up in a majority of OECD countries, but with virtually no change for the OECD area as a whole (Figure 3.3). Changes in income inequality were, however, much more significant when looking at pre-tax income inequality, for which the Gini coefficient increased by 1.4% points in the three years to 2010, a larger rise than that recorded in the previous twelve years. These increases in market income inequality were particularly large in Ireland (8%) and Spain (6%), and also significant in Estonia, Hungary, Japan, Greece, Slovenia and France. The different evolution of inequality measures for market income and for disposable income reflected the mitigating effects of welfare systems, as tax and benefit systems, reinforced by fiscal stimulus in the early phase of the crisis, offset most of the negative impact of the crisis in that period (OECD, 2013d).

Figure 3.3. **Inequality in household market income and disposable income**
Percentage point change in the Gini coefficient, 2010 versus 2007



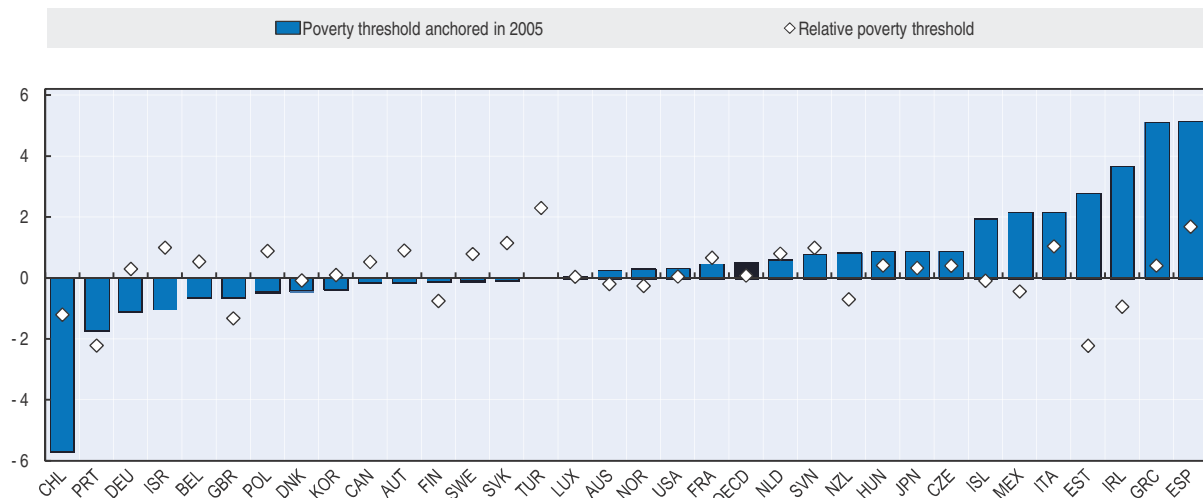
Note: 2007 data refers to 2006 in the case of Chile and Japan; and to 2008 in the case of Australia, Finland, France, Germany, Israel, Italy, Mexico, New Zealand, Norway, Sweden and the United States. 2010 data refers to 2009 in the case of Hungary, Japan, and Turkey; and to 2011 in the case of Chile. 2010 data are provisional in the case of Austria, Belgium, the Czech Republic, Estonia, Finland, Greece, Iceland, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, the Slovak Republic and Slovenia. Household incomes are adjusted for household size. Market incomes are reported net of taxes in Hungary, Mexico and Turkey.

Source: OECD (2013b), "Income Distribution", *OECD Social and Welfare Statistics* (database), <http://dx.doi.org/10.1787/data-00654-en>.

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Similar developments are evident when looking at households the lower end of the income scale (Figure 3.4). Relative income poverty, based on a threshold set at half of median household income, remained stable, on average, in the OECD area between 2007 and 2010, with strong increases in Turkey and Spain and strong declines in Estonia and Portugal.³ On average, relative income poverty rose among children and youth, while it declined among the elderly (OECD, 2013d). However, when measured against a threshold anchored to half of the median income in 2005 (and adjusted for inflation in later years), poverty in the OECD area increased more significantly between 2007 to 2010, with rises of 5 points or more in Ireland, Spain and Greece. As most of the fall in National Accounts household disposable income occurred after 2010 in the euro area, the rise in "anchored" poverty in this region is likely to be higher after 2010 as more up-to-date data become available.⁴

Figure 3.4. Income poverty rates
Percentage point changes in relative and “anchored” poverty rates between 2007 and 2010



Notes: 2007 data refers to 2006 in the case of Chile and Japan; and to 2008 in the case of Australia, Finland, France, Germany, Israel, Italy, Mexico, New Zealand, Norway, Sweden and the United States. 2010 data refers to 2009 in the case of Hungary, Japan, and Turkey; and to 2011 in the case of Chile. 2010 data are provisional for Austria, Belgium, the Czech Republic, Estonia, Finland, Greece, Iceland, Ireland, Italy, Luxembourg, Poland, Portugal, Spain, the Slovak Republic and Slovenia. Household incomes are adjusted for household size. Market incomes are reported net of taxes in Hungary, Mexico and Turkey. Changes in relative income poverty are measured relative to a threshold set at 50% of median income in each year. Changes in poverty “anchored” in time are based on a threshold set at 50% of median income in 2005, which is kept constant in real terms in later years. Estimates for anchored poverty are not available for Switzerland and Turkey.

Source: OECD (2013b), “Income Distribution”, OECD Social and Welfare Statistics (database), <http://dx.doi.org/10.1787/data-00654-en>.

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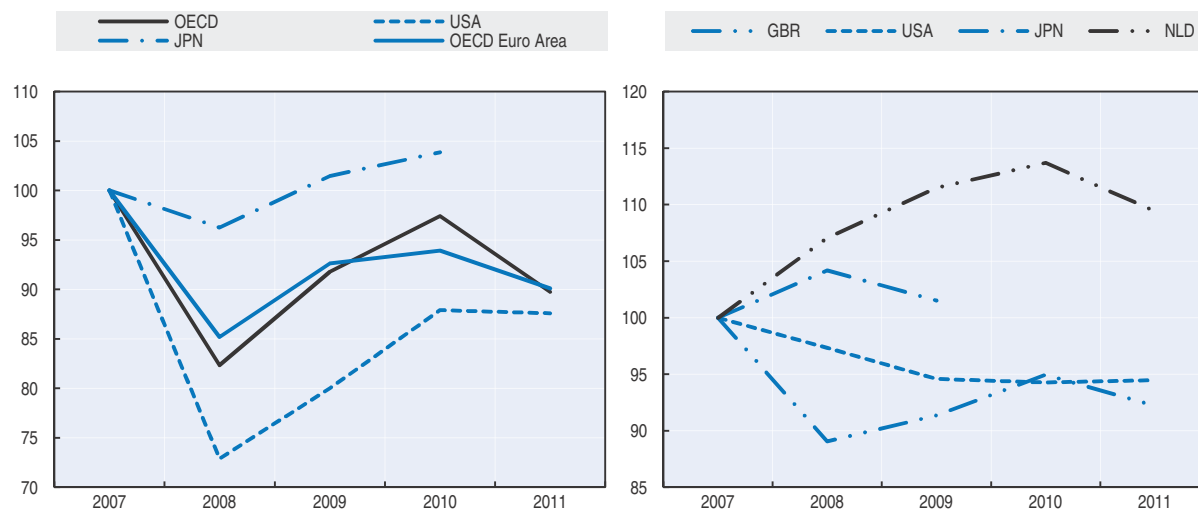
During the crisis households also experienced large financial losses, as witnessed by a sharp increase in the number of household insolvencies and personal bankruptcies; for instance, in Spain private insolvencies increased by 50% per year in the period 2008-11, while in France and the Netherlands the increase was 20%. Personal insolvencies also rose in other countries such as Austria, the United Kingdom, Finland and Sweden, although at lower rates (Creditreform, 2012). In the United States, the increase in private insolvencies between 2009 and 2011 is estimated above 10% (Liu and Rosemberg, 2011), and has been shown to be significant in Canada too (Allen and Damar, 2012).

For the OECD area as a whole, net financial wealth per capita (the *How's Life?* headline indicator) declined by nearly 20% in 2008 (Figure 3.5, left-hand panel). This was followed by a recovery of 7.5% per year between 2008 and 2010 and by a new decline of 7% in 2011, with the rebound in financial markets pushing growth of net financial wealth into positive territory in 2012.⁵ However, this overall trend masks diverse patterns across OECD countries, in terms of both the initial impact of the crisis in 2008 and of the subsequent recovery in household balance sheets. Households in Greece, Ireland and Poland were more severely affected by the crisis, with their net financial wealth declining by more than 30% in 2008. Overall, households living in the euro area experienced smaller financial losses in 2008-10 but in 2011 their net financial wealth was still significantly lower than in the pre-crisis period. Japan and Luxembourg were the only two OECD countries that did not record a decline in households' net financial wealth in the wake of the crisis.

A rounded assessment of households' balance sheets requires however looking beyond financial wealth to consider non-financial assets, which in most OECD countries represent the largest form of household wealth. Information on non-financial assets is


Figure 3.5. **Household financial and non-financial wealth**

2007 = 100



Note: Household net financial wealth is expressed in US dollars at 2005 PPPs per capita.

Source: Calculations based on OECD (2013a), OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en>.

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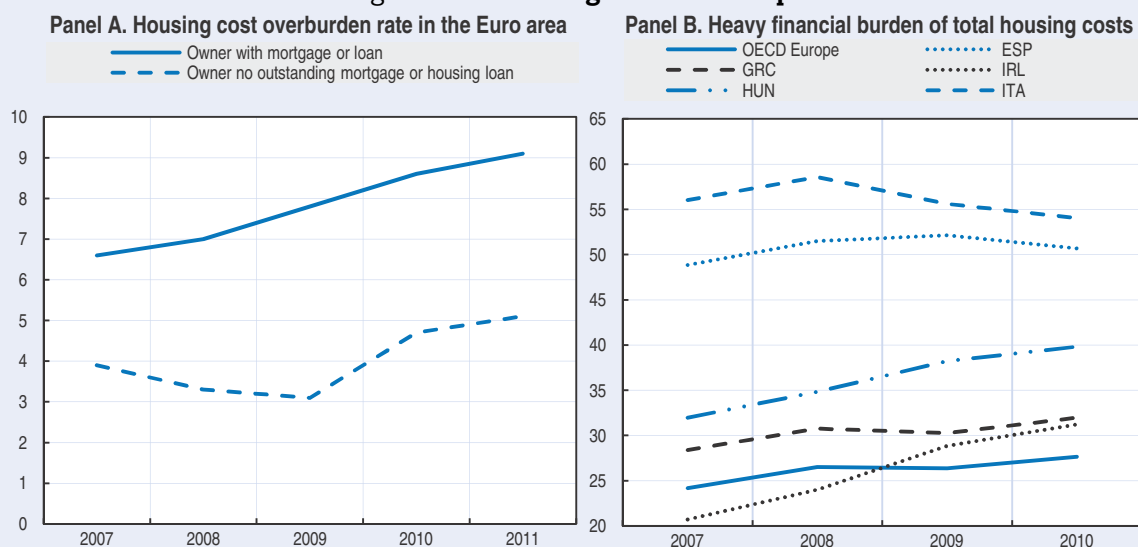
more limited and less comparable.⁶ Nevertheless, among the countries where data are available, the National Accounts value of household dwelling per capita declined significantly since 2007 in both the United Kingdom and the United States (up to 2011) (Figure 3.5, right-hand panel). By contrast, dwelling wealth remained above 2007 levels in the other OECD countries for which similar information is available.⁷ Housing prices provide additional information on households' non-financial wealth during the crisis. Between 2007 and 2012, real housing prices declined by more than 15% in the OECD area, with the largest fall occurring in Ireland, Spain and the United States. In the United States, the fall in house prices has most affected median-income households, whose largest share of wealth is held in residential housing (Smeeding, 2012).

Although there is some evidence that the crisis has especially affected the balance sheets of the poorest households (e.g. Fonderville et al., 2010), little is known on the distribution of household wealth because of very limited comparable information in this area. Evidence from individual countries suggests, however, that changes in the distribution of household wealth can be quite different from those pertaining to the distribution of household income. In the United States, for example, mean household net worth declined by around 15% from 2007 to 2010, as compared to a 40% decline in median net worth (i.e. wealth inequality increased during the period, as measured in the *Survey of Consumer Finances*). The US *Survey of Consumer Finances* also shows that middle-class families lost the most wealth, in proportional terms, while those at the top had, by 2010, recovered all the wealth that they had lost in the recession. This pattern arises because middle-class losses in the housing market have been substantial and persistent. Indeed, home values for the middle class (their biggest asset) dropped 30% nationwide from their 2006 peak, with little sign of recovery (Smeeding, 2012). In Canada, the lowest-income households experienced higher rates of default during the crisis than other households (Allen and Damar, 2012). Beyond its effect on household balance sheets, the crisis also reduced households' capacity to cope with housing expenses (Box 3.1), increasing their financial insecurity.⁸

Box 3.1. The impact of the crisis on housing conditions in Europe and the United States


Beyond affecting the financial position of households, the crisis has also brought changes in housing conditions. The most obvious change pertains to the capacity of households to meet housing expenses. In Europe, the percentage of the population living in households whose total housing costs (net of housing allowances) exceeded 40% of their income increased marginally between 2007 and 2011, with more significant increases in Spain, Estonia and Ireland (from 7% to 9%) for owners who are still repaying their mortgages (Figure 3.6). The share of people reporting that total housing costs were a heavy burden has also increased since 2007, especially in countries where household disposable income has fallen the most, such as Greece, Hungary, Ireland and Spain (Figure 3.6, Panel B). Similarly, according to the 2012 wave of the *European Quality of Life Survey*, the percentage of European people reporting that it is quite or very likely they will need to leave their accommodation within the next six months because they can no longer afford it rose from 4% in 2007 to almost 6% in 2011.

Figure 3.6. Housing costs in Europe



Note: Panel A shows the percentage of the population living in households where the total housing cost (“net” of housing allowances) represent 40% or more of their equivalised disposable income in the euro area. Panel B presents the percentage of the population reporting that the total housing costs represent a heavy burden.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc.

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In Europe, self-reported housing affordability also deteriorated more significantly for people in the lowest income quintile, especially in countries experiencing the largest declines in housing markets or real GDP (Spain, Ireland). The share of poor households living in poor housing conditions (e.g. a leaking roof, damp walls, floors or foundation, or rot in window frames or floors) also increased between 2007 and 2010 (Eurostat, 2013). In Europe the crisis has also hit housing conditions through lower public budgets allocated to social housing, and longer waiting list for social housing (CECODHAS, 2012a and 2012b).

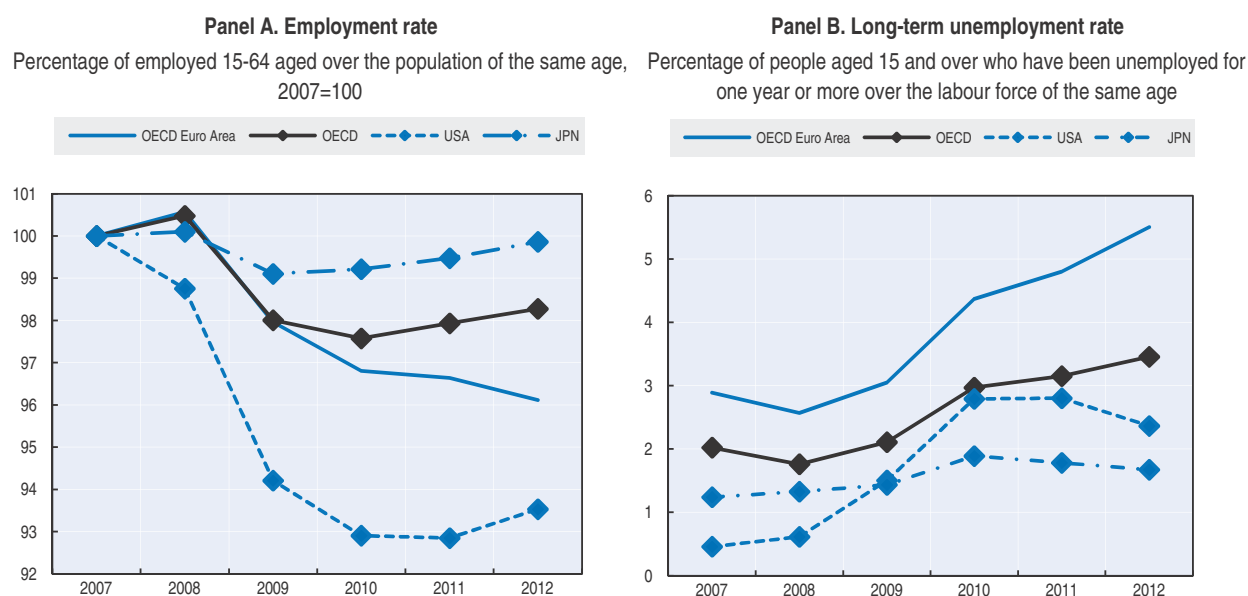
In the United States there is also evidence that the impact of the crisis on housing conditions went beyond the financial strain associated to it, and included:

- An increase in the number of “doubling up” moves. Doubling up occurs when an individual or family moves in with another household forming a multi-adult household. In the United States around 20% of households were affected by doubling up as either “mover” or “recipient”. Between 2011 and 2008 doubling up increased compared with 2004-07 (Collins and Smeeding, 2012; Seltzer et al., 2012).
- An increase in the number of “moving down” moves. Moving down occurs when the loss of a job or other adverse factors precipitates a housing crisis (e.g. foreclosure, eviction) that leads a household to move from ownership to renting or to a rent-free situation. In 2010 about 18.5% of all US households who doubled up moved down as well (Berger et al., 2012).


Jobs and earnings

Employment and labour market conditions have deteriorated markedly since the start of the global financial crisis. Between 2007 and 2011, employment rates (one of the *How's Life?* headline indicators) fell between 4 and 10 percentage points in Iceland, Slovenia, Portugal, the United States, Estonia and Denmark, and by more than 10 percentage points in Ireland, Greece and Spain (Figure 3.7, Panel A). Since 2011, employment rates have started to recover in the United States, while they have declined further in the euro area, thus paralleling trends in real GDP per capita in both areas. Throughout the crisis unemployment spells increased in the OECD area, with long-term unemployment doubling between 2008 and 2012. The increase in long-term unemployment rate was particularly large in the euro area (from 2.6% to 5.5% between 2008 and 2012) and smaller in Japan (from 1.3% to 1.7% between 2008 and 2012). In the United States, the sharp rise in the long-term unemployment rate observed between 2008 and 2010 came to a halt in 2010 and was followed by a decline in 2012.

Figure 3.7. **Employment and long-term unemployment rate**



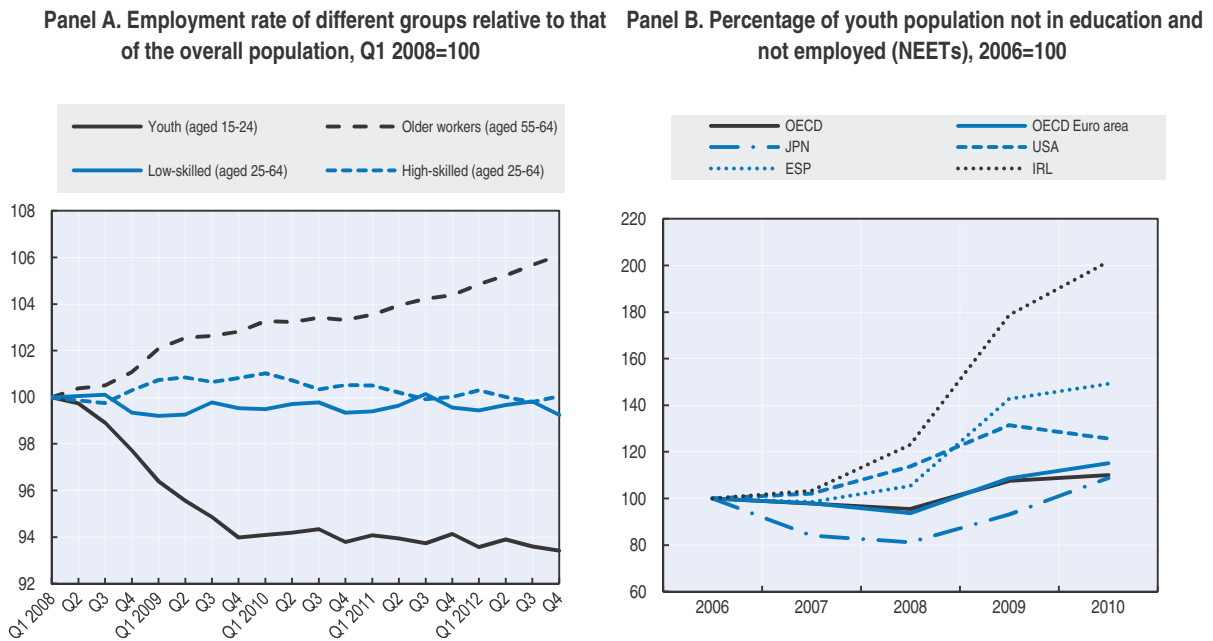
Source: OECD (2013c), *Labour Force Statistics* (database), <http://dx.doi.org/10.1787/lfs-lfs-data-en>; OECD calculations.

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Youth and low-skilled workers were the two groups experiencing the largest declines in employment rates (Figure 3.8, Panel A). In addition, between 2007 and 2010, the share of youth not in employment, education or training (the so-called NEETs) also increased by 1 percentage point in the OECD area (Figure 3.8, Panel B), with the highest increases observed in Ireland (7 percentage points) and Spain (6 percentage points) where NEET rates were already high before the crisis. The higher share of youth not in employment, education or training mainly reflected a rise in youth unemployment rates, although in Belgium, Ireland, Italy and Luxembourg the share of inactive youth not in *education or training* also increased significantly (OECD, 2012a).


Changes in unemployment rates mirror those in employment rates. In the OECD area as a whole, the unemployment rate started moving up towards the end of 2008, and continued its upward trend until 2012. Youth were among the most affected for the OECD area as a whole, the youth unemployment rate was above 16% in 2012 compared with 12% before the crisis. The

Figure 3.8. Youth and low-skilled workers in the labour market



Note: In Panel A the OECD is the weighted average of 34 countries for data by age, and 30 countries for data by education (excluding Australia, Chile, Japan and New Zealand).

Source: OECD (2012a), *OECD Employment Outlook 2012*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2013-en (Panel A); OECD (2012b), *Education at a Glance 2012: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2012-en> (Panel B).

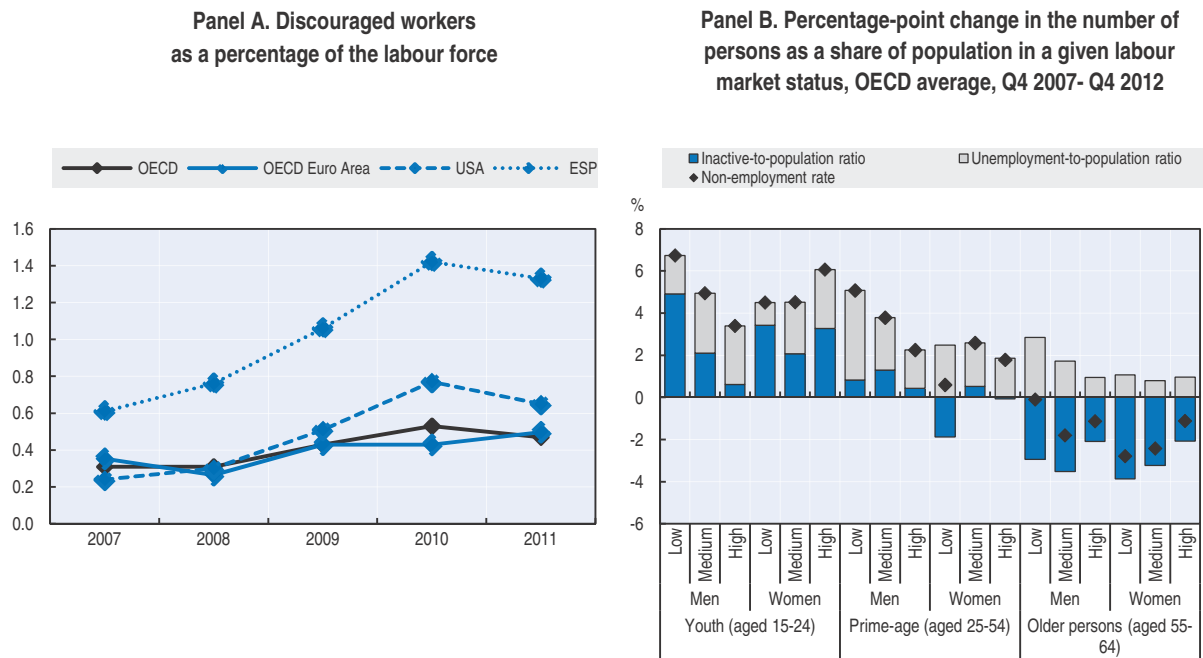
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youth unemployment rate was around 30% or above in Italy, Ireland, Portugal and the Slovak Republic, and above 45% in Spain and Greece. In general, the average duration of unemployment also increased during the crisis, with the probability of exiting from unemployment declining with the time spent in unemployment (OECD, 2012a).⁹ The lower probability of exiting unemployment resulted in an increase in long-term unemployment rates (those unemployed for 12 months and more; the second *How's Life?* indicator) in many OECD countries (Figure 3.7, Panel B). Long-term unemployment rates increased in particular in Iceland, Ireland, Estonia, Greece, Spain and the United States.

Beyond rising unemployment, many OECD countries also experienced an increase in the share of discouraged workers in the labour force (i.e. inactive persons who want and are available to work, but are not currently looking for a job because they believe that there are no jobs available). While national definitions of discouraged workers differ somewhat across countries, over the five years to 2011 their share increased by around 0.4% in Spain and the United States, where it started to decline in the course of 2012 (Figure 3.9, Panel A). In the euro area, however, the share of discouraged workers remained on an upward trend. In the OECD area as a whole, inactivity increased especially among youth and prime-age workers with low and medium skills, explaining most of the increase in non-employment for these categories of workers (Figure 3.9, Panel B).

Working conditions deteriorated for those who remained in employment during the crisis. In a majority of OECD countries, the share of people who work part-time because they cannot find a full-time job (i.e. involuntary part timers) went up, rising by around 1 percentage point for the OECD area as a whole between 2007 and 2011 (four times as much as in the five-year time period before the crisis, Figure 3.10).

Figure 3.9. Discouraged workers and inactive persons



Note: In Panel A, discouraged workers are persons not in the labour force who want and are available for a job and who have looked for work sometime in the past 12 months (or since the end of their last job if they held one within the past 12 months), but who are not currently looking because they believe there no jobs are available or there are none for which they would qualify. OECD euro area refers to 12 countries, as no data are available for Estonia, Italy and the Slovak Republic.

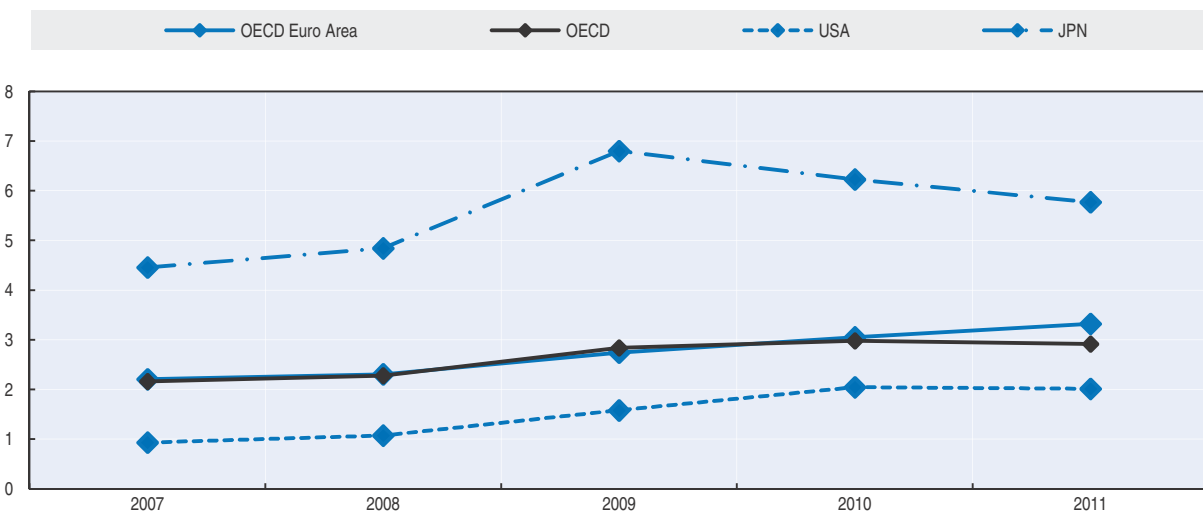
In Panel B, OECD is the weighted average of 28 countries: Austria, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

Source: : OECD Labour Force Statistics (database) <http://dx.doi.org/10.1787/lfs-lfs-data-en>; OECD (2013), *Employment Outlook*, OECD Publishing, http://dx.doi.org/10.1787/empl_outlook-2013-en.

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Figure 3.10. Involuntary part-time workers

As a percentage of total employment



Source: OECD (2013c), *Labour Force Statistics* (database), <http://dx.doi.org/10.1787/lfs-lfs-data-en>.

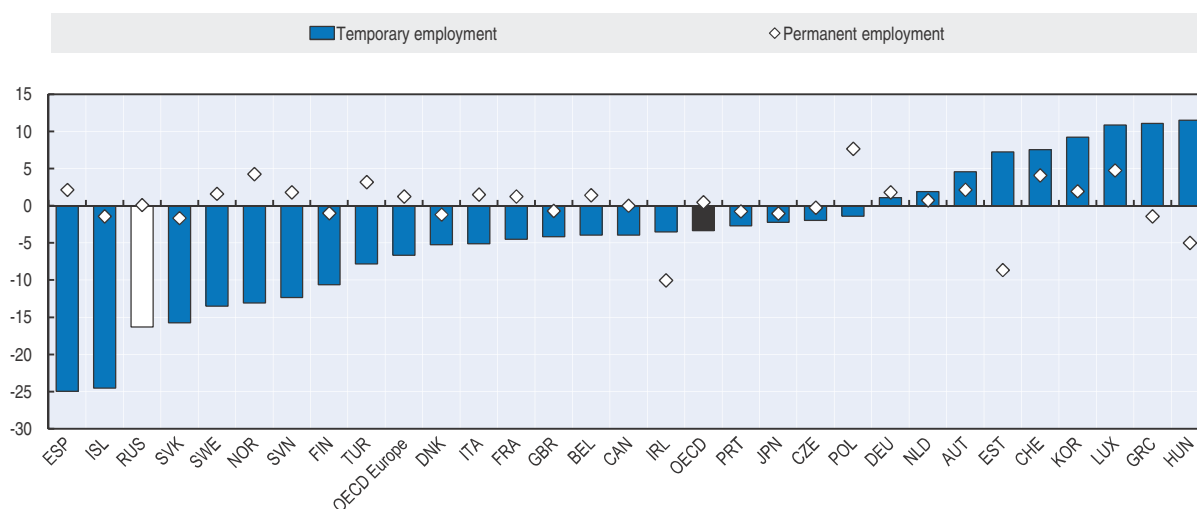
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Temporary workers bore the brunt of the job crisis as they were the first to be made redundant (Figure 3.11, Panel A). Temporary employment fell markedly in Spain, Iceland, the Russian Federation and the Slovak Republic, while it increased in Luxembourg, Greece and Hungary. However, as economic activity resumed in 2010, temporary work started increasing again in the OECD area (Figure 3.11, Panel B) reflecting a reluctance of employers to re-hire workers on open-ended contracts in times of continued economic uncertainty (OECD, 2012). Temporary work increased especially in Estonia and in the Slovak Republic.

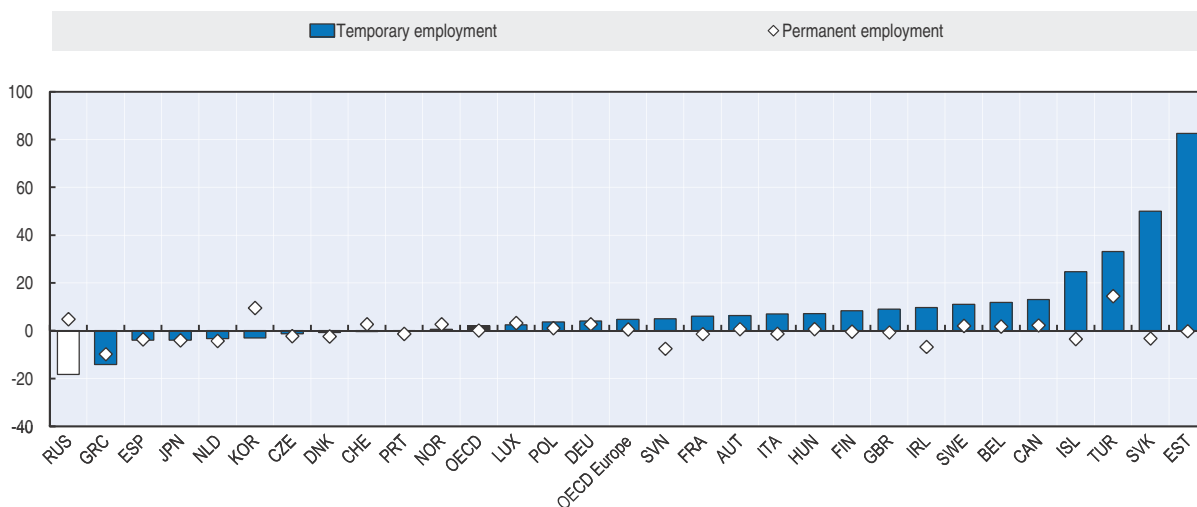
In Europe, there is also evidence that perceived work intensity increased during the crisis, while the overall effect on perceived job quality was ambiguous (Gallie et al., 2013). On the positive side, evidence from the *European Social Survey* highlights an up-grading of jobs (i.e. a move towards more qualified tasks) for those in work (Talhin, 2013) as well as an increase in workers' perceived job control (possibly reflecting employers' efforts to increase

Figure 3.11. **Temporary and permanent employment**


Panel A. Percentage change in temporary and permanent employment over the period 2007-09



Panel B. Percentage change in temporary and permanent employment over the period 2009-11



Source: OECD (2010), "Labour Market Statistics: Employment by permanency of the job", *OECD Employment and Labour Market Statistics* (database), <http://dx.doi.org/10.1787/data-00296-en>; OECD (2013c), *Labour Force Statistics* (database), <http://dx.doi.org/10.1787/lfs-lfs-data-en>.

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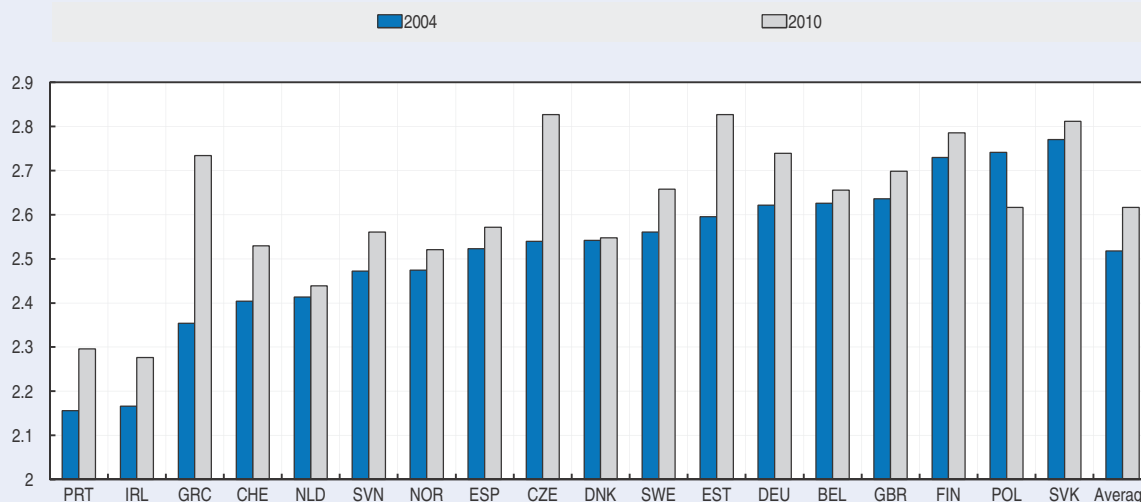
workers' commitment). On the negative side, there has been an overall reduction of employer-provided training, which was greater in the countries most affected by the crisis. In addition, evidence from the same survey suggests an increase in job polarisation (see Goos et al., 2013 for corroborating evidence) as well as higher work pressure especially in companies experiencing financial difficulties and staff dismissals. In turn, the increase in work intensity negatively affected work-life balance (Box 3.2).

Box 3.2. Work-life balance in Europe

Work-life conflict, as perceived by European workers, seems to have become somewhat more acute in the years after the start of the crisis (Figure 3.12), due to a combination of higher perceived work pressure, a rise in unsocial hours and an increase in perceived job insecurity (McGinnity and Russell, 2013). Perceived work pressure can be measured in the European Social Survey based on the following questions: "My Job requires that I work very hard"; and "I never seem to have enough time to get everything done in my job". Based on this definition, work pressure increased in several European countries over the period from the latest year available before the crisis (2004) to the latest year available after the crisis (2011). The increase was particularly strong in Southern countries, France and other Continental European countries. Increased work pressure may have originated from firms restructuring in the wake of the crisis but also from the increased financial strains on households hit by unemployment or pay cuts (Gallie and Zhou, 2013). Increased work pressure has also been accompanied by a rise in unsocial hours worked, especially in some countries severely hit by the crisis such as Greece, Spain and Estonia. Unsocial hours are particularly detrimental for work-life balance, notably with respect to family commitments (Barnes et al., 2006).


Figure 3.12. Perceived work-family conflict

Scale 0-5, average score, 2004 and 2010



Notes: The figure shows the average score to four questions: "How often do you keep worrying about work problems when you are not working?"; "How often do you feel too tired after work to enjoy the things you would like to do at home?"; "How often do you find that your jobs prevent you from giving the time you want to your partner or family?"; and "How often do you find that your partner or family gets fed up with the pressure of your job?". Each of these questions is asked on a scale from 0 to 5, where 0 is "never" and 5 is "always". Data are country-averages of individual responses to these questions from employees in couples, aged 20-64.

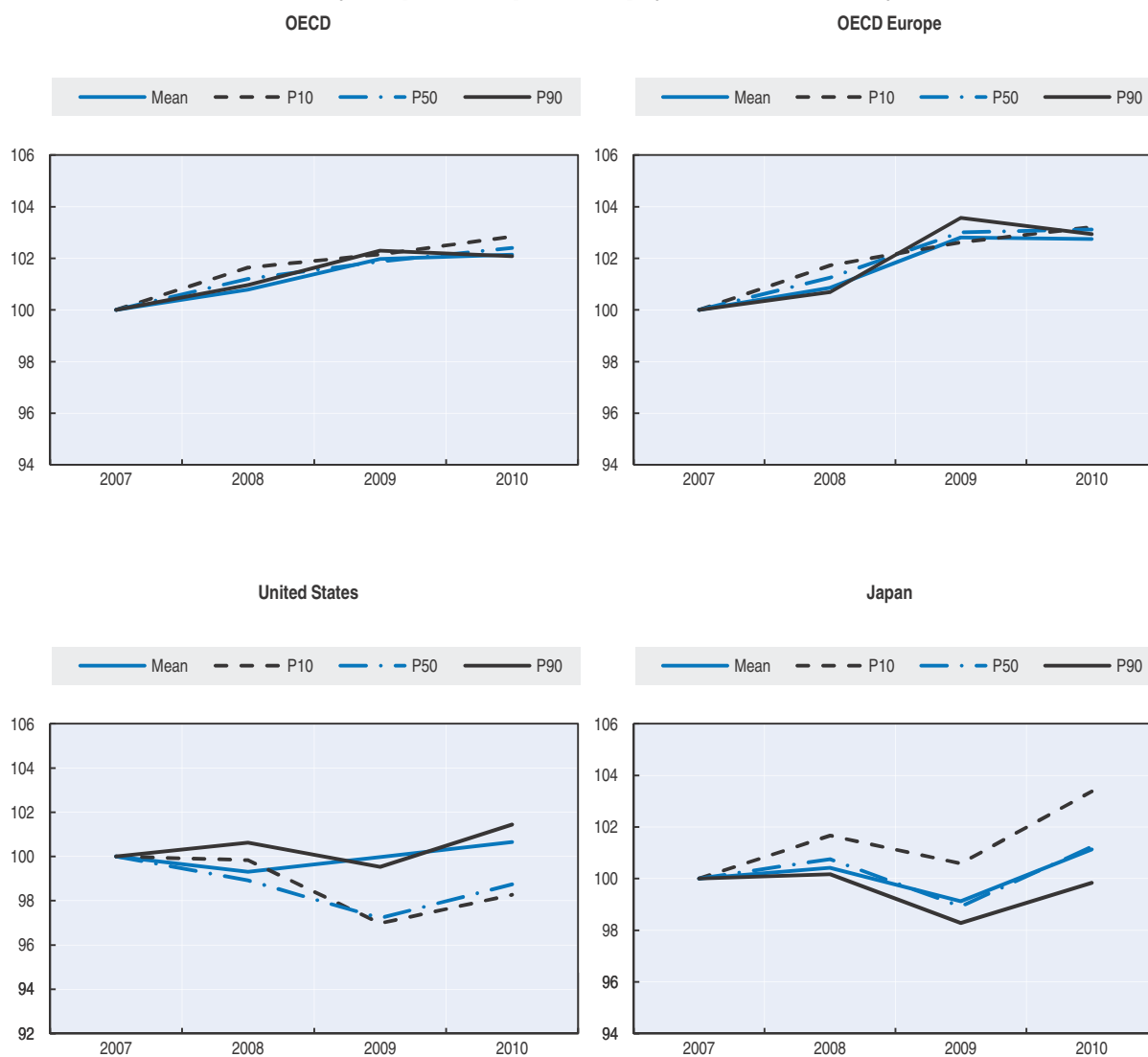
Source: OECD calculations on the European Social Survey based on McGinnity and Russell (2013); Gallie, D. and Y. Zhou (2013), "Job Control, Work Intensity and Work Stress", in D. (ed.), *Economic Crisis, Quality of Work and Social Integration. The European Experience*, Oxford University.

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For the OECD area as a whole, real earnings continued to increase during the crisis, although at a slower pace than in the previous decade (from 1% per year in the period 2000-07, to 0.5% between 2007 and 2011, Figure 3.13, upper left-hand panel). A similar upward trend is visible when looking at different points of the earnings distribution, in both the OECD area and in European countries that are OECD members (upper right-hand panel). However, in the United States, average earnings of workers at the bottom and middle of the earnings distribution declined in the wake of the crisis, while those of workers at the top of the distribution continued to increase (Figure 3.13, lower left-hand panel). Conversely, in Japan top earnings have been hit the most by the crisis


Figure 3.13. **Trends in gross annual earnings**

Full-time and full-year equivalent dependent employees in the total economy, 2007 = 100



Note: The OECD average includes Australia, Austria, Belgium, Canada, Germany, Denmark, Spain, Finland, Greece, Hungary, Ireland, Israel, Japan, Korea, Norway, New Zealand, the Slovak Republic, Sweden, the United Kingdom and the United States. OECD Europe includes Austria, Belgium, Germany, Denmark, Spain, Finland, Greece, Hungary, Ireland, Norway, the Slovak Republic, Sweden and the United Kingdom.

Source: OECD (2010), "Earnings – Gross earnings: decile ratios", *OECD Employment and Labour Market Statistics* (database), <http://dx.doi.org/10.1787/data-00302-en>.

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while low-pay earners have been the least affected (Figure 3.13, lower right-hand panel). These findings should be interpreted with care, however, as they may mask composition effects (e.g. the decrease of temporary work at the onset of the crisis documented above).

Beyond short-term effects, there may be longer-term consequences on earnings. Displaced workers typically experience a decline in wages compared to their pre-displacement job and to similar workers who were not displaced (Dao and Loungani, 2010; von Watcher et al., 2009). Sustained earnings losses may stem from “cyclical downgrading” (i.e. workers taking up worse jobs that they would have had otherwise) or depreciation of industry-specific skills. The effects of recessions on personal earnings are typically larger for unemployment spells experienced by youth even in countries with generous welfare systems (Kahn, 2010; Schmieder et al., 2009); some of this effect may persist when youth reach adulthood.

Health status

Many studies show that economic crises often have significant and lasting impact on individuals’ health conditions, as job losses as well as financial strains exert a strong negative impact on physical and mental health (Box 3.3). In the short-term, losing one’s job has also been found to be associated with higher risk of heart attacks and other

Box 3.3. Health outcomes during economic crises

Historically, the nature of health impacts during financial downturns has depended on a number of factors, including which population sub-groups and diseases are considered and the country’s level of development more generally (Stuckler and Suhrcke, 2012). Poverty, high debt, unemployment, job insecurity and job stress are all risk factors for population health (WHO, 2011). Thus, changes in economic circumstances that expose more people to these factors put health outcomes at greater risk.

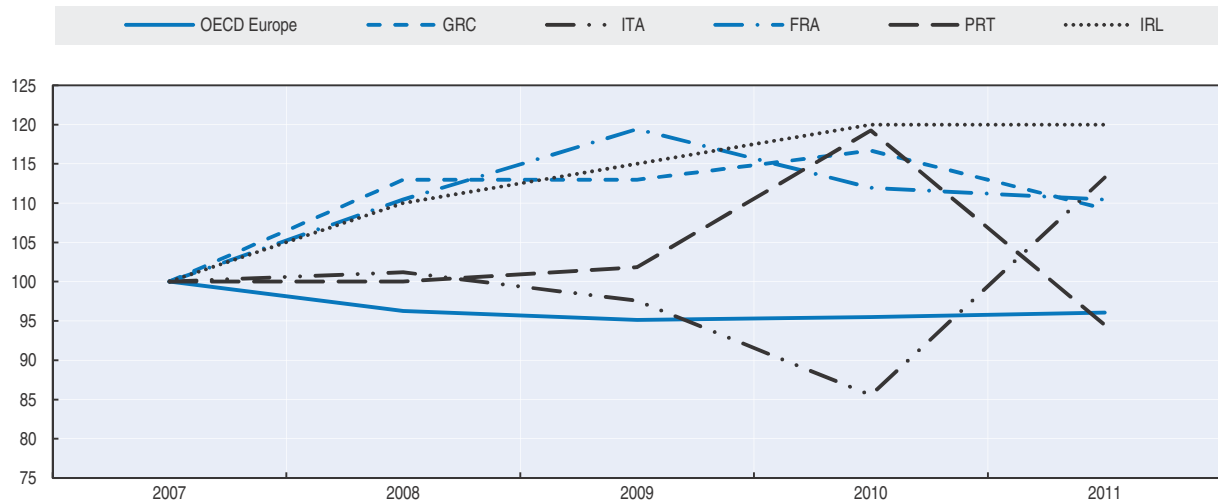
The experience of being unemployed has also been associated with greater risk of subsequent depression or mental illness (Barnes et al., 2009; Browning and Heinesen, 2012) as well as hospitalisation or mortality due to alcohol-related conditions, road-traffic accidents, and self-harm (Eliason and Storrie, 2009; Browning and Heinesen, 2012). Men and women of working age with lower levels of education have been found to be at greater risk of mortality during financial downturns (Edwards, 2008). Exposure to job insecurity, particularly when chronic, has also been linked to poorer self-reported health and minor psychiatric morbidity (Ferrie et al., 2002).

While some causes of morbidity and mortality do seem to increase during financial downturns, others do not. For example, Crombie (1990) and Ruhm (2000) provide evidence of higher suicides in times of recession. Kentikelenis et al. (2011) and Stuckler et al. (2011) provide similar evidence for some European countries during the current crisis. In 26 European countries examined by Stuckler et al. (2009) between 1970 and 2007, a 1% increase in unemployment was associated with a 0.8% increase in suicides among those aged below 65, and with a similar increase in homicides. The same study finds that a rise in unemployment of 3 percentage points or more is associated with more deaths from alcohol abuse. Effective social safety nets may mitigate the negative effect on population life expectancy or all-cause mortality rates (Gerdtham and Ruhm, 2006; Stuckler and Suhrcke, 2012) even during severe recessions. Overall, research suggests a need to closely monitor the health outcomes of those who are particularly vulnerable during times of financial hardship (Stuckler, Basu and McKee, 2010), i.e. the unemployed, those with lower levels of education, and those experiencing poverty or high levels of debt.


stress-related illnesses (Bulgard et al., 2007), while there is some evidence that in the long term mortality rates of workers who have experienced unemployment spells are higher than those of comparable workers who did not lose their jobs (Sullivan and von Watcher, 2009).

The effects of economic crises on the health status of the population as a whole are however much more ambiguous. Indeed recessions are found to impair mental health but also to lead to lower accidental injuries – as actual or feared loss of income cause households to drive less and to consume less alcohol (Catalano, 2009). This may partly explain why the *How's Life?* headline indicators for health (life expectancy and self-reported health status) do not show any clear changes in health conditions for the population as a whole. For instance, no OECD country saw a halt in the upward trend in life expectancy at birth since 2007 and while some deterioration in self-reported health conditions is visible in some of the European countries mostly hit by the crisis (e.g. Greece between 2007 and 2010, Portugal in 2010, Italy in 2011 and Ireland throughout the period from 2007 and 2011, Figure 3.14), evidence cannot be generalised to the OECD as a whole.

Figure 3.14. **Self-reported health**
Percentage of people reporting bad health status, 2007 = 100



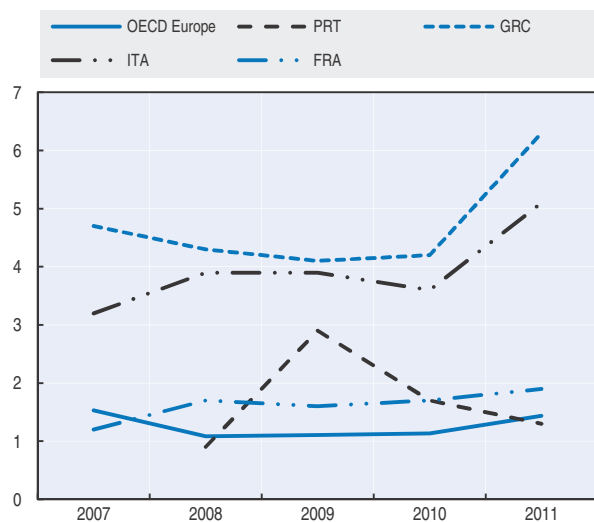
Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU-SILC), http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc.

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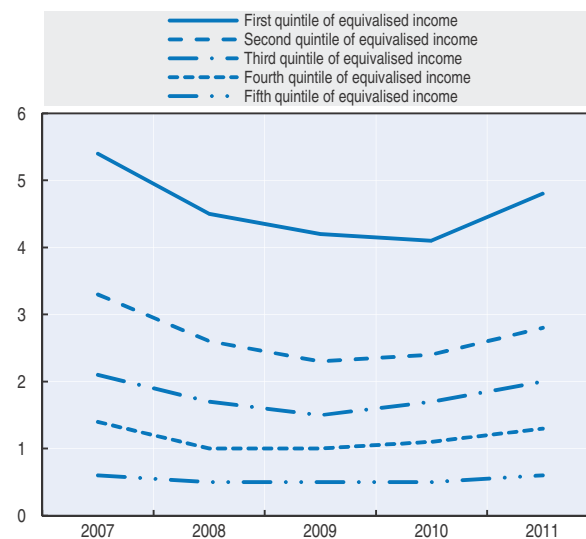
It is also the case that some of the negative effects of severe economic crises on health status span over a long period of time and across generations, becoming thus visible only in the long term (Box 3.2). This is why it is important to look at additional indicators that may send early warning signals on health problems that may store up for the future. One of those indicators refers to unmet medical needs for financial reasons. In European countries, self-reported unmet medical needs increased in various countries (Figure 3.15, Panel A) with the largest increases observed in Greece, Italy and Iceland. The increase is most noticeable for people in the lowest income quintiles (Figure 3.15, Panel B), confirming other evidence that low-income people may postpone medical treatment when facing financial distress (Sumner and Wolcott, 2009). In this respect, it will be important to monitor the effects of fiscal consolidation strategies on health expenditure, and in particular how they could affect the health status of different population sub-groups.¹⁰


Figure 3.15. **Unmet medical needs**

Panel A. Percentage of people reporting unmet medical needs for financial reasons



Panel B. Percentage of people reporting unmet medical needs at different income levels, European Union



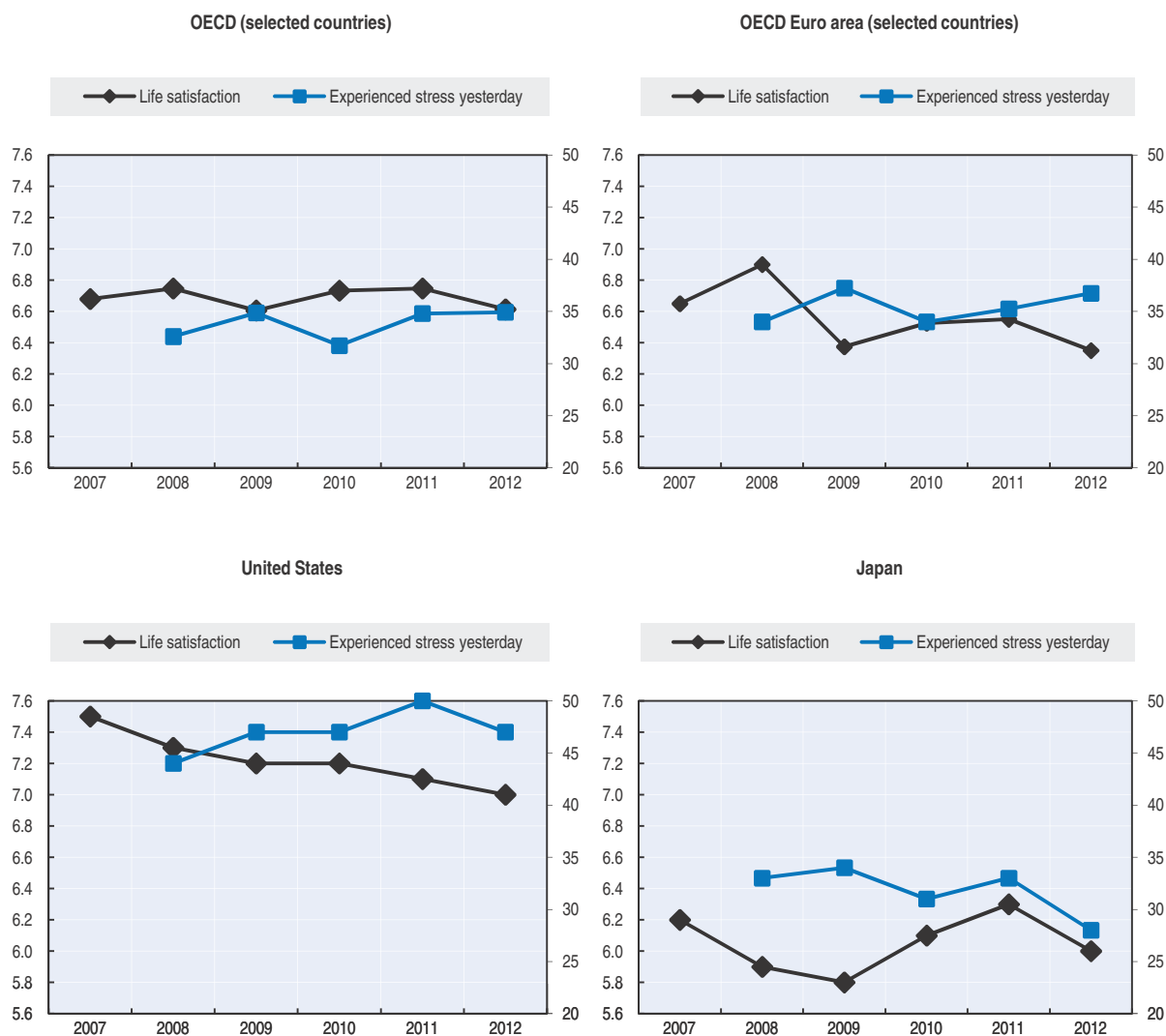
Source: European Union Statistics on Income and Living Conditions (EU-SILC), http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/eu_silc
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Subjective well-being

Subjective well-being has also deteriorated during the crisis. In the OECD area as a whole, life satisfaction (the headline *How's Life?* indicator) decreased in 2009, increased in 2010 as economic activity picked up and fell again in 2011 (Figure 3.16). The decline in life satisfaction has been especially visible in the euro area, especially in countries most affected by the crisis. For instance, over the four years to 2012, average life satisfaction declined by more than 20% in Greece and by around 12% in Italy and 10% in Spain. Life satisfaction also declined in Hungary (6%), the United States (7%), Turkey (5%), New Zealand (5%), Belgium (4%) and Denmark (4%). On the other hand, life satisfaction increased by more than 4% in Germany and Israel and by more than 5% in Mexico, the Russian Federation and Sweden.¹¹ There is also evidence of growing feelings of anger, stress and worry (i.e. negative affect), and of lower feelings of joy and contentment (i.e. positive affect) in many OECD countries.¹² For example, in Greece, the number of people reporting having experienced stress on the previous day increased by a factor of almost 3 between 2009 and 2011. A significant increase in self-reported stress (more than 10 percentage points) was also observed in Finland, Hungary and Turkey, while in Germany and Korea the percentage of the population reporting stress declined. In some countries, these trends may not just be related to the crisis but may result from other coincidental factors, for example the earthquake in New Zealand.


The main channel through which the crisis may have affected subjective well-being is higher unemployment. The impact of unemployment on subjective well-being is both direct, as it affects those who lose their job, and indirect, as it extends to people with an unemployed partner. In European countries, evidence from the European Social Survey suggests that financial strains accounted for over half of the effect of higher unemployment on life satisfaction, explaining all of the association between partner's unemployment and

Figure 3.16. Subjective well-being and the crisis



Note: Life satisfaction is measured on the Cantril ladder (y-axis on the left), stress as the percentage of people who experienced stress yesterday (on the right). OECD average includes only countries for which a complete time series is available: Canada, Denmark, France, Germany, Israel, Italy, Japan, Korea, Mexico, Poland, Spain, Sweden, Turkey, the United Kingdom and the United States. Selected countries of the OECD euro area are those for which complete time series are available: France, Germany, Italy and Spain.

Source: OECD calculations based on Gallup World Poll, www.gallup.com/strategicconsulting/en-us/worldpoll.aspx.

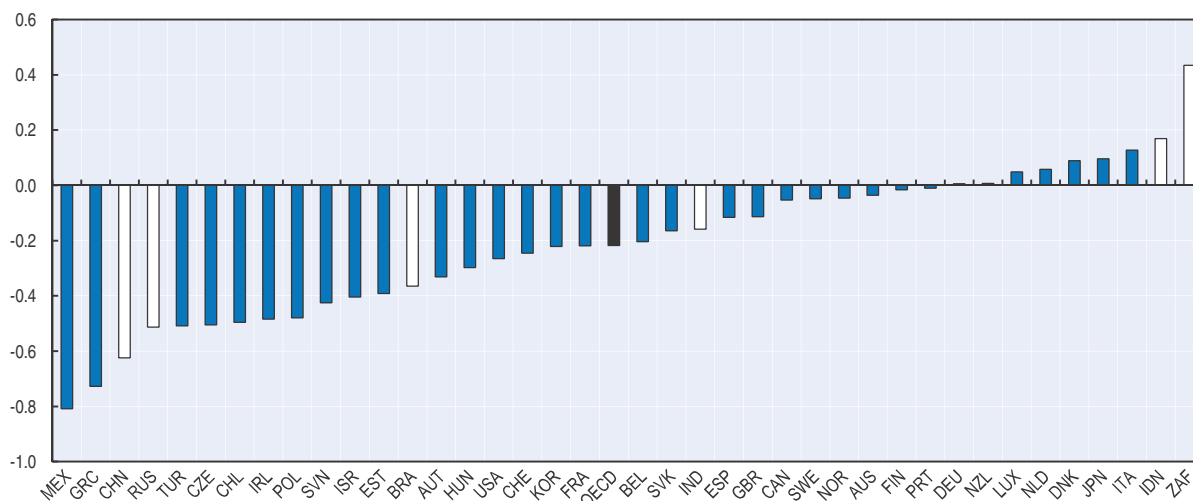
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the reduced life satisfaction of the survey respondents (Russell et al., 2013). Also, while social support and contacts play a significant role for people's life satisfaction in general, they seem to play a much less prominent role in explaining the lower subjective well-being of the unemployed. Financial strains and the hardship generated by the crisis are also important drivers of declining life satisfaction for households that are not directly affected by unemployment. More generally, persistent economic shocks seem to cause lower subjective well-being (Stevenson and Wolfers, 2008). In addition, lower trust in others and in institutions, declining health status and reduced social contacts also explain lower subjective well-being (Gallie et al., 2013; and Eurofund, 2012).

During the crisis there was also a deterioration of people's long-term expectations about their subjective well-being in the future. Figure 3.17 suggests that, on average, people's expectations about their life five years from now have declined in most OECD countries in the years following the crisis, a pattern that is consistent with other evidence showing mounting pessimism among people about their future (Eurofund, 2012).


Figure 3.17. **Expectations of subjective well-being**

Difference between the life satisfaction expected five years from now and current life satisfaction in 2012, relative to the same difference in 2005



Note: A positive value of this variable (a measure of optimism into the future) indicates that optimism was higher in 2012 than in 2005, i.e. optimism increased recently. A negative value of this index means that this difference was higher in 2005 than in 2012, implying that optimism has decreased recently. Being computed as difference-in-difference, the index implicitly adjusts for country-specific cultural effects that may bias expectations about the future in different countries.

Source: OECD calculations based on the Gallup World Poll, www.gallup.com/strategicconsulting/en-us/worldpoll.aspx.

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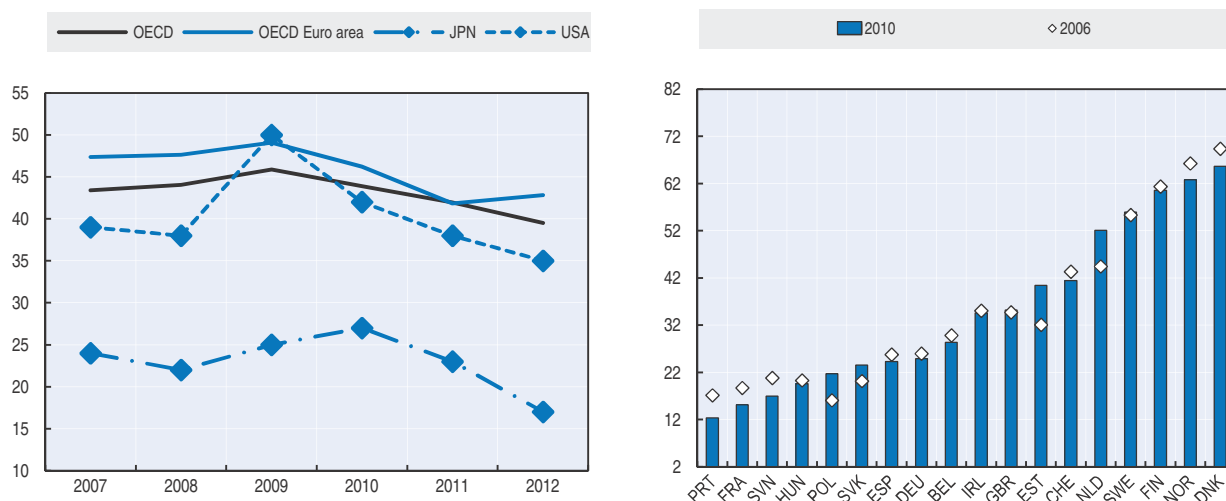
Civic engagement

People's trust in institutions and their satisfaction with the way democracy works have declined significantly during the crisis. An increasing body of research suggests that the crisis is eroding the political and institutional capital of many countries (Roth, 2009; Stevenson and Wolfers, 2011; Eurofund, 2013), particularly in those where the crisis has been most severe (Polavieja, 2013; Eurofund, 2013). Trust in national governments (secondary *How's Life?* indicator) declined in the majority of OECD countries (Figure 3.18, Panel A), with similar declines recorded for trust in other institutions (such as financial institutions, the judiciary system and media) and, at least in European countries, for trust in other people (Figure 3.18, Panel B; and Eurofund, 2013). While people's confidence in public institutions depends on many factors (such as people's political orientation, education and economic conditions), research for European countries suggests that experiences of economic strain, whether lasting or transitory, lower people's satisfaction with political institutions, and that this effect extends even to people who are not directly affected by the crisis.

Figure 3.18. **Trust in the wake of the crisis**

Panel A. Percentage of people who trust national government

Panel B. Percentage of people who trust others



Note: Panel A shows an indicator of trust in national government, with population shares set equal to 100 in 2006. Panel B shows the share of people agreeing with the statement that “most people can be trusted” (those indicating values of 7 or above on a 0 to 10 scale). Source: OECD calculations based on Gallup World Poll, www.gallup.com/strategicconsulting/en-us/worldpoll.aspx (Panel A); European Social Survey, www.europeansocialsurvey.org/ (Panel B).

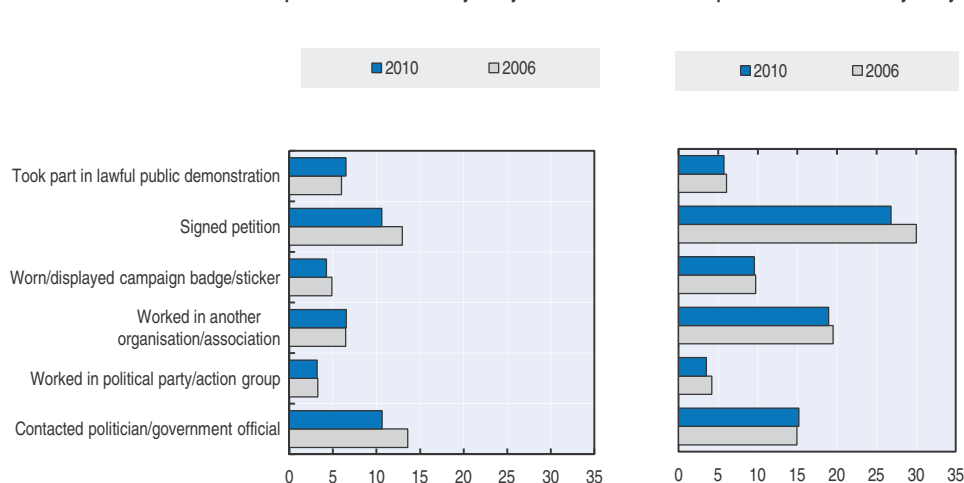
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Polavieja (2013), based on data from the most recent wave of the *European Social Survey*, shows that currently or formerly unemployed people, as well as people experiencing financial strain show lower trust and satisfaction with democracy than others. In addition, the study suggests that the marked decline in political legitimacy during the crisis was significantly affected by people’s views about the economic situation of their country and by the size of GDP contraction.

While confidence in institutions is an important driver of civic engagement and political participation (OECD, 2011), trends in civic and political participation in the wake of the financial crisis are more mixed. Large social movements and protests observed in 2011 and 2012 in many of the countries mostly affected by the crisis and beyond may be seen as a sign of growing political engagement. This interpretation is supported by evidence from the *European Social Survey* showing that respondents report some increase in various forms of civic engagement in 2012 relative to the past (Figure 3.19); this is also in line with other studies pointing to a strengthening of people’s participation in volunteering and unpaid activities (EPHA, 2012; see next section). However, patterns of civic engagement varied markedly across European countries, with countries most affected by the crisis also showing lower voter turnout and other forms of formal political participation (e.g. contacting government officials less often than before the crisis).

Figure 3.19. **Civic engagement in Europe**

Percentage of the population reporting having participated in civic activities during the last 12 months



Notes: The right-hand panel shows the average value of the share of the population participating in the various activities in some of the European countries most affected by the crisis, i.e. Estonia, Greece, Hungary, Ireland, Portugal, Spain and Slovenia. The left-hand panel shows the average value of the share of the population participating in the various activities in some of the European countries less affected by the crisis, i.e. Belgium, the Czech Republic, Denmark, Finland, France, Germany, the Netherlands, Norway, Poland, Sweden, Switzerland and the Slovak Republic.

Source: OECD calculations on European Social Survey, www.europeansocialsurvey.org/.

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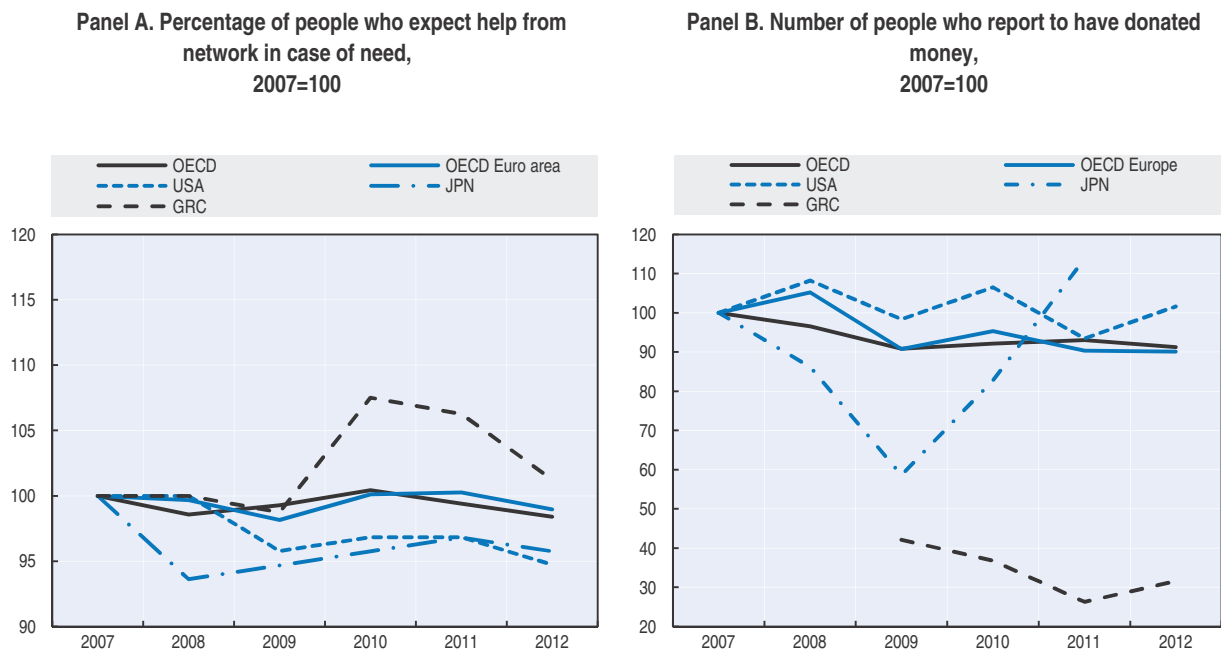
Social connections

Since 2007, expected support from others (the headline *How's Life?* indicator) dropped sharply in most OECD countries (Figure 3.20, Panel A). The decline was larger in the United States and Japan than in the euro area. Such a drop is not surprising, as it may reflect people's concerns about the crisis and its possible negative effects on the help that people may expect to receive from friends and relatives. For the OECD area as a whole, people's expectations of support in case of need improved in 2010, stabilised in 2011 and worsened again in 2012. Taken at face value, this evidence suggests that perceived social support follows countries' economic conditions as people's perceived ability to obtain support may be limited in time. A somewhat different trend is visible in Japan, where people's perceived ability to obtain support from others increased between 2009 and 2011, the year of the earthquake and nuclear accident. When looking at measures of people who report having donated money, a clear downward trend is visible in the OECD area as a whole from 2006 onwards (Figure 3.20, Panel B). The number of people declaring to have donated money fell more significantly in the euro area, especially in Greece.

On the other hand, the number of people who reported having helped a stranger increased significantly (Figure 3.21, Panel A). Similarly, the share of people who reported having volunteered some of their time increased in some OECD countries (Figure 3.21, Panel B) although the trend for the OECD area as a whole is more ambiguous. There is also some evidence that in some European countries (notably South European and Eastern European countries) people reported having increasingly turned to family and friends, as opposed to official institutions, in case of need (Eurofund, 2013). For the United States, there is evidence that during the crisis unemployed individuals tended to rely on informal job search methods (i.e. friends, relatives) to a large extent, with a positive impact on unemployment spells but a

negative one on wages at rehire (Bentolila et al., 2010).¹³ All things considered, however, the various pieces of evidence discussed here suggest that, for many people, personal networks have acted as “last-resort” resources during hard economic times.

Figure 3.20. **Capacity to help others**



Note: Time series are not available for Australia (only for the Panel B), Iceland, Luxembourg, Norway, the Slovak Republic and Switzerland.
Source: OECD calculations based on Gallup World Poll, www.gallup.com/strategicconsulting/en-us/worldpoll.aspx.


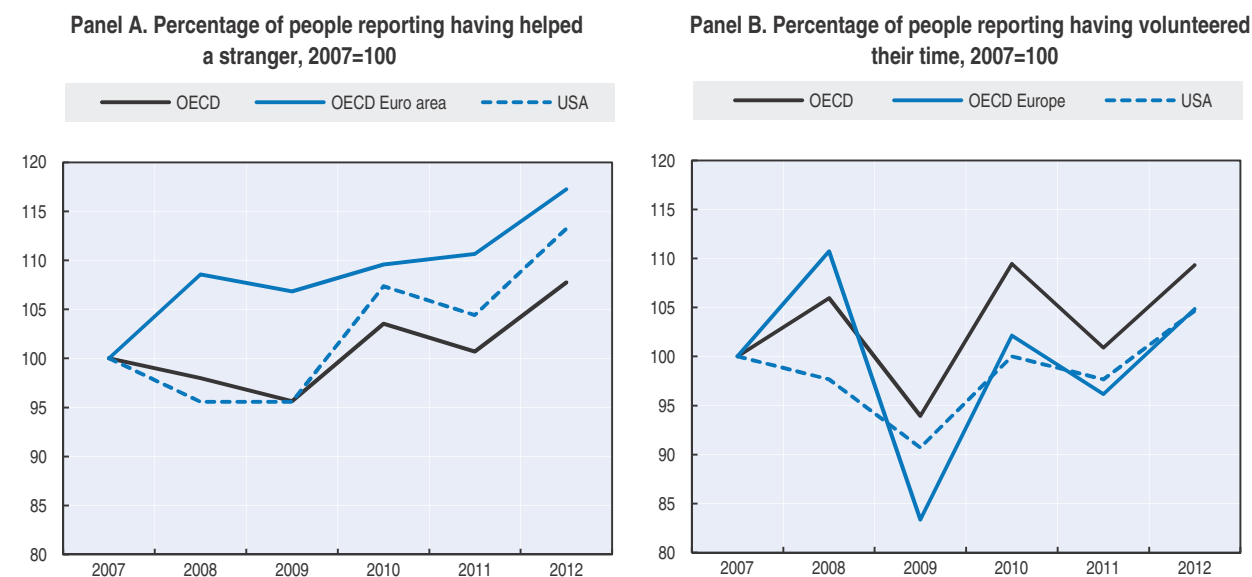

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Figure 3.21. **Informal support**



Note: Time series are not available for Australia, Iceland, Luxembourg, Norway, the Slovak Republic and Switzerland.
Source: OECD calculations based on the Gallup World Poll, www.gallup.com/strategicconsulting/en-us/worldpoll.aspx.

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Statistical agenda ahead

The limited evidence provided in this chapter on short-term trends in selected well-being outcomes highlights the important challenges that stand in the way of creating a more robust statistical base if one wishes to monitor the short-term evolution of people's well-being. While meeting these challenges will be difficult given reduced budget and higher demands for official statistics, it would be important to make inroads in addressing them so that short-term policy decisions are not only driven by evidence on the conditions of the economic system as a whole but also on the well-being outcomes experienced by individuals and their families.

The main statistical challenges pertain to the following issues:

- **Frequency of the data collected.** Statistics pertaining to people's well-being are typically collected at annual or greater frequency. With the exception of labour force statistics and (in some countries) of national accounts quarterly data on household income, no statistics for other well-being dimensions are available quarterly. Monthly consumer surveys include qualitative questions on the financial situation of the household that may provide some information on households' sentiments on finance and living conditions. While these surveys should be further explored in the future as a possible instrument for collecting short-term information on households' economic well-being, they also have limitations (i.e. they do not cover non-economic well-being; they are conducted on small samples). This means that the statistical base available for monitoring short-term changes in household conditions is strongly underdeveloped at the moment. Improving this base would require putting in place dedicated high-frequency surveys, or including specific questions in existing monthly and quarterly survey instruments.
- **Timeliness of the available statistics.** Even when annual data collections are in place, information from them may become available only after long time-lags, due to a combination of factors. This challenge is especially important in the case of information on the distribution of household economic resources, and for those countries or regions with established policy goals pertaining to poverty and inequality. Meeting the challenge of producing more timely measures of different dimensions of people's well-being would require a combination of release of early estimates, use of complementary survey questions, or alternative tools to generate estimates for the phenomena of interest (e.g. microsimulation models). A promising step in this direction is the recent Eurostat action plan to improve timeliness of EU-SILC data, which includes among others the delivery of provisional material deprivation indicators at the end of the reference year.
- **Sample sizes.** Effects of the crisis or of other changes in economic circumstances are often concentrated on specific groups, rather than affecting the population at large. This is a challenge in the case of survey data based on small scale and non-random samples, as is often the case of many non-official surveys. Meeting this challenge would require investment to increase the sample size of surveys, as well as providing access by non-official producer to more comprehensive survey frames.
- **Time-series properties of the statistics.** In some cases, the statistics that are most appropriate for benchmarking countries' performance may not be those most suitable for assessing changes over a short span of time. Meeting this challenge would require developing specific surveys and questions better fitted to provide early-warning signals to policy makers and the population at large (e.g. surveys of the coping strategies used by individuals and households in the presence of adverse economic circumstances).

Conclusions

This chapter has looked at how some aspects of people's well-being have evolved during the global economic and financial crisis that started at the end of 2007, focusing on those dimensions where changes are likely to be the most visible in the short-term. The chapter has highlighted negative trends in household income and wealth, housing conditions, jobs and earnings, subjective well-being and civic engagement, especially in the euro area. Trends in other well-being dimensions considered in this chapter, such as health and social connections, are more ambiguous. The chapter has not discussed some well-being dimensions where very little comparative evidence is available such as for instance personal security.¹⁴ This remains an item for future research. Finally, the chapter has laid out areas for statistical improvement in order to better monitor short-term trends in people's well-being.

Notes

1. The global economic and financial crisis is also often referred to as "the Great Recession".
2. The income concept used in the case of micro-statistics is that of households disposable income per person, equivalised (through a square root elasticity) to reflect economies of scale in consumption and the sharing of resources that occurs between members of the same household. Due to a range of conceptual and measurement differences, macro (i.e. SNA based) and micro (i.e. survey- or administrative-based statistics) measures of average household disposable income evolved differently over the period from 2007 to 2010: in general, the growth in average households income from microdata was higher than that from SNA data, although this depends on the size of that growth.
3. These poverty estimates are based on a notion of disposable income equivalence scale. As such the poverty estimates may be different from estimates of poverty that rely on household disposable income equivalised with a different equivalent scale.
4. According to national Accounts data, less than 0.25 of the cumulative decline in household disposable income in the euro area over the period 2007 to 2012 took place in the three years to 2010.
5. See *OECD Quarterly Financial Accounts Database*, <http://dotstat.oecd.org/Index.aspx>.
6. Household balance sheets (SNA) data on dwellings are available for only 19 OECD countries, while data on land are available for only 9 countries. In most OECD countries, the SNA value of dwellings excludes changes in the prices of land on which the dwelling is built, hence it does not capture the full impact of the housing boom and bust. While surveys on the distribution of household wealth are conducted in several OECD countries, no comparable reporting of these data is currently in place.
7. These countries are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, Italy, Poland, Slovenia, the Slovak Republic and Sweden.
8. It should be noticed that none of the *How's Life?* headline indicators for housing show a significant change between 2007 and 2011 that could be associated to the unfolding of the economic crisis.
9. The probability of exiting unemployment (in each year) has declined both for short-term job seekers (i.e. unemployed for less than 12 months) and long-term ones (i.e. those unemployed for 12 months or more), although underlying patterns are diverse (OECD, 2012a).
10. One of the most immediate impacts of the crisis has been on health expenditure. While the average annual growth rate of health spending per capita in the European Union was 4.6% from 2000 to 2009, health spending across Europe contracted by 0.6% per capita in 2010, the first absolute reduction since 1975 (OECD, 2012c). Some of the largest declines in health spending were recorded in Ireland (7.9%), Estonia (7.3%), and Greece (6.7%), but spending slowed in almost all European countries. For the OECD area as a whole, health spending was stable in both 2010 and in 2011 (OECD, 2012c). Due to pressure to protect funding for acute care, expenditures on prevention have been particularly targeted for spending cuts (OECD, 2012c), which raises concerns

about long-term impacts on health outcomes. The crisis also led to a rebalancing of public and private health financing in some OECD countries, with large increases between 2000 and 2010 in the share of out-of-pocket spending in several European countries (OECD, 2012c).

11. These declines are similar to the fall in household disposable income experienced over the same period but significantly larger than what would be suggested by the size of coefficients linking people's life-evaluation to their own income. This suggests that the crisis is affecting people's life evaluations through channels that reach beyond people's material conditions.
12. Measured by the Gallup World Poll.
13. Bentolila et al. (2010) finds that contacts reduce unemployment duration by 1-3 months on average, but they are associated with wage discounts of at least 2.5%.
14. While no evidence is available on recent trends in personal security, a significant body of research exists on the relationship between economic conditions and crime and violence. In times of low or negative economic growth and widespread unemployment, many people may suffer severe and sudden reductions in income, which may cause an increase in the share of the population seeking illicit solutions to their economic problems. Higher stress during economic crisis may also lead to more violent crimes. A number of studies report significant correlations between unemployment and property crime rates, and a weaker relation for violent crimes, although with large differences in the size of the correlation across studies. UNODC (2012) shows that property crimes such as robbery are most affected during times of crisis, with up to two-fold increases in some contexts during a period of economic stress; in some countries, increases in homicide and motor vehicle theft were also observed, while in no country decreases in crime were observed.

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ANNEX 3.A1

Supporting country evidence

Figure 3.A1.1. **Real GDP per capita and real household net adjusted disposable income**
Average annual growth rates between 2007 and 2011, percentage change

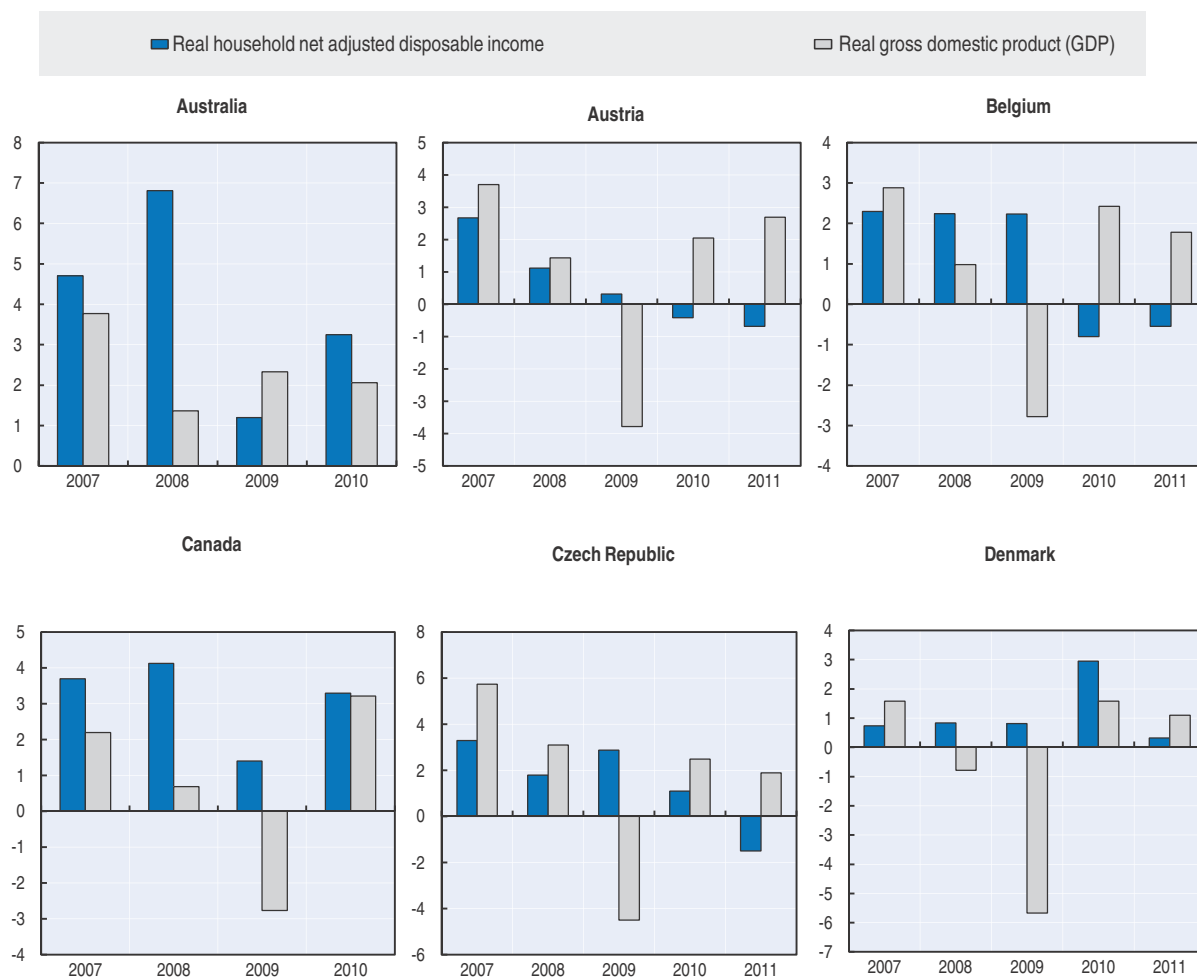


Figure 3.A1.1. **Real GDP per capita and real household net adjusted disposable income** (cont.)

Average annual growth rates between 2007 and 2011, percentage change

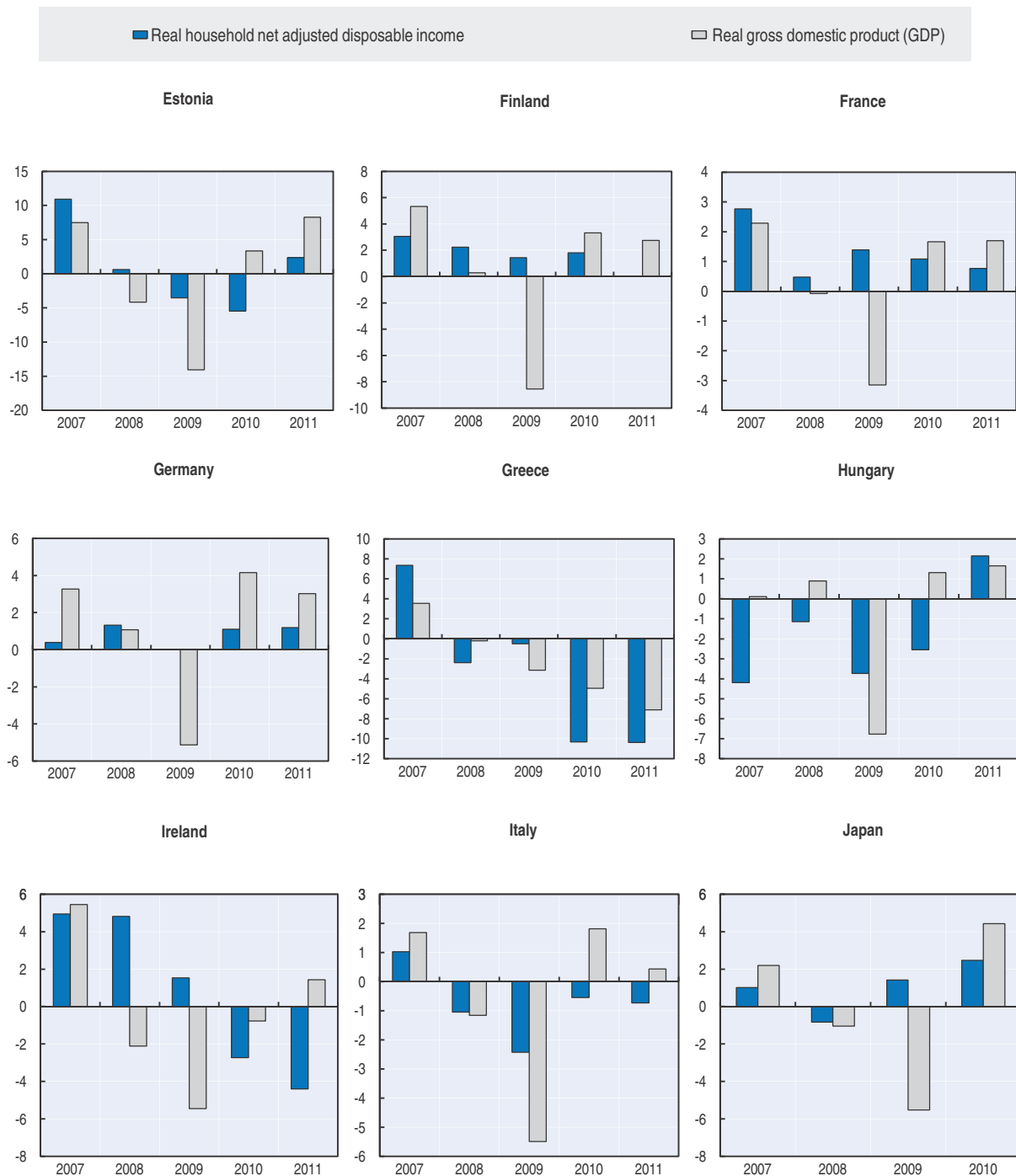


Figure 3.A1.1. **Real GDP per capita and real household net adjusted disposable income (cont.)**
Average annual growth rates between 2007 and 2011, percentage change

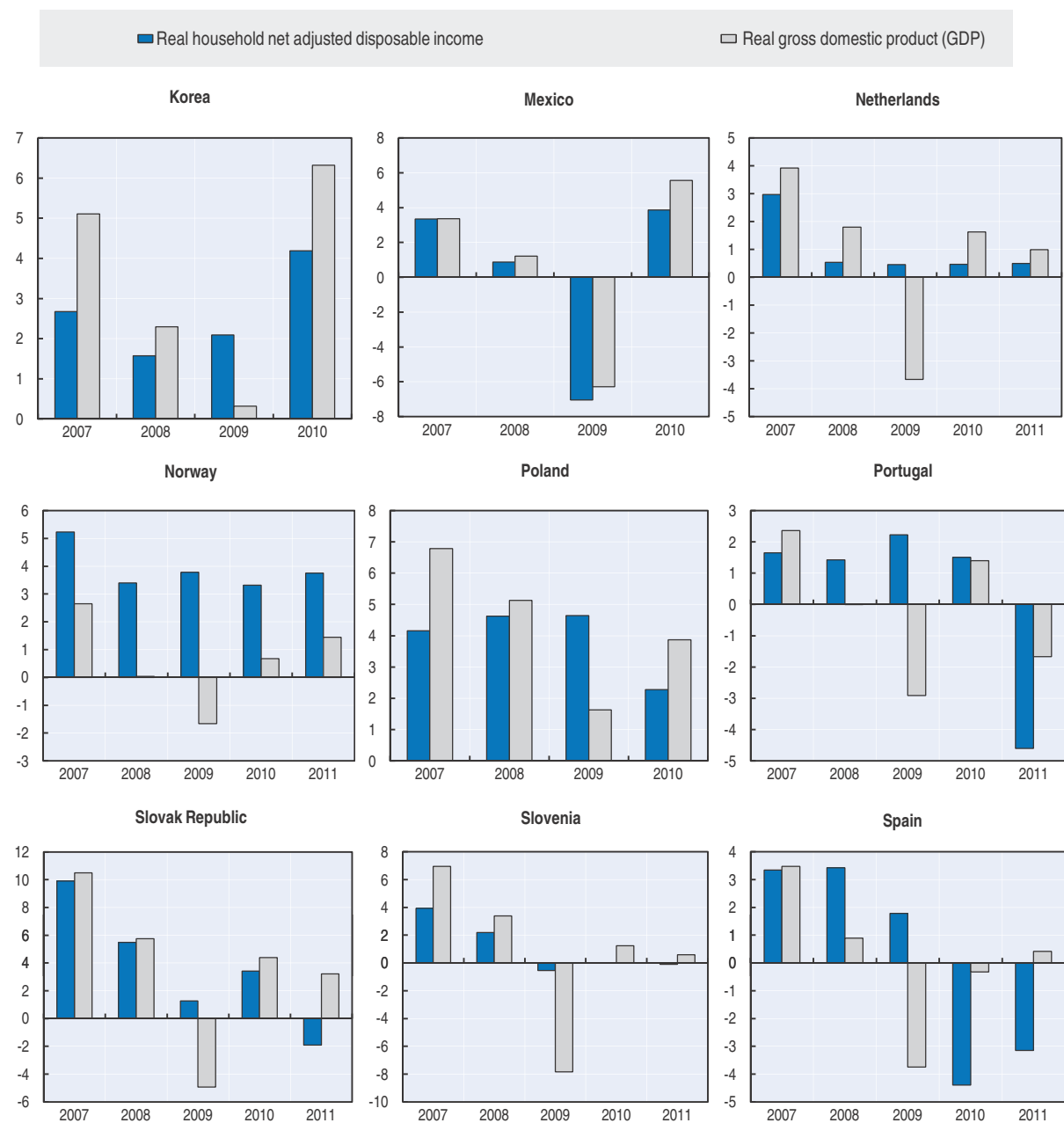
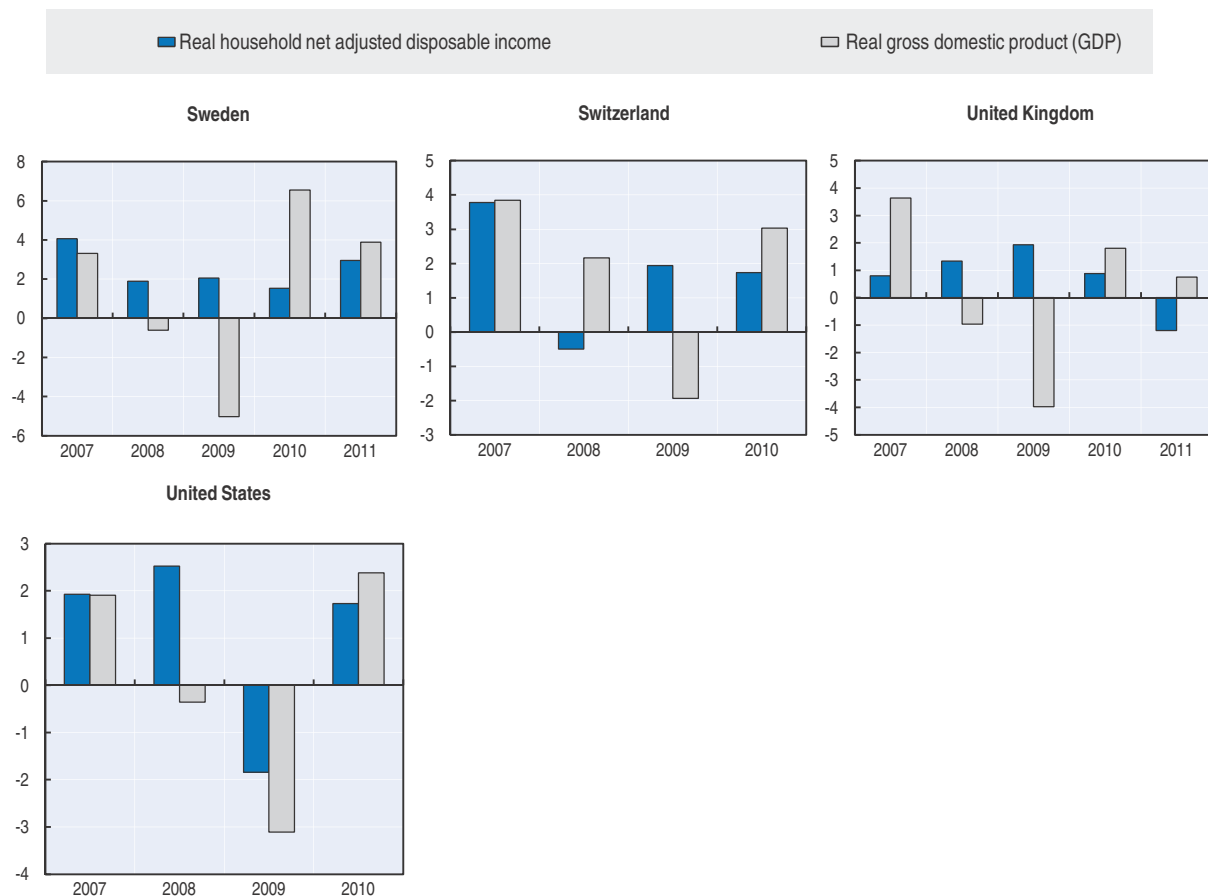

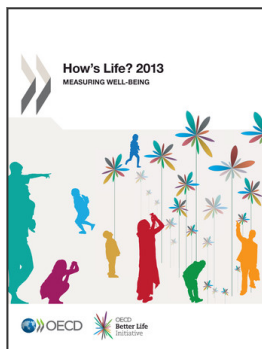


Figure 3.A1.1. **Real GDP per capita and real household net adjusted disposable income** (cont.)
Average annual growth rates between 2007 and 2011, percentage change



Source: OECD (2013a), OECD National Accounts Statistics (database), <http://dx.doi.org/10.1787/na-data-en>.

StatLink  <http://dx.doi.org/10.1787/888932888680>



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