

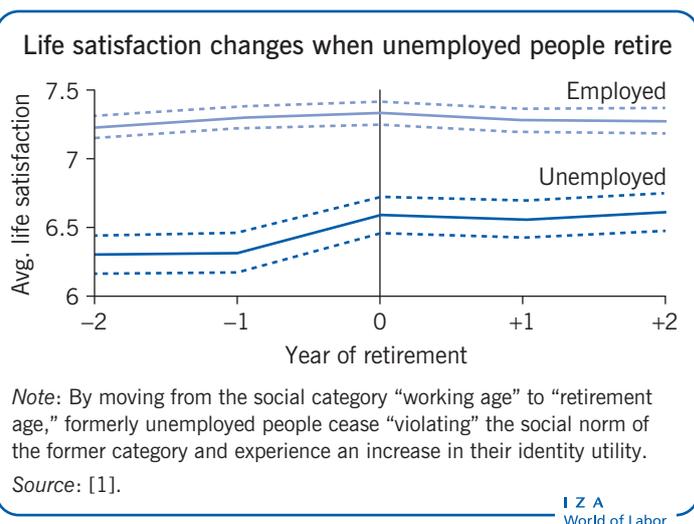
Labor market policies, unemployment, and identity

Policies to help the unemployed can affect feelings of identity and well-being, so measures need to be evaluated carefully

Keywords: unemployment, identity, well-being, wage subsidies, income support, workfare

ELEVATOR PITCH

Unemployment not only causes material hardship but can also affect an individual's sense of identity (i.e. their perception of belonging to a specific social group) and, consequently, feelings of personal happiness and subjective well-being. Labor market policies designed to help the unemployed may not overcome their misery: wage subsidies can be stigmatizing, workfare may not provide the intended incentives, and flexicurity (a system that combines a flexible labor market with active policy measures), may increase uncertainty. Policies aimed at bringing people back to work should thus take the subjective well-being of the affected persons more into consideration.



KEY FINDINGS

Pros

- + Income matters, but it is not only material hardship that causes distress for the unemployed.
- + Unemployment threatens a person's sense of social identity and self-worth, but barely reduces emotional well-being derived from day-to-day experiences.
- + Workfare initiatives can effectively separate the voluntarily from the involuntarily unemployed without harming those who take them up.
- + A flexicurity system that helps people back to work significantly increases subjective well-being, as it allows people who re-enter the labor market to restore their identity.

Cons

- Active labor market policy instruments, such as wage subsidies, could diminish subjective well-being, e.g. through the stigma associated with receiving welfare transfers.
- Workfare participants may consider workfare initiatives as less detrimental than being unemployed; workfare may thus not provide the intended incentives to look more intensively for a new job.
- Although flexicurity may improve subjective well-being, it comes at the cost of higher job insecurity, which is not completely offset by higher employability.

AUTHOR'S MAIN MESSAGE

Life satisfaction research in psychology and economics uses various measures of well-being to identify the channels through which unemployment and different types of labor market policies affect an individual's social identity and well-being. Bringing people back to work is much more beneficial than just compensating them for the income loss. A cost-benefit analysis that considers personal identity and subjective well-being provides the necessary base for designing more efficient and effective labor market policies that allow a better balance of active and passive measures for the unemployed.