

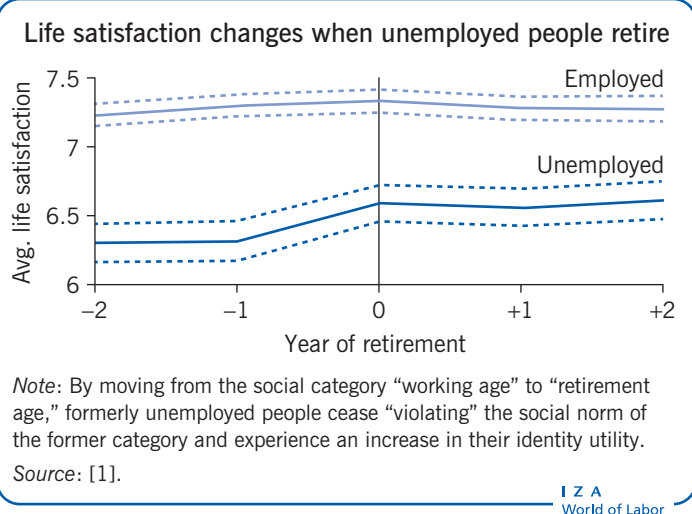
## Labor market policies, unemployment, and identity

### 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.