

## **Cross-country Differences in Well-being Consequences of Unemployment in Europe**

Namkee Ahn (FEDEA, Madrid (+34 91 435 0401;  
Fax +34 91 577 9575; email: [nahn@fedea.es](mailto:nahn@fedea.es))

Juan Ramón García (FEDEA, Madrid)

Juan Francisco Jimeno (Bank of Spain, Madrid)

Unemployment is one of the most damaging personal experiences for someone participating in the labor market. In this paper we examine the factors that affect unemployed workers' well-being, distinguishing several dimensions such as satisfaction with activity, income and leisure time, using the data from ECHP. While in all EU countries unemployment incidence reduces substantially the satisfaction levels with main activity and finance, and increases substantially the satisfaction level with leisure time, there are large cross-country differences in the well-being consequences of unemployment. We show that these differences can be partially attributed to employment policies and regulations affecting the functioning of the labor market. In countries where the unemployment rate is lower, unemployment spells are shorter and unemployment protection (unemployment benefits and active labor market policies) is greater, the observed effects of unemployment on satisfaction are much smaller. A similar relationship is found with respect to job prospects expressed by unemployed workers. That is, well-being loss of unemployment is smaller in those countries where a greater proportion of unemployed workers express good job prospects during the next 12 months. In particular, Denmark and the Netherlands stand out for their reduced negative effect of unemployment on worker's well-being. We may conclude tentatively that the flexicurity model that underpins employment policies in these two countries is indeed effective at reducing the burden of unemployment on individual well-being.