Economic Crisis and Well-Being in Europe: Introduction

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The financial and economic crisis began in 2007 in the United States and rapidly spread around the world. It was not a typical crisis taking place in a developing country; this crisis took place at the centre of the world economic system, and it had repercussions in many developed countries. As a consequence, many European countries have gone through a difficult period that threatens their citizens' relatively-high quality of life. Countries in the region have faced increasing unemployment rates as well as the need of undertaking fiscal adjustments which undermine the generous social-welfare schemes which prevail in the region. In a region with a large population of migrants it should not be a surprise to see a differentiated impact of the crisis, hitting deeper in the quality of life of migrants.

A crisis indicates that things are no longer as they used to be. It calls for greater attention to the practices countries used to follow as well as for new ideas in procuring people's well-being. The profound and widespread effects of the crisis do also call for using indicators that fully capture the well-being situation in societies and which provide insight into the best ways to moving forward within turbulent waters. Social indicators, theories, and quantitative methods are necessary to measure and to develop an understanding of the impact of the crisis, as well as to be in a solid position to propose a way forward. With appropriate measurement indicators and with good theories it would be possible to make of the crisis an opportunity, finding new ways of procuring the well-being of people. The study of a crisis and the design of a way forward should not circumscribe to the analyses of productivity, competitiveness and economic-growth indicators; it should also take into consideration social indicators as well as specific marginalized populations.

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It is with this perspective that the Spanish *Free Economics Association* (*Asociación Libre de Economía*) promoted a dialogue within the *XVI Applied Economics Meeting* held in Granada (Spain) in June 2013; the objective was to derive important lessons about the quality-of-life impact of the economic crisis. This special issue puts together five selected papers from the Meeting which offer insight on the impact of the economic crisis on people's well-being in Europe. Three of these papers pay particular attention to the labour market and the unemployment effect of the crisis in Spain. The raising of unemployment rates has been by far one of the most important consequences of the economic crisis in the European southern countries. It is important to remark that working is not only an economic activity which is necessary to generate production; it is also a human activity that fully relates to people's well-being. The remaining two papers are respectively focused on a comparative analysis of the quality of life of European citizens *before* and *after* the economic crisis, and on the effects of fiscal and political decentralization on the satisfaction of European citizens. It is worth highlighting that all papers take people as the centre of the analysis at the same time that they make use of contrasted quantitative techniques and different social indicators to provide statistical evidence to understand the widespread impact of the economic crisis in Europe.

The first paper is entitled '*The economic crisis and its effects on the quality of life in the European Union*', and it has been contributed by Noelia Somarriba Arechavala and Pilar Zarzosa Espina from University of Valladolid, and Bernardo Pena Trapero from University of Alcalá. This paper compares the quality of life in countries from the European Union in years 2007 and 2011 in order to quantify the impact of the economic crisis on people's well-being. In doing so, the authors use several sources of data, including *Eurostat*, and the so-called *distance P_2* methodology to calculate two separate synthetic indicators of quality of life, one for each of the two years considered in the analysis. These indicators account for several dimensions of quality of life, including income and wealth, home, work, health, society, physical environment, safety, education and happiness. The results obtained serve as a benchmark in this special issue, as they permit to evaluate and quantify the effect of the economic crisis on the quality of life of European citizens. According to these findings, eighteen countries out of the European Union-27 members experienced a drop in their quality of life, being particularly acute in Latvia and Greece. On the contrary, seven countries showed a slight increase while Germany experienced a spectacular improvement.

The second paper entitled '*Job loss among immigrant and native workers: Evidence from Spain's economic downturn*' has been contributed by Elisabet Motellón from Catalonia Open University and Enrique López-Bazo from University of Barcelona, and focuses on the analysis of the differences in the probability of job loss in Spain for different population groups *after* and *before* the crisis, as well as the explanation on those differences. Particularly, the attention is placed on the impact of the crisis on immigrant and native workers, distinguishing by gender. The immigrants group is of particular interest, as the immigration growth in Spain before the crisis has been acute (from 2 % of population in 1996, around half million immigrants, to about 12 % in 2009, more than 5 million immigrants).

The authors use data from the Spanish *Labour Force Survey* comprising individuals aging between 20 and 49 years in years 2008, 2009, and also 2012, to account for the job loss *before* the impact of the crisis and *after* it started to exert a strong effect. As the authors state, a preliminary look on the dataset indicates that job loss has been greater for the collective of immigrants. Estimations by maximum likelihood using a *probit with sample selection model* allow finding further explanations of job dismissal for different

groups in the sample. The results permit to conclude that the lower endowment of human capital fully explains the higher rate of employment dismissal for the immigrant female workers group. However, the reasons underlying the higher dismissal rates for immigrant male workers go beyond human capital endowments and over-representation in some occupations. The authors suggest that there may exist a discrimination effect, so that companies tended first to dismiss immigrants rather than native workers with similar characteristics. According to them, other unobservable characteristics, such as the imperfect transferability of human capital, may contribute to this explanation, remaining these in the future research agenda.

In the same line of study of the labour market effects, the third paper '*Does competition from China raise the probability of becoming unemployed? An analysis using Spanish workers' micro-data*', by Vicente Donoso from Complutense University of Madrid, Víctor Martín from University King Juan Carlos and Asier Minondo from University of Deusto, addresses the effect of import competition from China on the unemployment in Spain. The results achieved in the paper allow evaluating how import competition from China has contributed to raise the probability of becoming unemployed in Spain, particularly for unskilled workers. The data on the relevant variables used for the purpose of the analysis come from the Spanish *Continuous Sample of Working Lives* and belong to the period 1997–2011, which includes *pre* and *post*-crisis years.

Using a *logistic model* as the methodological approach, the results obtained suggest that there is a strong positive association between higher import competition from China and the probability of becoming unemployed in Spain. On the other hand, the authors find weak evidence of a positive association between a higher import competition from China and the probability of switching to an employment outside the manufacturing sector. The authors review a series of available policy measures to reduce the impact of increasing import competition from China on the demand of unskilled workers in Spain. These interventions would include raising trade barriers to imported products from China, which is not recommended for efficiency reasons, as it would seriously limit the benefits from international trade; reducing the number of unskilled workers by rising the investment in education, particularly focusing on those abilities that are difficult to offshore; or, finally, other active labour market policies more effective in the short-run such as increasing the job-search assistance and supporting the income of the unemployed.

The fourth paper, contributed by Jorge Guardiola from University of Granada and Monica Guillén Royo from University of Oslo, has the title '*Income, unemployment, higher education and well-being in times of economic crisis: Evidence from Granada (Spain)*' and takes a subjective well-being perspective to refer to the influence that key variables in the Spanish social welfare system have in several subjective well-being indicators. The authors use a cross-section sample from year 2012 in the city of Granada to address the influence of unemployment, higher education and income on citizens' satisfaction with life, satisfaction with income and material needs satisfaction perception. These three key variables are chosen because they have significantly worsened during the crisis. By applying an *ordered logit* methodological approach, the results indicate that, in a *post*-crisis context of high levels of unemployment, higher education and employment status still continue being strong determinants of subjective well-being. Conversely, income is found to have a weak and non-robust relationship with subjective well-being, excepting for the case of material needs satisfaction.

Average levels of the key variables for the reference groups of each individual are also introduced in the analysis; the results indicate that unemployment levels of the same reference group are negatively associated to subjective well-being, contrary to previous

research that suggests a positive impact of having others around experiencing the same precarious situation. The main policy recommendation from this study consists of giving higher priority to policy measures aimed at fostering employment and higher education, instead of cutting public spending on those areas.

Finally, the paper '*Decentralization and the welfare state: What do citizens perceive?*' by *Luis Diaz Serrano* from Rovira i Virgili University and *Andrés Rodríguez Pose* from London School of Economics and Political Science addresses the issue of how institutions affect the assessment of the provision of basic public services linked to the welfare state by individuals. The authors take a satisfaction approach to assess the relationship between fiscal and political decentralization and the satisfaction perceived by citizens with the delivery of education and health services in 31 European countries. Even though the paper uses a pooled dataset prior to the crisis, with data mainly coming from the *European Social Survey*, empowerment and decentralization issues are currently at the core of the political debate in many European countries, debate that in many cases is induced by the crisis situation.

Several decentralization measures are used in a *multilevel modelling* framework to conclude that the degree of decentralization of any given country influences the satisfaction of individuals with the provision of education and health. While fiscal decentralization exerts an unequivocal positive influence on satisfaction, political decentralisation affects citizens' satisfaction with health and education delivery in different ways, the influence being greatly contingent on the consideration of the capacity of local or regional governments to exert authority over its citizens or to influence policy at the national level. As highlighted by the authors, their results suggest that citizens prefer that their local governments have the fiscal rather than the political capacity to deliver health and education; also, they prefer their governments to deliver these services directly to them rather than exerting a greater influence on their provision at a national level.

The Guest Editors believe that the papers presented in this special issue allow shedding some light on the relationship between the economic crisis and human well-being, as well as fostering further discussion on the ways that human well-being can be promoted.