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# JOB INSECURITY AND GENERALIZED TRUST

The role of labour market policies and institutions in mitigating or exacerbating the effects of job insecurity on generalized trust

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## Abstract

The labour market in Europe has for decades now seen a radical shift from traditional full-time labour with unlimited contracts to a new flexible labour market designed to the economy of today, with temporary employment and employment contracts of limited duration with lesser security than the traditional ones. This development has coined the term insiders and outsiders which by all means have different labour market situations. The group that belongs to outsiders are growing in numbers. Theories on social cohesion and generalized trust also tells us that as people is distancing themselves from each other in various forms, generalized trust tends to fall as well as we are getting more unlike others in our society. This thesis investigates just that, does this new group of employees in the labour market show lesser generalized trust? Using a multi-level analysis, this thesis shows that outsiders do express lesser generalized trust than insiders across countries. Using different intervening labour market policies and institutions, this thesis also shows that four different labour market policies and institutions, ALMPs, PLMPs, and EPL for regular and temporary contracts all exacerbate the negative effect of being an outsider in the labour market.

**Keywords:** Insider/Outsiders, Generalized trust, Social cohesion, Labour market policies and institutions, Job Insecurity

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## 1. Introduction

The labour market in Europe has for the last decades been moving away from what has been viewed as traditional full-time employment and instead developed more of atypical jobs increasingly characterized by uncertainty, temporary labour and agency-work as consultants hired by companies (Marx, 2014). This growing size of the workforce population is labelled as *outsiders* in comparison to their fellow peers with safer and more traditional employment called *insiders*. The differences between these two groups are noticeable. Insiders benefit from knowing that their work contract is of unlimited tenure and they also enjoy social benefits to a far better extent such as pensions and fringe benefits than outsiders. While insiders might as well work part-time, their unlimited working contract put them in a more secure position. Outsiders on the other hand have limited working contracts, work either full-time or part-time, or on an hourly schedule on an agency contract as hired consultants (Rueda, 2005). Thus, insiders and outsiders differ from each other and are experiencing the labour market differently.

The importance of social cohesion in a society is a well-established research result. Research on social cohesion show that as social divides increase in a society, generalized trust tends to fall. The two most prominent theories on dualisms and negative effects on generalized trust are economic inequality and ethnic & cultural heterogeneity (Uslaner, 2010; Putnam, 2007). Studies that have tested these theories have come to show how important it is for member of a society to feel as a whole in order to enhance generalized trust, which in itself is vital for several areas such as economic growth (Knack & Keefer, 1997), for battling corruption (Rothstein & Uslaner, 2005), and general life satisfaction (Uslaner, 2002). Thus, it is reasonable to argue that further studying this new dualism between insiders and outsiders in the labour market is another stepping stone in order to further understand the effect dualisms have on generalized trust.

Several studies have shown how this dualism in the labour market has consequences for social well-being and affiliation towards others in a society. A recent study by Gundert & Hohendanner (2014) show that fixed-time workers and individuals working via various labour agencies express less affiliation towards others in a society in contrast to people working under unlimited contracts (Gundert & Hohendanner, 2014). A study by Svensson (2011) show how flexible working conditions, that is, having a “non-standard” position in the labour market affects generalized trust negatively – this result holds true even after controlling for age, education and socio-economic positions (Svensson, 2011). While these studies have focused on the effects of the current labour market and its dualism on generalized trust, they have nonetheless solely looked at

micro-level data from a specific country and not observed other potential contextual factors that can affect the ways in which individuals perceive their job uncertainty.

Labour market policies and institutions are put in place by states and can thus hypothetically form and shape the context in which the workforce lives under. Therefore, states can by putting emphasis on a certain policy affect the occurrence of temporary employment and fixed-term contracts. Chung & Mau (2014) and Chung & von Oorschot (2011) have in their papers examined the effects of labour market institutions and their results show that the effects of policies and institutions can in fact moderate individuals own self-observed insecurity (Chung & Mau, 2014; (Chung & van Oorschot, 2011). Labour market policies and institutions have in other studies also been heavily linked with other outcomes on individual behaviour such as political party preferences and whether one would vote for an anti-immigrant party or not depending on the design of labour market policy (Rueda, 2005; Lindvall & Rueda, 2014). Therefore, this thesis also contributes to the understanding of how the design of labour market policies and institutions matter for individual's behaviors, attitudes and beliefs in terms of their expression of job insecurity.

Furthermore, fixed term employment varies both in quantity and quality across countries (see figure 1). It is therefore interesting to further see whether the different labour market policies and institutions affect the outcome of job insecurity on generalized trust differently depending on which labour market policy or institution that is looked at (Marx & Picot, 2013). Thus, the purpose of this thesis is to apply a European comparative perspective and investigate firstly whether labour market insecurities affects generalized trust and secondly, whether the presumed relationship between labour market insecurity and generalized trust differs depending on the generosity and design of labour market policies. Hence, the thesis adopts a multi-level approach across 20 European countries and captures effects both on the individual level and on a country level where the different labour market characteristics are included.

## 1.1 Aim and research questions

Drawing on the findings from Svensson's study concerning the effects of being an outsider on generalized trust, this thesis aims at expanding from the micro-level approach to also include a macro-level approach with contextual labour market policies and institutions. Given what we know from the importance of having strong social cohesion in a society and high levels of generalized trust, this thesis sets to bring an answer to how important labour market policies and

institutions are in mitigating the effects of job insecurity on generalized trust. Thus, the aim is to investigate how labour market position affects generalized trust and whether the relationship between labour market position and trust is affected by the design of the labour market institutions. The guiding research questions will be:

1. Do labour market position affect generalized trust?
2. Does employment contract affect generalized trust differently across countries depending on the design of labour market policies and institutions?

Thus, the argument proposed in this thesis is that the divide between insiders and outsiders constitutes another form of dualism in a society both economically and socially. The theoretical contribution is to crossbreed the two theoretical fields of generalized trust and labour market policies in order to further understand how dualisms can affect generalized trust negatively. The empirical contribution is two-fold. First, to show how job insecurity affects generalized trust on the individual level. Second, to show how different labour market policies and institutions hypothetically can mitigate or exacerbate the supposed effects of different employment contracts on generalized trust. In a broader perspective, this thesis contributes to our understanding of possible effects of a continuously growing group in the labour market whom faces an uncertain labour situation.

## 1.2 Structure

The thesis proceeds as follows. Chapter 2 introduces a theoretical discussion on the development of the labour market and prior research on temporary contracts and “non-standard” employment. This chapter also connects to the dependent variable as this chapter discusses previous research on how different dualisms have affected generalized trust. Chapter 3 brings up the different labour market policies and institutions in this thesis and discusses their role in mitigating or exacerbating their effects on generalized trust. Following these two chapters is a theoretical summary where the hypotheses for this thesis are narrowed down. Chapter 4 includes the data and a methodological discussion together with operationalization of the variables. Chapter 5 includes the results and chapter 6 finally, analyses the findings and discusses avenues for future research.

## 2. Theory and previous research

Trust can mean a lot of things. Whether I trust my neighbour for watching over my apartment or trust my mother for being there when times are tough may have different meanings depending on whom you are talking to. It also differs in regards to what you trust rather than whom. There is a distinction in the literature regarding vertical trust (i.e. trust in institutions or government authorities etc.) and horizontal trust (i.e. trust in other people or groups of people) (Lindström, 2005). Both directions of trust affect generalized trust in one way or another. While having a society based on equality and strong reciprocity enhances generalized trust (horizontal trust), having negative vertical trust to institution due to unequal treatment of individuals and having weak sense of reciprocity diminishes generalized trust to other people (Putnam, 1993). In other words, horizontal trust between people is valuable and can be affected both by a sense of solidarity, mutual reciprocity in a society, and whether or not institutions treat individuals equally with good reciprocity.

Furthermore, horizontal trust in itself is divided into two segments – generalized trust and particularized trust. When we talk about generalized trust we talk about trust in other people in general, regardless of whom we mean. It is the idea that individuals put their blind trust in strangers. The opposite is when we trust people in particular what we choose. Particularized trust can be shown towards whomever is in our list of people to trust depending on previous experience or on information about the specific person or group (Nannestad, 2008).

In this thesis, focus is on generalized trust (the literature sometime refers to it as social trust as well) since it is plausible to believe that the effects of job insecurity between insiders and outsiders mainly affect generalized trust. Also, generalized trust is that sort of trust which is mostly used in explaining various social outcomes such as economic development (Knack & Keefer, 1997; Whiteley, 2000; Zak & Knack, 2001), in explaining the existence and battling of corruption (Uslaner, 2002), institutional development and quality (Helliwell & Putnam, 1995), and subjective life satisfaction (Uslaner, 2002; Bjørnskov, 2003; Helliwell, 2003). As far as generalized trust goes, it is agreed upon to be something normatively good. Higher levels of generalized trust are a symbol of a well-functioning society. However, there are no general theory that can capture the explanation of the origins of generalized trust, instead four different theories that stands out figures in the literature.



The first explanation deals with the concept of civic society and the importance of it. It is said that a vibrant and a dynamic civic society with people networking and having meetings in groups supposedly enhances generalized trust as meeting new people enriches your human capital which in a further step is a learning tool for trusting other people (Nannestad, 2008). This type of explanation has brought inconclusive results in empirical works. Some scholars, such as Brehm & Rahn (1997), Knack & Keefer (1997), and Stolle & Rochon (1998) find a rather strong indicator of a linkage between higher levels of civic engagement and higher levels of generalized trust (Brehm & Rahn, 1997; Knack & Keefer, 1997; Stolle & Rochon, 1998). However, other scholars tend to discard this view and find very little support for this explanation. Uslaner compares the civic engagement explanation with several control variables and finds very little support (Uslaner, 2002). Another important argument for why this explanation is troublesome is provided by Stolle (2001) who argues that civic engagement does not enhance generalized trust at all. It rather enhances particularized trust as we self-select whom we want to engage with. Thus, we do not necessarily enhance trust in strangers but rather enlarge our own sphere of particularized trust (Stolle, 2001).

The second explanation focuses on the quality of institutions and how it relates to generalized trust. Causality plays a huge factor here. One strand focuses on the effects of “good” institutions on generalized trust (Farrell & Knight, 2003; Levi, 1998; Rothstein & Stolle, 2001). Institutions here refer to both formal and informal ones. According to Levi (1996), “good” institutions can act as safety measure for people that look for institutions to provide a safety net in order to not get fooled. Therefore, good institutions can enhance generalized trust as people under such institutions cannot get away with distrustful behavior (Levi, 1996). Rothstein & Stolle (2001) are on the same track when they argue in favour for informal institutions that can create certain norms that tend to stick around (Rothstein & Stolle, 2001). However, the empirical work in this field also yields inconclusive results. Brehm & Rahn (1997), Delhey & Newton, (2005), Mishler & Rose, (2001), and Kumlin & Rothstein, (2003) all support the hypothesis that good institutions in one way or another enhance generalized trust. Bjørnskov (2007) on the other hand find very little support for the claim that institutions affect generalized trust in a study where he examined 21 different potential determinants of generalized trust – only six of them were connected to institutions and of these six only one was significantly proven to be affecting generalized trust (whether the country had a monarchy or not) (Bjørnskov, 2007).

The third explanation focuses on cultural values and shared norms in societies. Uslaner is a strong supporter of this strand of theory as he argues that trust is learned early in life via socialisation processes and that it tends to be rather sticky (Uslaner, 2002). One of the strongest determinants of these socialisation processes is income inequality as this distances individuals from each other which can affect the “cooperative spirit” between people (Ibid.). This notion is further supported by scholars such as Zak & Knack (2001), Bjørnskov (2007) and Delhey & Newton (2005).

The fourth explanation focuses on ethnic heterogeneity and how it affects levels of generalized trust. This strand of thoughts connects to the third explanation in many ways as it also notices the social distance between individuals and how it relates to cooperation. As much as economic inequality distances people from each other, so does ethnic heterogeneity according to supports of this explanation. The explanation focuses on the notion that people tend to stick to others of their own kind rather than networking and connecting with people who are different from themselves. This would then be further problematic when answering the survey question regarding generalized trust as the imaginary scope of who “people in general” are may diminish due to rising ethnic heterogeneity (Nannestad, 2008; Delhey & Newton, 2005). The empirical findings related to this explanation show mixed results. Bahry et. al. (2005) and Nannestad (2008) both find results linking rising ethnic heterogeneity to lower levels of generalized trust (Bahry, Kosolapov, Kozyreva, & Wilson, 2005; Nannestad, 2008). This is further supported in a study by Alesina & La Ferrara (2002) who look at US localities and find a strong significant relationship between living in racially mixed area and lower levels of generalized trust (Alesina & La Ferrara, 2002). However, results from other studies have shown that the expression of generalized trust may be different between groups of people. In a study by Marshall & Stolle (2004), results showed that in racially heterogeneous communities, African-Americans showed more positive results leaning towards higher levels of generalized trust more than white respondents (Marshall & Stolle, 2004). In a rather opposite direction from the general findings mentioned above, (Leigh, 2006) finds no significant relationship between ethnic or linguistic heterogeneity and generalized trust.

Whereas these studies have focused on individual level data, cross-country studies on the other hand seem to show a similar pattern throughout the studies. Delhey & Newton (2005) find a very strong negative relationship between ethnic heterogeneity and generalized trust across countries in a measurement of 60 countries. The results show that ethnic heterogeneity together with a

Protestant tradition are two important determinants of high-trusting nations (Delhey & Newton, 2005). Bjørnskov (2007) further explores these determinants and add that social polarization such as economic inequality and ethnic diversity reduces generalized trust (Bjørnskov, 2007).

So far, previous research on generalized trust has mainly focused on the four explanations mentioned above, and the degree to which the findings are coherent or mixed differs across the four explanations. Other possible determinants of high trust seem to come from higher education and being older. According to Knack & Keefer (2007) and Knack & Zak (2002), education is a tool for building human capital which develops a better understanding of the world and the people around us. This in turn develops a better trust in others hence higher generalized trust. (Knack & Keefer, 2007; Knack & Zak, 2002). The same goes with age. Studies have found that older people are far more trusting than younger people. The reason for this is that older people have had more time to develop a certain base level of trust and understanding of how the world and the people around it works (Putnam, 2002; Glaeser, Laibson, Scheinkman, & Soutter, 2000; (Alesina & La Ferrara, 2000). However, the sum of all findings seem to relate to the notion that anything that distances individuals from each other in terms of either ethnic heterogeneity, economic inequality or other cleavages damages social cohesion and the cooperative spirit in a society is negative to generalized trust. The question is whether labour market dualism is one additional feature that distance people from each other and as a consequence affects generalized trust.

## 2.1 What defines an outsider?

Rueda (2005) defines insiders as those with highly protected jobs. It is those individuals who are “...employed full-time with permanent job or...those with part-time or fixed-term jobs who do not want a full-time or permanent job”, whereas “outsiders are...defined as those who are unemployed, employed full-time in fixed-term and temporary jobs...employed part-time, ore are students, all of these unless they do not want a full-time permanent job” (Rueda, 2005). Others such as Häusermann & Schwander (2010) separates outsiders from insiders by defining them as “...individuals who faces a particularly high risk of being unemployed or atypically employed” (Häusermann & Schwnder, 2010).

It is difficult from these definitions to get a grasp of whom the individuals are in either category. Individuals who change jobs every three years from a permanent job contract to another permanent contract, are they still considered insiders even though they may have lost their

previous job? It is further difficult to know whether one does or does not want a permanent job. However, one has to draw a line and look at where the individuals are today in their job situation and for that reason this thesis will use the definition put forward by Rueda. The definition is preferable as it is compatible with the aim of this thesis which is to look at current labour market position of employees and not a time-series analysis of the risk of losing a job.

## 2.2 Job insecurity and generalized trust

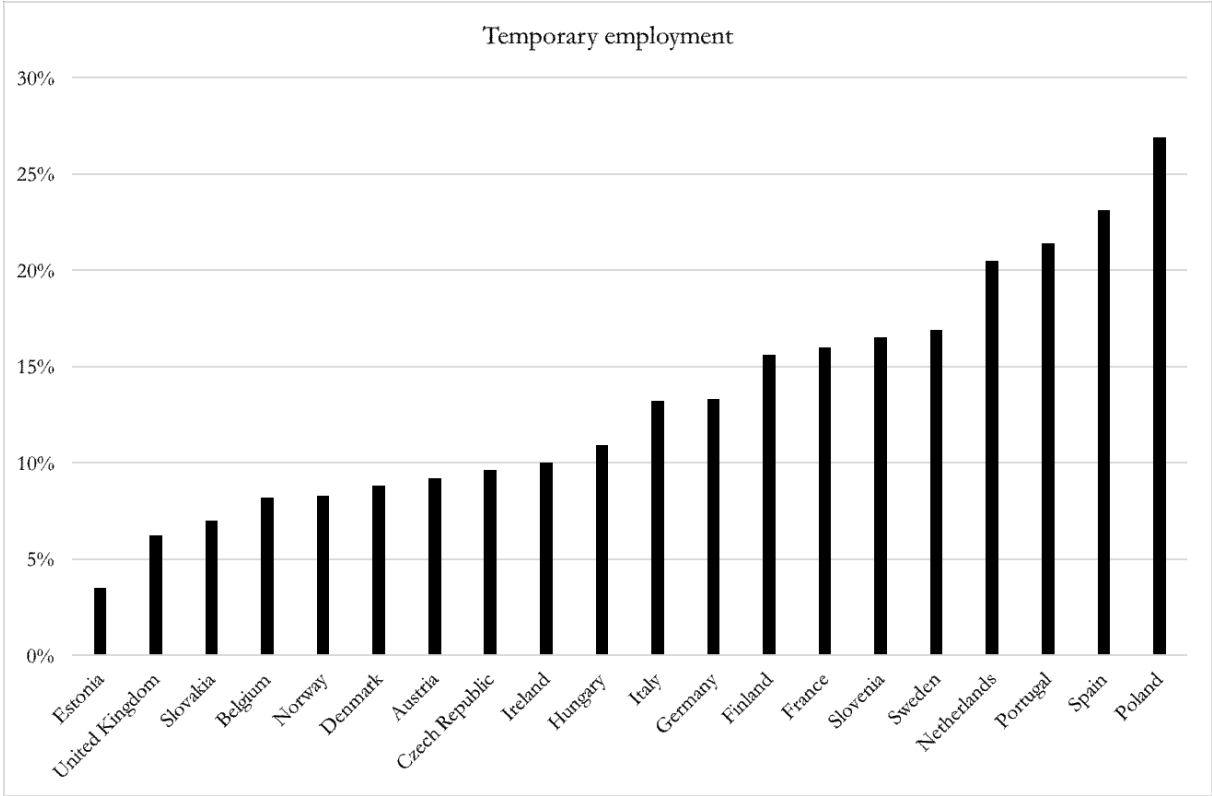
For decades now, the labour market has seen a shift from what has been viewed as full-time employment and unlimited working contracts in most labour sectors to a gradual increase in short-term, unsecure labour with limited working contracts. Somewhere between the 1970's and 1980's, the traditional patterns of the labour force experienced global changes that forever since have alternated how we view labour. Under the flagship concept of 'globalisation', factors such as increasing internationalization of the workforce and a post-Fordism development which mainly has meant that classic industrial work has been challenged by a huge service sector with white collar workers have emerged. This gradual shift in the labour market has created a dualism in the workforce population between those that are *insiders* or *outsiders* (Rueda, 2005; Glyn, 2007).

The insider-outsider theory presented by David Rueda (2005) picks up on the development of the labour market and argues that a dualism has been created in terms of job (in)security (Rueda, 2005). The increasing international competition in the labour market together with the liberal economic policies that began to spread around the 1980's has created a sphere of uncertainty in the workforce population which shows itself differently depending on whether one is an insider or an outsider. Insiders are those that have a full-time or part-time employment with an unlimited working contract meaning their work contract does not have a time limit. Outsiders on the other hand are those that are either unemployed, or have a fixed-term contract that is either full-time or part-time, have a temporary job with no guarantee of continuous work, or is working hourly on an agency-based contract provided by labour agencies (Rueda, 2005; Rueda, 2006; Marx, 2014). The group that belongs to outsiders is growing in numbers as well but the share of outsiders in the workforce also differs substantially across countries (see figure 1), with Poland and Spain having above 25 % of the workforce on temporary contracts compared to countries such as UK, Norway, Denmark, Ireland, Belgium and Austria that are all below 10 % (Eurostat, 2013).

International economic competition has created a system where employees are forced to be quick and responsive to global movements and patterns that can affect the companies' economy.

Therefore, temporary employment has been created in the modern economy to give a flexible approach to employers since they no longer need to hire expensive personnel that is also difficult to get rid of. Flexible and short-term personnel can provide quick solutions to employers whenever they are in need of them. This pattern has created a workforce that is growing in numbers. Nevertheless, as said, these numbers vary greatly depending on country, and these differences could occur due to policies and institutions that exist in the specific country since putting a certain emphasis on a policy or institution can steer the trend of temporary employment (Marx & Picot, 2014).

**Figure 1 – Share of temporary employment of the total workforce by country**



**Note:** The countries included in this figure are also the countries included in the sample for this thesis.  
**Source:** Eurostat and OECD, 2013

The case for dealing with the issue of the divide in the labour market in relation to a possible erosion of generalized trust is imminent when we take in the importance of identification and issues relating to who we are and what we have in life into matter. Wilkinson & Picket (2010) has examined this relationship and argue that as we identify ourselves with others through factors such as economy, we also tend to associate ourselves with others through that channel.

Therefore, we draw ourselves to people like us and distance ourselves from people unlike us (Wilkinson & Pickett, 2010). Uslaner (2010) is on the same track as he argues that as people distance themselves from each other they lose a sense of a shared fate (Uslaner, 2002). In other words, we lose the ties that keep us in common and we tend to keep to ones like ourselves which, in the longer run, can have further implications as perceptions of those unlike ourselves only grow to be more negative when we avoid contact (Uslaner, 2002).

The connection between job insecurity and generalized trust may sound farfetched at a beginning. However, previous research on the existence of job insecurity show that it [job insecurity] can have detrimental effects. Hellgren et. al. (2010) showed for example that job insecurity leads to less favourable outcomes such as lesser individual well-being which negatively impacts employees' job attitudes, organizational attitudes, health and also their attitude toward the specific organization (Hellgren, Sverke, & Isaksson, 2010). In a study on the German labour market, Giesecke (2009) found severe negative socio-economic effects of having an atypical employment compared to regular working contracts, even when comparing with unlimited contracts with part-time labour which he referred to as "internal flexibility" (Giesecke, 2009). The negative effect of job insecurity on income and wage distribution is also supported by D. Nollen (1996) in his study on the American labour market (Nollen, 1996). Häusermann & Schwander (2010) did a comparative study on Europe's labour market and found distinct gross income differences between insiders and outsiders across certain areas in Europe (Häusermann & Schwander, 2010).

Thus, those with safe job tenures and stable working conditions are in a different position than temporary workers and even more so than those working for labour-agencies as consultants. The question remains why these different positions should show any results regarding generalized trust.

Richard Sennett (1998) describes in his book "The corrosion of character" how this new type of flexible capitalism changed the ways in which individuals saw themselves on the labour market. Those in the group of outsiders rarely develop the same sort of commitment and self-discipline that a full-time stable employment entails, and that type of erosion of character can in a second stage relate to lesser generalized trust towards other people as the dualism between insiders and outsiders continuously grows. The connections and the network one builds up during a lifetime with continuous work at one or a few places is positive for one's character as opposite to the many

jobs and various settings one faces with an insecure temporary labour situation. Temporary labour does not have to imply that one cannot advance and make a career, it just makes it more insecure and thus the potential damaging effect on one's character (Sennett, 1998).

Previous research on the effects of job insecurity on generalized trust can be related to the *success and well-being theory* by Delhey & Newton (2003). The main argument is that valuable aspects of life such as income, social status, life satisfaction, job satisfaction, happiness and whether one expresses high or low anxiety can all be related to whether one shows greater or lesser generalized trust than others (Delhey & Newton, 2003).

It is said that anything that increases the social distance between people damages social cohesion which then is damaging to generalized trust (Uslaner, 2002). It is plausible that this can be transferred to the social distance that occurs when more and more people tend to fall into the category of outsiders in the labour market. Precious research on declining generalized trust due to job insecurities has focused on the job as a form of identity builder in which individuals think of themselves. Due to the structural changes in the labour market, individuals may face a different career pattern that traditionally was given when staying at the same workplace for a long duration of time. Constantly building and re-building your network of colleagues are demanding and erodes the quality of interpersonal contact one receives from a stable set of colleagues (Sennett, 1998). Another issue with the new labour market appears in studies related to what accounts as success, and how it affects individuals' own opinion of their status in life. Several studies have found that "non-standard working arrangements" and temporary agency work give a feeling of failure which manifests itself with lower self-esteem, self-identity and self-confidence (D. Nollen, 1996; Henson & Just, 1996). The argument is further supported by Boyce et al. (2007) who argues that working under flexible working arrangements may result in stigmatization and later on poor self-image (Boyce, Ryan, Imus, & Morgeson, 2007). Thus, the idea that flexible working conditions also results in lower levels of generalized trust comes from the erosion of stable life-long careers which lowers individuals' self-esteem (Svensson, 2011). Simply put, those that are considered insiders today still follow the same traditional career patterns with stable full-time employment while those that are outsiders experience a different route.

According to Goffman (1959) societies are affected by social interaction on the micro level (Goffman, 1959). Svensson (2011) later on picks up on this argument and further develops this thought and argues that those in unstable working conditions under the new labour market shape

another different identity to labour than those with stable ones. And, this is supposed to show itself in generalized trust between those that are on the outside and the inside (Svensson, 2011). In other words, the causal mechanism in its essence captures outsiders' lower self-esteem which are thought to affect generalized trust via variable job insecurity.

This thesis brings up several studies in order to capture the causal mechanism between job insecurity and generalized trust. However, this thesis in its essence embarks on two previous studies that in one way or another connect to being an outsider in the labour market with falling generalized trust or lower social cohesion. Svensson (2011), interested in the new labour market and how it has shaped the labour force, studied how those in unstable flexible working conditions differed from with traditional employment contracts regarding generalized trust. The results which was analysed from Swedish survey data showed that those in flexible working conditions (i.e. outsiders) showed lower levels of generalized trust in a society (Svensson, 2011). The reason for expressing lower levels of generalized trust comes from an idea expressed by Sennett (1998) which describes how labour under the new flexible economy rewards those who are ready and adaptive to a continuous change or work location. This adaptation to change and constant rebuilding of networks is harmful to real commitment in the labour market which eventually erodes ones' character (Sennett, 1998). This does not mean that labour under the new economy entail that one cannot make a career, it rather means that a career does not have to look like it traditionally has done with one stable job with regular working hours (Svensson, 2011). The harm in this new flexible working conditions comes from the traditional view that labour is something one base his identity on in relation to other people, hence the falling generalized trust towards others as one's own character is harmed by adaption to working under an insecure labour market (Ibid. 2011). The results are also significant when controlling for age, gender and socio-economic positions.

Gundert & Hohendanner (2014) did a somewhat similar study on the German labour market but used temporary workers and people in non-standard working conditions and tested it against social well-being and feelings of social exclusion. Their result showed that being in a non-standard position in the labour market (i.e. being an outsider) creates a feeling of being excluded in the society and individuals with temporary jobs becomes less affiliated with others in the same society. Most notably is the loss in trust by those in temporary agency work (Gundert & Hohendanner, 2014). The authors too refer to the thoughts of Sennett regarding ones' erosion of character in the sense that being a temporary worker creates a loss in stable long-term social



relationships. This loss in stability in social relationships can get a hold in individuals own perception of belonging in a society and thus feel that they are drifting away from shared values and norms that otherwise exists in genera. On aggregated level it is thought to correspond to weakened social cohesion (Ibid.).

These studies by Svensson and Gundert & Hohendanner offer an insight into studies on micro level relating to non-standard employment and its effect on individuals well-being, but macro level contextual variables may be important as well and should not be discarded. So far, no previous research has studied the relationship between job insecurity and generalized trust in a multilevel research design using contextual labour market policies and institutions as moderating variables. It is not farfetched to assume that different settings can provide different feelings of security regarding ones' position in the labour market. This thought is supported by Häusermann & Schwander as they argue that the variation in in temporary employment and non-standard labour is depending on different settings of welfare regimes (Häusermann & Schwander, 2010). The relevance of their study in light of this thesis is their acknowledgment of different welfare regimes and how it can alternate whether the dualism in the labour market is segmented or not; and their study show interesting results. Liberal welfare regimes such as in the UK or USA creates a situation where low-skilled workers are more endangered of becoming temporary employed than other sectors. While temporary employment exists in the Nordic welfare regimes as well they are nonetheless successful in battling these issues with active labour market procedures such as training and education. Continental welfare regimes such as the ones France and Germany show greater dualism in the labour market than other welfare regimes. Since social protection programmes are closely tied to type of employment, dualism on the labour market feeds into a large dualism in social protection as well in these countries. Outsiders in these welfare regimes get enough back-up financially, but the impact of being in a position of need as they become to be results in stigmatization. The situation is a bit different for southern European countries such as Greece as their labour market situation is harsh even for those in the inside segment of the labour market. The situation is nonetheless even more severe for those in the outside segment as they in these welfare regimes have even less social protection offers than other welfare regimes (Häusermann & Schwander, 2010).

As can be seen from the literature on welfare regimes, labour market dualism is not separated from labour market policies. The question remains however of what the important aspects of labour policies and institutions are for a possible intervening affect over feelings of job insecurity.

### 3. Labour market policies and institutions

It is well-known that institutions do matter when it comes to individual behavior, beliefs and attitudes. Institutions are mutually existing together with the actors, us humans, that play along with them. We are constantly shaping and re-shaping both our formal and informal institutions through mutual co-existence with others in a society, and these institutions can create and break down worldviews, opinions and beliefs depending on the institutional setting in a given society (Pierson, 1993; North, 1997).

The insider-outsider dualism is not a phenomenon only to be viewed on at the individual level. Labour market policies and institutions can in fact help to mitigate or exacerbate the effects of job insecurity greatly depending on type of policy. Policies and institutions matter regarding the effects they may have on breaking or enhancing a negative trend in employment levels in a country. Although policies do not steer the direction of employment levels to a full extent, countries can decide on type of regulation independently and it can have effects on the occurrence of temporary labour contracts (Marx & Picot, 2014; Häusermann & Schwander, 2010). Inactivity by states from pursuing a specific policy direction can also be an explicit strategy. In other words, state activities such as enhancing or lowering a certain type of labour market can affect the labour market dualism either by passively letting the labour market regulate itself or actively, by using various measurements to alternate the trends. Labour market policies and institutions could therefore have a two-fold effect here. They could foremost affect the frequency of outsiders which then can affect whether or not outsiders express lower generalized trust than others.

In other words, the occurrence of labour market policies is understood to firstly create and maintain the dualistic nature of the insider-outsider dualism since it creates and develops policies that regulate the availability for employers to hire and dismiss employees. Secondly, it is also understood to affect the feeling of security. It is further understood to affect the economic perceptions of employees in times of insecurity. And, if there is more of an insecure nature for outsiders than for insiders, then outsiders should express lesser social cohesion due to the effects of being an outsider in terms of mental self-images, self-esteem and their precarious labour market which provide an insecure economic reality in comparison with insiders (Marx & Picot, 2014; Chung & von Oorschot, 2011). The vast literature on labour market policies has given great insights into the effects of certain labour market policies and institutions that may have an effect. One important aspect of labour market policies is that they help to shape the reality in

which the labour market operates under. Having a certain amount of percentage spent on employment protection for example affects companies' abilities to hire and/or dismiss staff. In an ever changing world with continuous globalisation, this can have large effects on employment rates and feelings of job security for individuals. But which are the labour market policies and institutions?

Employment Protection Legislation (EPL) is one of the institutions mostly used when trying to explain the persistence of unemployment. Basically, EPL stands for the rules and regulations regarding dismissals and treatment of employees, both regarding insiders and outsiders. A study by Scarpetta (1996) about the role of labour market policies and institutional settings came to the result that labour market policies and institutions do affect the level of employment greatly depending on type of policy. Strict employment protection legislation for example is believed to result in higher levels of unemployment because of the fact that it makes it more difficult for employers to fire and substitute employees (Scarpetta, 1996). These types of policies benefit insiders much more from their unlimited working contracts while outsiders face a tougher reality due to increasing costs of hiring individuals with unlimited working contracts which can create a reality with tougher entries into the labour market to begin with for unemployed as well (Crouch, 2014; Berglund & Wallinder, 2015). This can also create a scenario where there are fewer jobs to apply for in the first place (Halikiopoulou & Vlandas, 2016; Berglund & Wallinder, 2015). EPL is therefore a rather dilemma for states. Boiling it down to feelings of job insecurity for employees, higher EPL may mean something positive insiders while it could be the direct opposite to outsiders (Halikiopoulou & Vlandas, 2016). In essence then, it could be argued that EPL is prone to be mitigating the effects of job insecurity for insiders while it could worsen the effect of job insecurity for outsiders.

Passive Labour Market Policies (PLMP) is a sort of insurance policy for people whom are unemployed or is facing unemployment since these types of policies include unemployment insurances in various forms and economic back-up (Berglund & Wallinder, 2015). Previous research on in the area show some conflicting results. A generous level of unemployment benefits affects those that are unemployed negatively since it is believed that a generous level prolongs the time someone is unemployed (OECD, 2010). However, the generosity of PLMPs may likewise affect those that currently have a job since individuals may become more prone to switch jobs and take higher risks that are involved when moving in-between labour, such as the risk of becoming unemployed (Sjöberg, 2010). Empirical results when measuring the effects of

unemployment benefits how however that these believed effects are not uniform. A study by Katz & Meyer (1990) in the US context showed for example that there are lower chances of leaving unemployment when there are higher levels of unemployment benefits. The trend reverses as soon as the benefits are running out (Katz & Meyer, 1990). Wadsworth (1991) measured the effects of unemployment benefits in the UK and found the opposite from Meyer – people receiving unemployment benefits are searching for jobs much more than those that are not receiving benefits (Wadsworth, 1991). It is clear from these studies that passive labour market policies have an impact on employees' feelings of security whether both for insiders or outsiders. Unemployment benefits is a sort of policy designed to give a feeling of security in tough times. Therefore, focusing on PLMPs can arguably mitigate the effects of job insecurity for both insiders and outsiders.

Active Labour Market Policies (ALMP) are more targeted than PLMPs as these types of policies entail internships, education and other activities in order to help people back to being employable. In other words, these types of policies involve generating an encouragement in enhancing individuals' human capital by actively help them navigate their way back into the labour market. Like PLMPs, ALMPs may affect outsiders in particular since their main target is the unemployed in order to make them attractive to the labour market again (Chung & Mau, 2014). Therefore, it is arguable that increased spending on ALMPs provide more security for outsiders than for insiders.

Chung & Mau (2014) and Chung & von Oorschot (2011) have in their papers examined the effects of labour market institutions and their results showed that the effects of policies and institutions in fact can moderate individuals own self-observed insecurity (Chung & Mau, 2014; Chung & von Oorschot, 2011). This is further supported by Auer (2006) as he argue that both employment protection legislation and labour market policies are important in giving a sense of security for employees and they can mitigate the effects of job insecurity by providing assistance in times of financial problems due to job loss (Auer, 2006)

### 3.1 Theoretical conclusion and hypotheses

So far, previous research on the causes and effects of generalized trust has focused on different explanations with various results. One of the significant results from these studies however, has been the acknowledgment over social distances between people and how it affects levels of

generalized trust. Anything that expands the social distance between people results in lower levels of generalized trust.

As far as the theory on insider-outsider dualism goes, outsiders are growing as a group and they are more and more distanced from the traditional workforce. Insiders benefit from stable, full-time tenures with high levels of job security while outsiders face a tougher reality with unstable job security, no clear career pattern with short labour contracts and economic uncertainty (Gundert & Hohendanner, 2014; Svensson, 2011). Their working situation has in previous studies shown to result in lower self-esteem and negative self-images of themselves. Our working life and our careers do in many ways reflect itself in our self-esteem, and empirical results have shown that this can affect social cohesion and thus generalized trust. It is all related in many ways to the success- and well-being theory described in chapter 2. Issues such as income, social status, life satisfaction, job satisfaction, happiness and anxiety are all related to whether one expresses greater or lesser generalized trust than others (Delhey & Newton, 2003). We compare ourselves with others, and our mental pictures of who we are can differ a lot from what we believe others are. If this mental picture grows a lot in a negative direction for a larger group of people, then the view of belonging to a shared norm in a society may be damaged and thus the erosion of social cohesion and generalized trust.

The arrow of causal mechanism therefore goes from job insecurity to generalized trust. Being an outsider (i.e. being in a limited working contract) is the variable measure as being in an insecure position.

H1: All else equal, outsiders show lower levels of generalized trust compared to insiders.

The study by Chung & von Oorschot brings up the importance of ALMPs for ensuring job security. ALMPs are thought of as enhancing human capital which in turn is set out to make the individual employable again. It is also argued in the study by Auer et. al. (2007) that active labour market policies is preferable as they actively enhance individuals' skills instead of collecting insurances and doing nothing. They also take away the stigma of collecting economic help from insurances by actively engaging individuals in the workplace once again (Auer, 2006). Overall, both Chung & von Oorschot and Auer argue that these types of policies provide security for employees and it is plausible to argue in favour for ALMPs' and hypothesize that higher levels of ALMPs provide greater job security for outsiders.

H2: In countries with higher spending on ALMPs, outsiders feel more secure and thus show higher levels of generalized trust compared to insiders.

The same study by Chung & von Oorschot (2011) captures the essence of why it is important for countries to have sufficient levels of PLMPs in order to ensure job security for employees. In terms of these types of policies, it is said that higher levels of them raises the feeling of job security for employees. This is due to having a greater economical certainty in a state with higher levels of PLMP. When individuals feel that they are financially backed if they lose their job they become more prone to search for another job and look for other opportunities. Hence, in a state with higher levels of PLMPs, mobility increases and individuals are more willing to take risks and switch jobs. It is thus possible to argue that having higher levels of PLMPs entails greater job security for employees both for insiders and outsiders. Hence, having greater job security in a state with higher levels of PLMP also entails having higher levels of generalized trust.

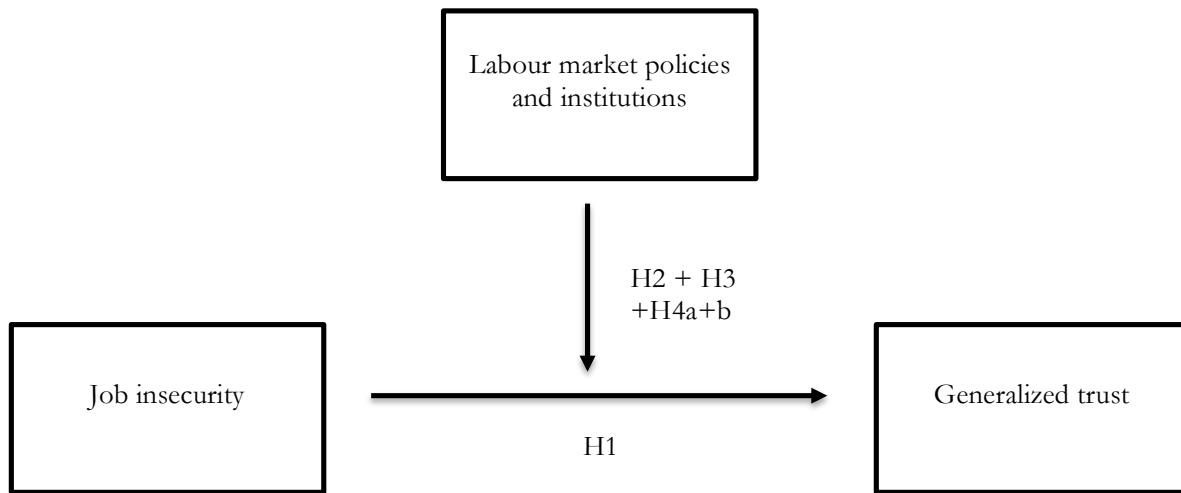
H3: In countries with higher spending on PLMPs, outsiders feel more secure and thus show higher levels of generalized trust compared to insiders.

EPL is a dilemma for states considering the different effects it possibly can have on job security depending on where you are on the labour market. Higher levels of EPL is good for several reasons including the feeling of security it may give to those who benefit from a stable and unlimited working contract. However, for those who face tougher entries into the labour market, the outsiders with unsafe labour contracts and part-time agency labour, higher EPL means the opposite of security and thus the difficulty of knowing whether having a high or low EPL is good or bad. It is a question of whom it needs to be served for foremost. In this case, it is arguably plausible to claim that outsiders in countries with higher levels of EPL do not feel more secure but rather insecure and therefore also should display lower levels of generalized trust. EPL is measured separately for insiders and for outsiders but the theoretical argument is similar for both.

H4a: In countries with higher levels of EPL for regular contracts, outsiders feel more insecure and thus show lower levels of generalized trust compared to insiders

H4b: In countries with higher levels of EPL for temporary contracts, outsiders feel more insecure and thus show lower levels of generalized trust compared to insiders.

**Figure 2 – Theoretical model**



#### 4. Data and method

The data for this thesis is drawn from several sources. The data on the individual level is from European Social Survey (ESS) which is a cross-national survey across Europe. It has been conducted every two years since its start in 2001 and their ambition to collect the attitudes, beliefs and behaviors of Europe's citizens has now resulted in seven rounds of surveys altogether. The wide variation in survey questions capture the attitudes, beliefs and opinions about several topics such as generalized trust, individual well-being, education, economy, attitudes about immigration, attitudes towards security issues and also political trust and political satisfaction. The way of collecting answers from respondents is via face-to-face interviews in the respective countries with a general response rate well over 50 % throughout their rounds of over the years (ESS - European Social Survey, 2012-2014).

This thesis sets out to capture moderating effects on a contextual level and these variables are collected from OECD statistics. OECD statistics is a good source for contextual variables, such as the ones used in this thesis since OECD have a large number of countries covered with precise measurements of how much a state spend of their GDP on these contextual variables (OECD, 2010). OECD statistics is also a good data source since the material for their data is gathered from country officials in multilateral procedures, and for a good reason. The organisation started as a multilateral organisation in order to assist and coordinate policies

throughout Europe after the world wars (OECD, 2010). Furthermore, since this thesis uses country comparison data, (i.e. cross-sectional data) with individuals in different countries – a violation against the standard OLS assumption in regular regressions that tells us that independent variables or measurable units has to be unrelated to each other - multi-level analysis is used in order to see whether the labour market policies and institutions mitigate or exacerbate the effects of independent variable on the individual level. Multi-level analysis is in other words uses when facing nested data because otherwise, individual answers from the countries in this thesis would only count as one answer. (Field, 2015). The purpose of using a multi-level approach is hence valid in this thesis, but it also comes with its problems.

A critical aspect of multi-level analysis is the debate over how many countries or other units on the higher level (above the individual level) that is necessary in order to claim reliable results. Scholars in the field of multi-level modelling give different answers and their minimum number of units required on the second level ranges from 8-10 which is quite small, to a somewhat average sample size between 30-50, and sometimes even up to 100 units (Afshartous, 1995; Kreft & Leeuw, 1998; Rabe-Hesketh & Skrondal, 2012). The critique against having a small sample size (below approximately 20 units at the second level) is that small sample sizes can often lead to biased results which can lead to researchers often overestimating the significance of their results (Stegmueller, 2013). Thus, in order not to risk any biased results, I want to make sure I have as large of a sample as possible.

One caveat in making sure I have enough countries in the sample is that not all the countries in every round of ESS are OECD countries where the contextual level data is collected from. So, for the latest round, round 7 from 2014, the countries included are: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden and United Kingdom. To cover for the omission of countries in round 7 due to data loss, I use two countries from ESS round 6 (2012), Italy and Slovak Republic (European Social Survey, 2017). Hence, the data now contains 20 countries which is decent in terms of not risking any severe bias in the results. However, having just enough to reach 20 countries is a small victory in turns of sample size. A larger sample size is always more satisfactory, but that would require even older rounds of ESS, something that could be theoretically difficult to argue for since that would entail data from several years prior to the newest round and since this thesis does not use time-series analysis, that is a whole another



endeavour. Nevertheless, I am aware of the weakness of having just reached 20 countries for my sample (Stegmueller, 2013).

The variables collected from the two ESS rounds covers the focal relationship between job insecurity and generalized trust, together with the control variables gender, age and education. These control variables are included in this thesis for better understanding the effect of the focal relationship and check for other possible explanations. These control variables are also present in the study by Svensson (2011) discussed in the theoretical chapter and is thus legitimate to include in this thesis as well.

## 4.1 Operationalization of variables

### **Variables on 1 level (individual level)**

**Dependent variable:** Generalized trust is most often measured by the standard question “...generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with other people?”, with some potentially minor differences in description in other surveys. The variable is measured on a 11-point scale from 0-10 with 0 being “you can’t be too careful” and 10 being “most people can be trusted”. However, ESS also provides two other questions relating to generalized trust. Both the “...do you think that most people would try to take advantage of you if they got the chance, or would they try to be fair?” and “would you say that most of the time people try to be helpful or that they are mostly looking out for themselves?” relate to generalized trust. Thus, for the purpose of capturing a larger spectra of generalized trust, I create an additive of these three variables and merge them into one key variable that measures generalized trust. The new variable now measures from 0-30 as it is possible to have this many variances when gathering all the answers from every prior variable – 0 means “low trust” while 30 means “high trust” (ESS - European Social Survey, 2012-2014). One important aspect when adding variables together is the alpha value for the new variable. Do the prior variables even correlate with each other? An alpha-test measures just that. The limit for having a good alpha value is around ,700 and the adding of trust variables results in an alpha value of ,776, and no particular skewness in any direction is found. This means that the variables are theoretically plausible to measure trust in the sense that they measure the same concept. Omitting any of the variables would lower the alpha value. On a further note, it is also reasonable to capture a larger spectra of trust since it is large concept since the standard trust question can often be misunderstood (Glaeser, Laibson, Scheinkman, & Soutter, 2000), expanding the variable

and adding more trust question is therefore a good idea. The mean for the trust variable when merging the prior ones together is 16,09 across the countries.

**Independent variable:** The independent variable is a difficult variable to operationalise. Firstly, as it was discussed in chapter 2, the frequency of outsiders can vary across countries and also in time. Countries and markets are continuously adapting to the new flexible labour market which alternates the level of temporary workers. Hence, one way of measuring job insecurity is to actually look at the objective risks of becoming a temporary worker, or even worse unemployed. However, while this thesis intends to measure the effects of being in an insecure labour market position, it does not measure the risk of being unemployed or the risk of facing a temporary employment contract due to the difficult task of operationalising what a risk in these situations are. Hence, this thesis measures employees from the position they are in at the time of the survey and, those with limited/temporary labour contracts are here considered to be in a more insecure position than persons with unlimited contracts. Even if this operationalization has its limits, it works as it puts each respective category of workers in either side of the labour market. ESS asks respondents what labour contract they have at the time of the survey and the question goes as “Do/did you have a work contract of...” and the answers goes from “unlimited duration”, “limited duration”, and “or, do/did you have no contract?” which basically means being unemployed. As Rueda (2005) have pointed out however in his definition of outsiders, unemployed was in the same definition as those in limited and temporary contracts (Rueda, 2005).

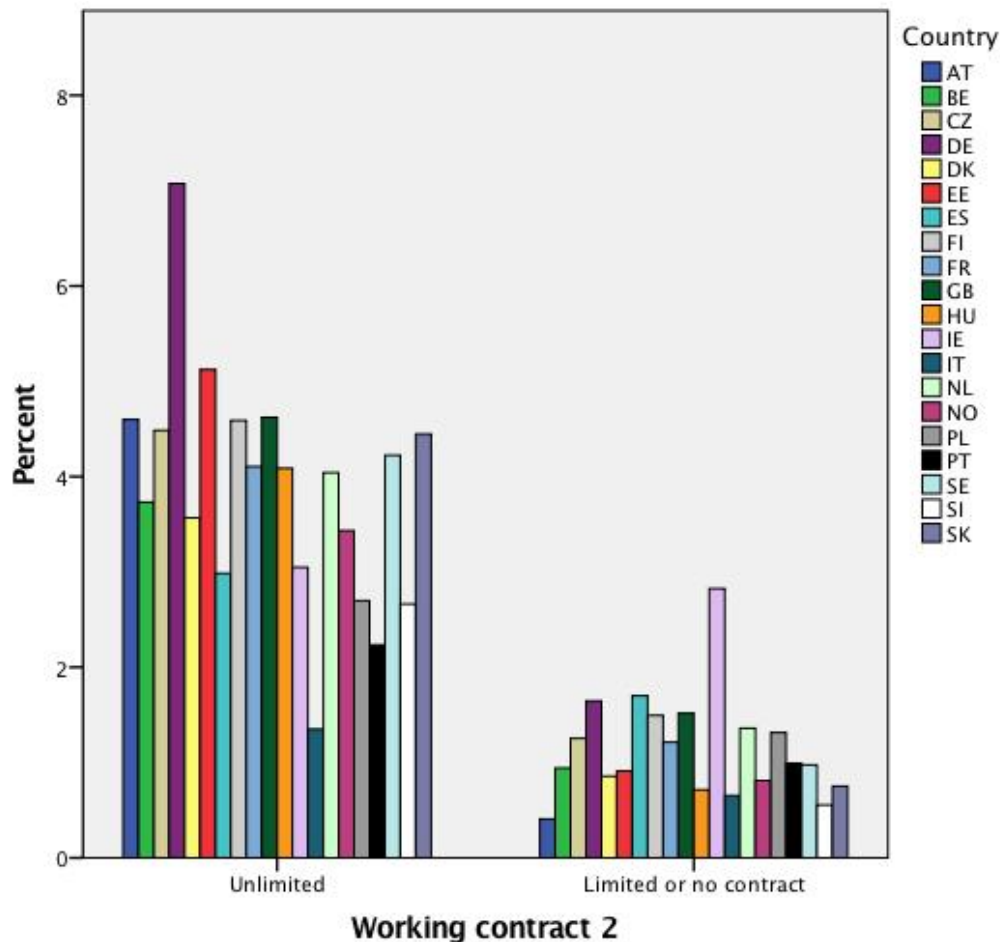
Thus, in this thesis, those with limited/temporary contracts and those with no contracts at all is computed into the same category<sup>1</sup>. The new variable now has two categories, 0 equals having an unlimited working contract (insiders) and 1 equals limited/temporary contracts and contains unemployed as well (outsiders). It is of course a risk when limiting the measurement of job insecurity to this variable alone as insiders as well might be in an insecure labour market position, and, it is a matter of discussion whether limited/temporary workers are more insecure or not. However, due to the flexibility of the economy today and the fact that it is relatively easier to dismiss and replace those with limited working contracts, they do work under a more insecure

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<sup>1</sup> A regression was done without unemployed, the results showed no clear difference with the results when merging them with temporary employed.

position than insiders with their unlimited contracts (Marx & Picot, 2014; Rueda, 2005; Rueda, 2006).

**Figure 3 – Frequency of limited/no contracts across countries in the sample**



**Source:** ESS - European Social Survey, 2012-2014

It is furthermore also possible that employees in specific sectors in the labour market are more targeted by certain labour market policies and are thus in more risk of being in an insecure position. However, as the aim of this thesis is to see whether different labour market policies mitigate or exacerbate the effects of job insecurity on generalized trust to begin with, studying different sectors in the labour market is a move away from the aim of this thesis and it thus optional for further research in the area.

**Control variables** – A report by Silim & Stirling (2014) has shown how women are more often working part-time or work under flexible working conditions (Silim & Stirling, 2014)..

Furthermore, research on the role of gender in relation to generalized trust gives inconclusive results. In a study by Hooghe et. al. (2009), women was found to be more trusting than men (Hooghe, Reeskens, Stolle, & Trappers, 2009). On the other hand, Paxton (2007) finds no significant relation between gender and trust (Paxton, 2007). Gender is therefore included as a control variable in order to see whether there are any differences between men and women in relation to being with a limited/temporary contract and expressing generalized trust. Gender is coded as 0 = men, 1 = women.

Age and education are two other control variables included in this thesis. Age is one variable that in the literature well often is argued for having an effect on trust. For example, in a study by Li & Fung (2012), age was found to be positively related to five different measurements of trust across 38 countries (Li & Fung, 2012). Sutter & Kocher (2007) did an experiment on a sample ranging from 8-year olds to retired persons and likewise find that older people tend to be more trusting. (Sutter & Kocher, 2007). Putnam (2000), Glaeser et. al. (2000), and Alesina & La Ferrara (2000) likewise found that older cohorts tend to be more trusting than their younger fellow citizens (Putnam, 2000; Glaeser, Laibson, Scheinkman, & Soutter, 2000; Alesina & La Ferrara, 2000). However, Bjørnskov (2007) found no significant effects from measuring age (Bjørnskov, 2007).

But what about the relationship towards the independent variable? One study in a Swedish context by Ahmed et. al. (2012) found some age discrimination when measuring applications towards two specific job roles, using two fictive applicants from one younger person and one older person. The younger person got far more interviews than the older person, indicating that older people may have more trouble getting employed. In an extent, this could potentially have an association to job insecurity as older people fear unemployment more than younger people (Ahmed, Andersson, & Hammarstedt, 2012). Furthermore, as getting older also mean that some people require certain specific skills connected to the occupation, re-employment could become tricky in times where there are no job openings. This would entail that this person would have to expand his human capital and skills by actively learn other occupations (Rueda, 2005; Rueda, 2006). Age can however also affect younger employees since these people are more often working in the service sector or in jobs that require less education and prior experiences which can expand their self-perceived job insecurity. (Erlinghagen, 2008)<sup>2</sup>. It is also more likely that

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<sup>2</sup> The same study also found that older workers tend to be more insecure as well, and that the feelings of insecurity declines with further education and skill learnings.

younger people are unemployed to a higher degree and work more often under temporary working contracts than older people. Thus, age is a variable included in this thesis as a control variable to see whether it has an effect on the focal relationship.

The variable for education had to be recoded in order to adjust for the ISCED classification that ESS uses to measure educational level (ESS - European Social Survey, 2012-2014; UNESCO, 2011). In ESS, educational level is measured by the ISCED classification schedule which has up to 27 steps on the scale. In order to get a better grasp of what the schedule represent in terms of educational level, I recoded the variable to account for those who have a bachelor's degree or higher at a university or college and those with no higher education (a dichotomous variable where 0 equals no bachelor's degree and 1 equals bachelor's degree or higher)<sup>3</sup>. Why is education included? For starters, education is found to be related to higher levels of generalized trust (Charron & Rothstein, 2016)<sup>4</sup>. Education is also connected to my independent variable. A study by Näswall & De Witte (2003) found that certain demographical factors relate to job insecurity more than others, such as those who have lower education and those that work in sectors that require less knowledge & skills (Näswall & De Witte, 2003). It is also possible that those with higher education experience that their hopes of finding another job is better when having higher education in their luggage as this expands their human capital. A study by Clark & Postel-Vinay (2009) also concludes that those with lower education expresses less job security than those with higher education. The effect however is non-significant for temporary employment in their study which may be a bit puzzling since other studies show that these individuals are more insecure than others. Nevertheless, education is included as a control variable as it yields inconclusive results in other studies and it is interesting to see its effect in this thesis.

### **Variables on 2 level (contextual level)**

**Contextual variables** – The labour market policies and institutions in this thesis have data collected from OECD Statistics. Active Labour Market Policies (ALMP), which was described in chapter 3 as active measurements towards making employees employable again with internships

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<sup>3</sup> It is a rough line drawn here between what counts as an education or not. I argue here that finishing a higher education often is a choice one makes in order to get a higher qualified job. Hence, having a bachelor's degree is a minimum of higher education in this thesis.

<sup>4</sup> The effect is only significant in countries with low level of corruption and high levels of impartiality. Hence, education may be a result from good institutions. This thesis does not measure the quality of institutions which can question the validity of including education as a control variable. However, since education is linked with generalized trust which is my dependent variable, education is beneficial to control for to see whether the effect holds true.

and education, and Passive Labour Market Policies (PLMP) which are passive measurements such as economic back-up when loosing a job such as insurances, are both measured as percentage of GDP spent by a state on these types of policies for that specific year. Employment Protection Legislation (EPL), which is a institutional measurement of how protected an individual is from loosing their job, is measured on a scale from 0-6 which goes from 0 meaning very low protection to 6 meaning very high protection. OECD Statistics offers three versions of this measurement and for this thesis, the third and latest version (version 3) is used since it is the latest and most up to date version. EPL is also measured in two ways. One is for regular contracts and refers to both individual and collective dismissals, and one is for temporary contracts and regulates the rules and dismissals of both temporary contracts and agency work (OECD, 2010). The data for the specific policy and institution is shown in figure 3.

**Table 1 – Percentage (%) of GDP spent on Labour Market Policies, and measurement of Employment Protection Legislation (0-6)**

Country	ALMPs % of GDP	PLMPs % of GDP	EPL for regular contracts (0-6)	EPL for temporary contracts (0-6)
Austria	0,80	1,41	2,12	2,17
Belgium	0,74	1,91	2,14	2,42
Czech Republic	0,37	0,23	2,87	2,13
Denmark	1,91	1,42	2,10	1,79
Estonia	0,19	0,39	1,74	3,04
Finland	1,07	1,82	2,38	1,88
France	0,99	1,48	2,60	3,75
Germany	0,66	0,94	2,53	1,75
Hungary	0,86	0,26	1,45	2,00
Ireland*	0,86	2,15	1,50	1,21
Italy	0,36	1,61	2,55	2,71
Netherlands	0,83	2,20	2,84	1,17
Norway	0,50	0,83	2,23	3,42
Poland*	0,49	0,35	2,20	2,33
Portugal	0,57	1,32	3,01	2,33
Slovak Republic	0,20	0,35	1,81	2,42
Slovenia	0,37	0,61	1,99	2,50
Spain*	0,50	2,87	1,95	3,17
Sweden	1,34	0,62	2,52	1,17
United Kingdom*	0,23	0,31	1,18	0,54

**Note:** The data is from 2014 for all the countries except Ireland, Poland, Spain and United Kingdom. Ireland, Poland and Spain have data from 2013 while United Kingdom has data from 2011. **Source:** OECD Statistics (2011-2014)

## 5. Results

One of the first things you do in a multi-level regression analysis is the “empty model”. The reason for this is to estimate how much of a variance there is in the dependent variable – generalized trust – to be explained on the second level which is the country level in this thesis. The measurement is called ICC – intra class correlation (Field, 2015). The results are presented in table 2. In table 2, model 0 only shows the ICC which is 0,166 meaning that roughly 17 % of the variance in the dependent variable is to be explained on the contextual level which in this thesis is the countries in figure 1. The ICC is very important for evaluating whether pursuing with a multilevel regression analysis is worthwhile or not. However, there is no clear consensus over how much variation there needs to be in order for the ICC to be sufficient enough to pursue with a multilevel regression analysis. McNeish & Stapleton (2016) however estimate in their paper that somewhere between 0.10-0.30 is sufficient (McNeish & Stapleton, 2016). Surely, 0,166 is in the lower segment of the threshold, and a larger ICC would be satisfactory but 0,166 is nevertheless a good result and multilevel analysis is thus suitable.

Furthermore, table 2 includes both a model 1 of the results of the focal relationship between job insecurity operationalized as type of employment contract and generalized trust, and a model 2 which include control variables on the individual level. There is a significant negative effect between job insecurity and generalized trust in model 1 when no other variables are controlled for. The effect is reduced somewhat in model 2, the effect goes down in model 2 from  $-,680^{***}$  to  $-,394^{***}$  meaning that the effect of the independent variable, job insecurity, is reduced when the control variables are introduced. In other words, outsiders in model 2 feel less insecure than in model 1 when controlling for age, gender and education. It is thus fair to agree that these variables are important in reducing insecurity for employees. The control variables seem to follow what is expected. Older people, higher educated people and women are the ones that are more trusting than others (Knack & Keefer, 1997; Knack & Zak, 2002; Putnam, 2002; Glaeser et al., 2002; Alesina & La Ferrara, 2000). For every year increase in age, trust increases with  $,149^{***}$  steps on the scale indicating that getting older equals to higher trust. People with a university degree are on an average 1,9 scale steps more trusting than people with no higher education. Women are also a little bit more trusting than men since being a woman moves you  $,123^*$  steps on the trust scale. Nevertheless, there seems to be a case here for supporting hypothesis 1, the supposed negative association between being in an insecure labour market position and expressing lower generalized trust is accepted. Notice also how the Log Likelihood significantly is

reduced for each model. The log likelihood is the equivalent to a R<sup>2</sup> value<sup>5</sup> for a linear alt ordinary least square regression and in a multilevel analysis the lower the log likelihood gets, the better the model is.

**Table 2 – Multilevel regression analysis. Effects of ALMPs on generalized trust.**

	<b>Model 0</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>
<b>Type of contract (0 unlimited, 1 limited)</b>		-,608*** (,073)	-,394*** (,074)	-,393*** (,074)	-,359** (,122)	0,39 (,255)
<b>ALMPs</b>				3,406*** (1,087)	2,914** (1,065)	4,104*** (1,208)
<b>Type of contract*ALMPs</b>						-,574* (,278)
<b>Individual level controls</b>	No	No	Yes	Yes	Yes	Yes
<b>Age</b>			,149*** (,030)	,149*** (,030)	,157*** (,030)	,155*** (,030)
<b>Gender</b>			,123* (,059)	,123* (,059)	,122* (,059)	,122* (,059)
<b>Education</b>			1,901*** (,071)	1,901*** (,071)	1,894*** (,071)	1,892*** (,071)
<b>Fixed intercept</b>	15,885*** (,561)	16,634*** (,567)	13,402*** (,574)	11,044*** (,896)	11,338*** (,911)	10,518*** (,988)
<b>Random intercept</b>	6,287*** (2,046)	6,629*** (2,040)	5,831** (1,898)	3,978*** (1,332)	4,933** (1,760)	4,749*** (1,645)
<b>Random slope (type of contract)</b>					-,478 (,337)	-,392 (,291)
<b>ICC</b>	0,166					
<b>Log Likelihood</b>	177546,528	177480,712	176773,726	176763,481	17646,230	176743,888
<b>Countries</b>	20	20	20	20	20	20
<b>N</b>	29073	29073	29073	29073	29073	29073

**Note:** Dependent variable generalized trust scaled as an index (0-30). Standard errors in parentheses. Significance levels: \*\*\* p<0,001 \*\* p<0,01 \* p<0,05

Furthermore, model 3 presents the result from the first contextual variable – ALMPs. According to model 3, the more a state spends on ALMPs, the higher the probability is to express higher generalized trust. In this thesis, this means that for each % of GDP that is spent on ALMPs, generalized trust increases with 3,406\*\*\* scale steps. The effect of the focal relationship has not been affected in any way in model 3. The intercepts are also interesting. The fixed intercept for all the models show that generalized trust starts of high in each model but is slightly reduced in

<sup>5</sup> R<sup>2</sup> in an OLS measures how well the data points in the model is fitted against the regression line. If the data points are well close to the line, then the model is good. Hence, having a higher R<sup>2</sup> value means having a better model (Field, 2013).

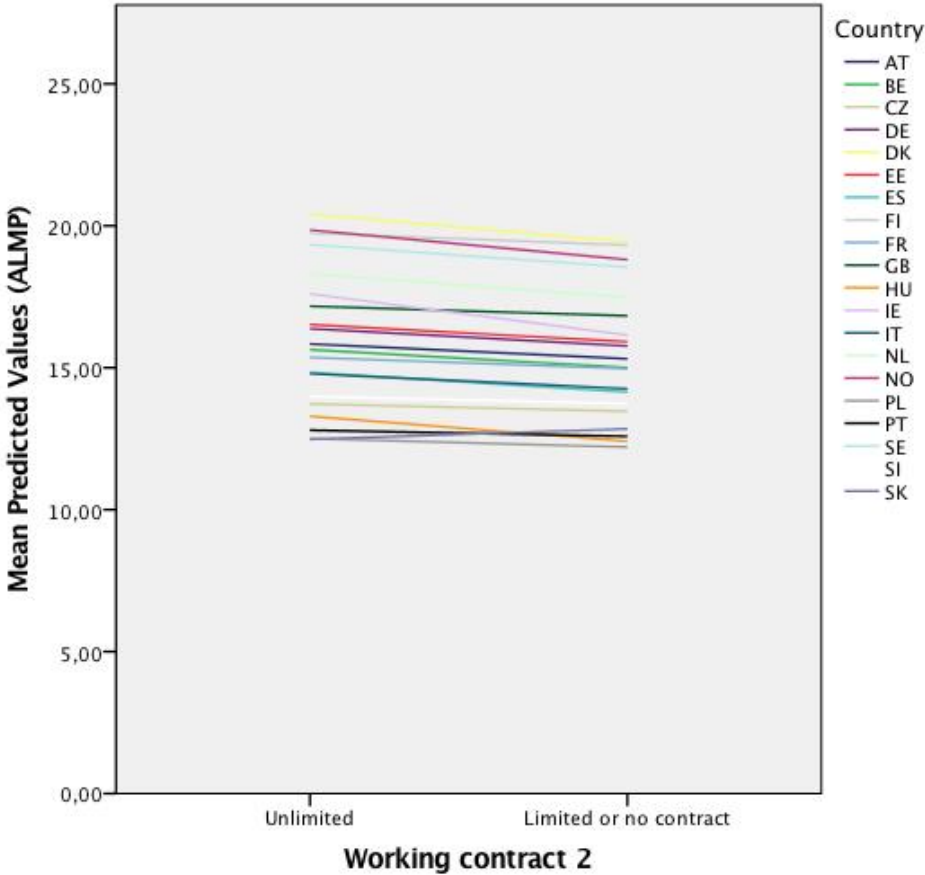


model 5. A fixed intercept indicates an average generalized trust level for the respondents in the models when the employment contract is standard and there are no control variables measured, in other words with unlimited working contract. The random intercepts almost indicate the same thing but in these models we do not assume that there is a relationship between the independent variable and the dependent variable. Hence, across the countries, the average generalized trust levels are a bit lower than in the fixed models (Field, 2015).

Model 4 is similar to model 3 but allows for a random slope of type of contract. In a random slope model, we do not assume that there is any correlation between the intercepts of a country and the independent variable. In other words, we want the independent variable to vary across the countries. The results show that the random slope model is insignificant (-,478). Hence, we cannot assume that the independent variable can vary across the countries with no prior assumptions. This simply means that we have a significant effect of the independent variable on the dependent variable, but we cannot see this effect across countries. However, in the fixed models, the significance of the independent variable on generalized trust remains. Lastly, model 5 allows type of employment contract to interact with ALMPs. An interaction effect tries to explain whether an increase in % of GDP on (in this example ALMPs) of one of the contextual cross-level interaction variables can explain the effects of the independent variable. In a summary then, the difference between insiders and outsiders do grow in size in countries with higher spending on ALMPs but at the same time ALMPs help to mitigate the expression of generalized trust. To begin with, an outsider in Sweden has for example higher trust than an outsider in Estonia, but the little difference there is between insiders and outsiders is a little bigger in Sweden than in Estonia in this model with ALMPs.

This means that hypothesis 2 cannot be supported since outsiders feel less secure in countries with higher spending on ALMPs. A look at the variable ALMPs also show that it increases in power and is now significant on 4,104\*\*\*, meaning that the variable affects generalized trust but not in any way for outsiders. The results from table 2 is illustrated in graph 1. The y-axel is the dependent variable generalized trust when ALMPs is included (hence mean predicted values) and the x-axel is the independent variable. As we can see, there are a lot of lines with minimal slopes for a lot of countries. Hence, only a few countries experience lesser generalized trust due to job insecurity when ALMPs is included. These countries are the ones that has the highest spending on ALMPs.

Graph 1 – Illustration of the effects of ALMPs on generalized trust.



Note: The numbers for each respective country is found in Table 1.

To sum up the hypotheses for the first contextual variable. Hypothesis 1 which stated that outsiders should express lesser generalized trust held true, hence we can accept hypothesis 1. Hypothesis 2 which which stated, that in countries with higher spending on ALMPs, outsiders feel more secure, can be rejected. Hypothesis 2 is not supported.

Table 3 presents the results from the multilevel regression on state spending on PLMPs and generalized trust. Model 1 and 2 is similar to table 2 and presents the focal relationship and the control variables.

**Table 3 – Multilevel regression analysis. Effects of PLMPs on generalized trust.**

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>
<b>Type of contract (0 unlimited, 1 limited)</b>	-,608*** (,073)	-,394*** (,074)	-,394*** (,074)	-,358*** (,123)	,070 (,211)
<b>PLMPs</b>			,844 (,705)	,448 (,657)	1,164 (,791)
<b>Type of contract*PLMPs</b>					-,245 (1,49)
<b>Individual level controls</b>	No	Yes	Yes	Yes	Yes
<b>Age</b>		,149*** (,030)	,149*** (,030)	,156*** (,030)	,156*** (,030)
<b>Gender</b>		,123* (,059)	,123* (,059)	,122* (,059)	,123* (,059)
<b>Education</b>		1,901*** (,071)	1,900*** (,071)	1,893*** (,071)	1,892*** (,071)
<b>Fixed intercept</b>	16,634*** (,567)	13,402*** (,574)	12,428*** (,992)	12,839*** (,986)	12,009*** (1,106)
<b>Random intercept</b>	6,629*** (2,040)	5,831** (1,898)	5,700*** (1,906)	7,222*** (2,513)	7,023*** (2,406)
<b>Random slope (type of contract)</b>				-,708* (,409)	-,638* (,379)
<b>Log likelihood</b>	177480,712	176773,726	176771,156	176752,292	176751,650
<b>Countries</b>	20	20	20	20	20
<b>N</b>	29073	29703	29073	29073	29073

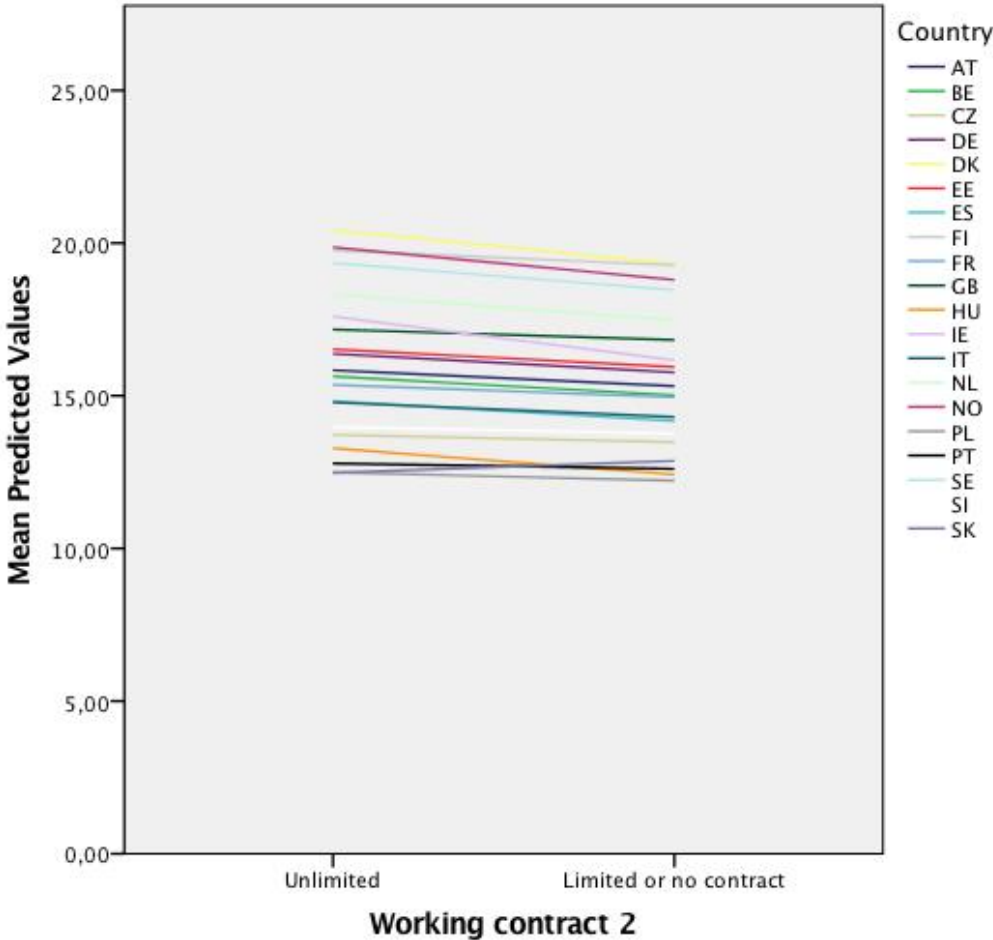
**Note:** Dependent variable generalized trust scaled as an index (0-30). Standard errors in parentheses. Significance levels: \*\*\*  $p < 0,001$  \*\*  $p < 0,01$  \*  $p < 0,05$

Model 3 introduces the contextual variable PLMP which show a result going in a positive direction but is nonetheless non-significant meaning that state spending on PLMPs has no significant effect on generalized trust. The effect of the focal relationship is nonetheless intact and still significant as in table 2. There is neither any difference between the tables regarding the power of the relationship of the focal relationship. In table 2 when ALMPs was included, the result for the focal relationship showed an effect of -,393\*\*\* scale step on the trust scale and in table 3 the same model shows a result of -,394\*\*\* scale step. Again, the individual control variables seem to be robust. For every year one gets older one also goes ,149\*\*\* scale step on the trust scale indicating that getting older makes you trust more. Women also trust more than men as they go ,123\* scale steps up on the trust scale. Having a higher education moves you 1,901\*\*\* scale steps up on the trust scale. Nevertheless, when introducing PLMPs, no clear differences is showed in the focal relationship. Model 4 allows for a random slope of type of employment

contract and it show a significant result in a negative direction indicating that the negative effects of type of employment is worsened and that state spending on PLMPs further reduces outsiders generalized trust. In table 2, when introducing the random slope, the result was not significant. Hence, we could not assume that the independent variable could vary across the countries with no prior assumptions. This simply meant that we had a significant effect of the independent variable on the dependent variable, but we could not see this effect across countries. However, in table 3, when introducing random slope with PLMPs, we have a significant result and the effects of the independent variable can vary across countries (-,708\*). What does this mean? When PLMPs acts as a moderating variable, outsiders express lesser generalized trust than insiders across countries. Lastly, model 5 allows the contextual variable PLMP to interact with employment contract and the results indeed show a negative result but a non-significant one. The only possible explanation is that other determinants are potentially better at explaining how outsiders could feel more secure and other variables could potentially explain the random slope effect much better.

However, as we saw in model 4, the random slope effect showed a significant result indicating that the independent variable can vary across countries with PLMP as a moderating variable. The negative direction however indicates that hypothesis 3 cannot be supported. Hypothesis 3 stated that the effect of job insecurity on generalized trust is smaller in countries with higher spending on PLMPs compared to countries with lower spending on PLMPs. Thus, hypothesis 3 is rejected. Graph 2 shows an illustrative picture of table 3. As in graph 1, the y-axel shows the dependent variable generalized trust when PLMPs is a moderating variable and the x-axel is the independent variable. Again, a few countries have a slope narrower than others and these countries has higher spending on PLMPs than the rest. The log likelihood of the models further shows a good sign as they are lowered for every model.

Graph 2 – Illustration of the effects of PLMPs on generalized trust



Note: The numbers for each respective country is found in Table 1.

Table 4 presents the results from the multilevel regression on the strictness of EPL for regular employment contracts (i.e. unlimited working contracts). Again, model 1 and 2 are similar to the ones found in table 1 and 2 where the focal relationship between type of employment contract and generalized trust is negative and significant thus supporting hypothesis 1.

**Table 4 – Multilevel regression analysis. Effects of EPL (regular contracts) on generalized trust.**

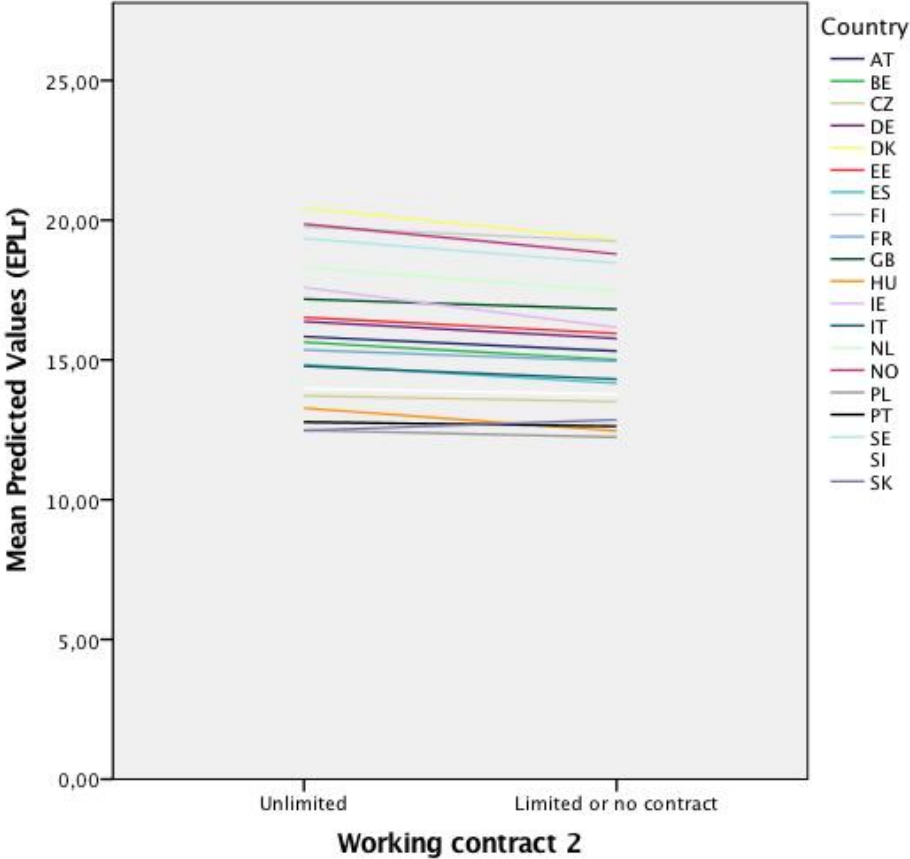
	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>
<b>Type of contract (0 unlimited, 1 limited)</b>	-,608*** (,073)	-,394*** (,074)	-,394*** (,074)	-,356*** (,123)	-,883 (,554)
<b>EPL (regular contracts)</b>			,057 (1,155)	,506 (1,041)	-,279 (1,319)
<b>Type of contract*EPL (regular contracts)</b>					,241 (,247)
<b>Individual level controls</b>	No	Yes	Yes	Yes	Yes
<b>Age</b>		,149*** (,030)	,149*** (,030)	,156*** (,030)	,157*** (,030)
<b>Gender</b>		,123* (,059)	,123* (,059)	,122* (,059)	,122* (,059)
<b>Education</b>		1,901*** (,071)	1,900*** (,071)	1,893*** (,071)	1,893*** (,071)
<b>Fixed intercept</b>	16,634*** (,567)	13,402*** (,574)	13,277*** (2,594)	12,246*** (2,371)	13,961*** (2,957)
<b>Random intercept</b>	6,629*** (2,040)	5,831** (1,898)	6,156*** (2,058)	7,872*** (2,674)	7,877*** (2,689)
<b>Random slope (type of contract)</b>				-,807* (,421)	-,803* (,428)
<b>Log Likelihood</b>	177480,712	176773,712	176771,623	176751,552	176751,558
<b>Countries</b>	20	20	20	20	20
<b>N</b>	29703	29703	29073	29703	29073

**Note:** Dependent variable generalized trust scaled as an index (0-30). Standard errors in parentheses. Significance levels: \*\*\* p<0,001 \*\* p<0,01 \* p<0,05

When introducing EPL for regular contracts, the effect is insignificant. The effect of job insecurity on generalized trust still holds however. The effect of the focal relationship is lowered somewhat in model 4 when allowing for a random slope. The random slope effect of type of employment contract however is significant. Again, this means that type of employment contract in the context of EPL for regular contracts does vary across countries and the number -,807\* indicates that generalized trust across countries is further reduced. Hence, since the effect is negative and significant, this means that being an outsider in the context of EPL for regular contracts equals to lower generalized trust across countries. Model 5 finally allows for an interaction effect between EPL for regular contracts and type of employment contract in order to

see whether the effect of the random slope can be explained by EPL for regular contracts. This however turns out to be insignificant which also goes in the other direction meaning that the differences across countries in model 4 cannot be explained by EPL for regular contracts. Other possible variables have to be checked for. As hypothesis 4a states, countries with higher levels of EPL for regular contracts should result in outsiders feeling more insecure and thus show lower levels of generalized trust compared to insiders. Since the random slope model actually shows a significant negative result, meaning that outsiders across countries express lower generalized trust with EPL for regular contracts as a moderating variable, hypothesis 2 can be accepted, at least for when it comes to EPL for regular contracts. The log likelihood of the models shows a good pattern as well except for the last model which show no decline at all. Graph 3 shows the slopes of the respective countries and the slopes for certain countries indicates that these countries have stricter EPL than others. As previous graphs, the dependent variable and the intervening variable is on the y-axis while the independent variable is on the x-axis. We now move on to EPL for temporary contracts.

**Graph 3 – Illustration of the effects of EPL for regular contracts on generalized trust.**



**Note:** The numbers for each respective country is found in Table 1.

Lastly, table 5 shows the results from the regression on EPL for temporary contracts. Again, model 1 and 2 shows the results for the focal relationship without and with control variables. Model 3 introduces EPL for temporary contracts and the result is not significant. There is also no effect on the focal relationship which still holds at  $-.394^{***}$ . Model 4 is letting the effect of type of employment to vary across contexts and the random slope effect tells us that type of employment and its effect on generalized trust do vary across contexts when EPL for temporary contracts is intervening. The effect is significant in a negative direction indicating that EPL for temporary contracts further reduces generalized trust for those with limited or no contracts (outsiders). Lastly, model 5 tells us that this effect cannot fully be explained by EPL for temporary contracts due to not significant effect between the variables EPL for temporary contracts and type of employment contract. The interaction effect between the two show no significant result.

Nevertheless, since the random slope effect tells us that EPL for temporary contracts indeed moderates as it significantly reduces generalized trust for outsiders. Hypothesis 4b can therefore, with EPL for temporary contracts being significantly related to type of employment contract across contexts, be supported. Interestingly, the last model also shows that EPL for temporary contracts, when adding the interaction effect and the moderating variable EPL for temporary contracts, generalized trust for outsiders in the focal relationship is further reduced with a significant result of  $-.613^*$ . Since we saw no significant interaction effect between EPL for temporary contracts and type of employment, this decline in trust of the focal relationship is a puzzle indicating that other variables need to be detected in order to explain this decline. The log likelihood of the models shows good pattern as well except for the last model which actually show a rise in the log likelihood, an indication that the model has some issues and can be improved with other potential variables.



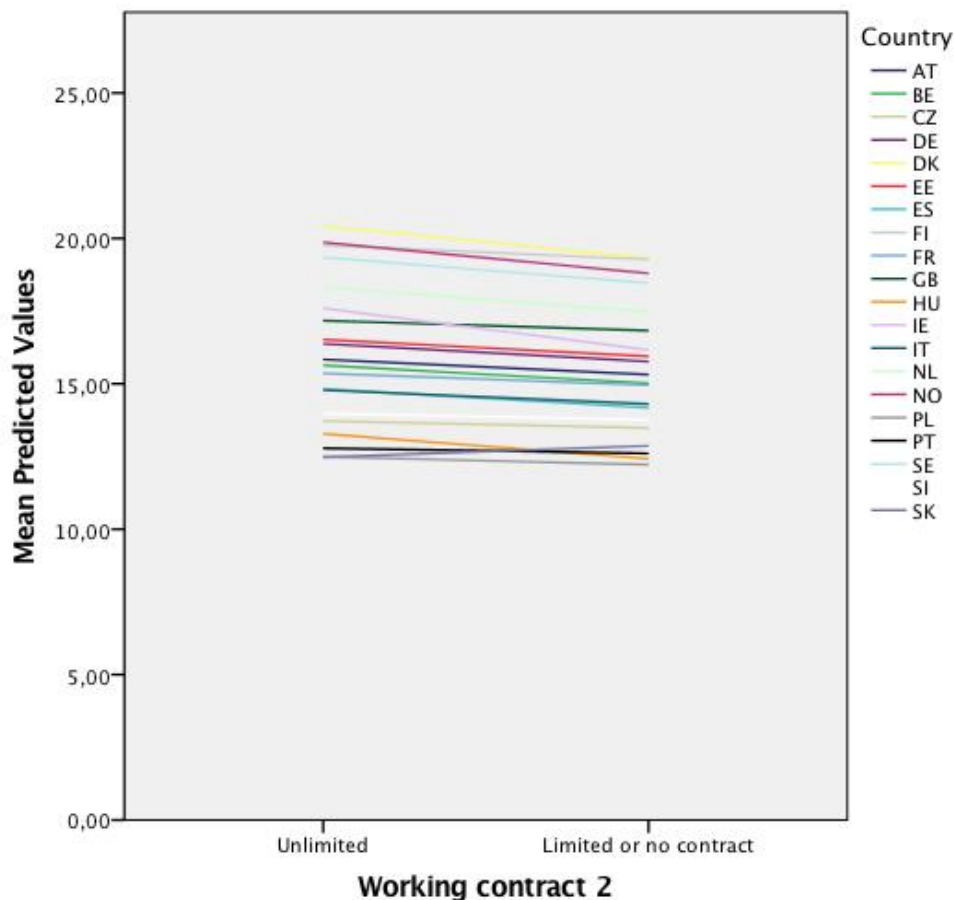
**Table 5 – Multilevel regression analysis. Effects of EPL (temporary contracts) on generalized trust.**

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>
<b>Type of contract (0 unlimited, 1 limited)</b>	-,608*** (,073)	-,394*** (,074)	-,394*** (,074)	-,359*** (,123)	-,613* (,350)
<b>EPL (temporary contracts)</b>			-,849 (,679)	-,641 (,623)	-1,021 (,773)
<b>Type of contract*EPL (temporary contracts)</b>					,127 (,152)
<b>Individual level controls</b>	No	Yes	Yes	Yes	Yes
<b>Fixed intercept</b>	16,634*** (,567)	13,402*** (,574)	15,250*** (1,584)	14,754*** (1,499)	15,575*** (1,795)
<b>Random intercept</b>	6,629*** (2,040)	5,831** (1,898)	5,664*** (,679)	7,150*** (2,430)	7,187*** (2,461)
<b>Random slope (type of contract)</b>				-,727* (,400)	-,738* (,412)
<b>Log Likelihood</b>	177480,712	176773,712	176771,108	176751,769	176752,999
<b>Countries</b>	20	20	20	20	20
<b>N</b>	29073	29073	29073	29073	29073

**Note:** Dependent variable generalized trust scaled as an index (0-30). Standard errors in parentheses. Significance levels \*\*\* p<0,001 \*\* p< 0,01 \* p<0,05

Graph 4 shows the slopes of the respective countries and the slopes for certain countries have a more rapid decline indicates that these countries have stricter EPL for temporary contracts than others. As previous graphs, the dependent variable and the intervening variable is on the y-axis while the independent variable is on the x-axis.

Graph 4 – Illustration of the effects of EPL for temporary contracts on generalized trust.



**Note:** The numbers for each respective country is found in Table 1.

From these four tables and graphs, certain things become clear. Firstly, the focal relationship between type of employment contract and generalized trust is significant across all the tables and goes in the negative direction as argued for theoretically. However, the effect is small in terms of the size of the trust scale. Moving approximately  $-.394^{***}$  scale steps on a 0-30 trust scale is not that big of a leap. Nevertheless, hypothesis 1 can be supported which was a critical point for further measurements of the contextual variables. The contextual variables however showed some different results. Hypothesis 2, which stated that in countries with higher spending on ALMPs, outsiders feel more secure. Thus, the effect of job insecurity on generalized trust should be smaller in countries with higher spending on ALMPs compared to countries with lower spending on ALMPs. Since the random slope model in table 2 showed a non significant result, hypothesis 2 is rejected. Hence, hypothesis 2 cannot be supported. Hypothesis 3, which stated that a states increase in spending on PLMPs was theoretically argued to be in favour for outsiders as the economic back-up from these types of policies should provide a safety-net for whenever

someone loses their job. However, the multilevel analysis show that outsiders express lesser general trust across countries in the model with PLMPs as an intervening variable and the variables do not interact suggesting that other variables do far better in explaining this variation across countries. Hence, hypothesis 3 cannot be supported. As expected from hypothesis 4a regarding EPL for regular contracts its exacerbating effect, the results were significant and the contextual variable did have an effect on the insecurity of outsiders across countries. In countries with stricter EPL for regular contracts outsiders did show lesser generalized trust. Hence, hypothesis 4a can be accepted. Hypothesis 4b was also expected to exacerbate the negative effects of being an outsider and the results of the multilevel analysis show that hypothesis 4b also can be accepted as the moderating variable also has an affect across countries. Hence, in countries with stricter EPL for temporary contracts outsiders show lesser generalized trust.

## 6. Concluding discussion

This thesis set out to see whether four different labour market policies and institutions had any intervening effect between job insecurity and generalized trust. More specifically, this thesis set out to see whether Active Labour Market Policies (ALMPs), Passive Labour Market Policies (PLMPs), Employment Protection Legislation for regular contracts and Employment Protection Legislation for temporary contracts had a mitigating or exacerbating effect on the focal relationship between the independent variable (job insecurity) and the dependent variable (generalized trust). The thesis started off with two questions. The first one asked whether labour market position affected generalized trust. Previous studies such as the one by Svensson (2011) found a significant negative relationship between those with temporary or no labour contract and generalized trust in a Swedish context with a sample of Swedish workers. A study by Gundert & Hohendanner (2014) on the German population the other hand found other results that could be linked with increasing social distance between groups of people as those with temporary and non-standard employment contracts felt affiliated and less included in the society. Knowing from theories about how social distances between groups of people in a society affects social cohesion and generalized trust in a society, this thesis set out to conclude their results and see whether the negative relationship between job insecurity and generalized trust could hold true even in a comparative perspective using ESS data on individuals from 20 European countries. The results show that the answer to the first question is that yes, labour market position affects generalized trust. Complementary to the first question was a first hypothesis which stated that all else equal, outsiders should show lower levels of generalized trust compared to insiders. And the results

indeed prove the hypothesis to be true. Being an outsider in the labour market (i.e. having a temporary or no labour market contract) affects generalized trust negatively although the effect was relatively small.

The second question asked whether employment contract affected generalized trust differently across countries depending on the design of the labour market policies and institutions, and the results show a mixed result. This thesis also set out four different hypotheses on the relationship between the labour market policies and institution and their supposed moderating effect. Hypothesis 2 in this thesis asked whether higher spending on ALMPs would make outsiders feel more secure and thus show higher levels of generalized trust compared to insiders. The results for ALMPs show a non-significant result (in a negative direction also) meaning that the hypothesis cannot be accepted. However, in countries with higher spending on ALMPs, people also tend to have higher generalized trust. Indeed, higher spending on ALMPs indicates that the difference between insiders and outsiders grow but only slightly as the graph for the table on ALMPs show. Nevertheless, the hypothesis cannot be accepted. Hypothesis 3 stated that higher spending on PLMPs would make outsiders feel more secure and thus show higher levels of generalized trust compared to insiders. The results for PLMPs likewise show a negative direction but with a significant moderating effect on the focal relationship across countries. The results however did not show an interaction effect between PLMPs and type of employment indicating that the moderating effect across countries cannot be explained by state spending on PLMPs. Nevertheless, hypothesis 3 was not supported by the multilevel analysis and is thus rejected.

Both hypothesis 4a and 4b stated that in countries with stricter employment protection (for both regular contracts and temporary contracts) outsiders would be more insecure than insiders and thus express lesser generalized trust, and both hypotheses showed a significant result across countries in a negative direction. Hence, hypothesis 4a and 4b is accepted.

The results from the multilevel analyses show that, across all tables, the negative relationship between being an outsider in the labour market and generalized trust holds true irrespective of what the labour market policy or institution is. The effect between the focal relationship does not disappear or grow by much in any table indicating a stable negative relationship across countries.

This thesis has given an insight into how different labour market policies and institutions could potentially mitigate or exacerbate the focal relationship between the independent variable job insecurity and the dependent variable generalized trust. Future research could look at different

sectors in the labour market to see whether the negative effects of being an outsider show itself differently depending on the sector one works in. There are some assumptions that low-skilled workers and individuals working in manual labour are more in the danger-zone of being unemployed or work under temporary working contract. Hence, future studies would enhance the field of labour market research by investigating this matter. Also, it would be really interesting if future research could look at a time series analysis over the development of the flexible economy and the development of insiders and outsiders and see whether this new dualism in the labour market has driven down generalized trust across time. After all, the results of this thesis show modest results as far as the results of the focal relationship goes. But what about over time? This thesis set out an ambition task as it tried to see whether a fairly new dualism has affected a robust variable as generalized trust. The conclusion is that there is a negative effect but a modest one. There is thus no need to be alarmed over this new dualism just yet. But, a time series analysis would further strengthen the field by letting us know whether we should be alarmed in the future.

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## 8. Appendix

The following figures are diagnostic checks for the models represented in this thesis.

Figure 4 - Collinearity check between the independent variables

	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	13,100	,213		61,616	,000		
Type of employment	-,362	,080	-,027	-4,547	,000	,941	1,063
Age	,125	,033	,022	3,783	,000	,938	1,066
Gender	-,003	,065	,000	-,050	,960	,997	1,003
Education	2,488	,077	,187	32,246	,000	,984	1,016

Figure 5 – Normal distribution curve for the model with all the variables included

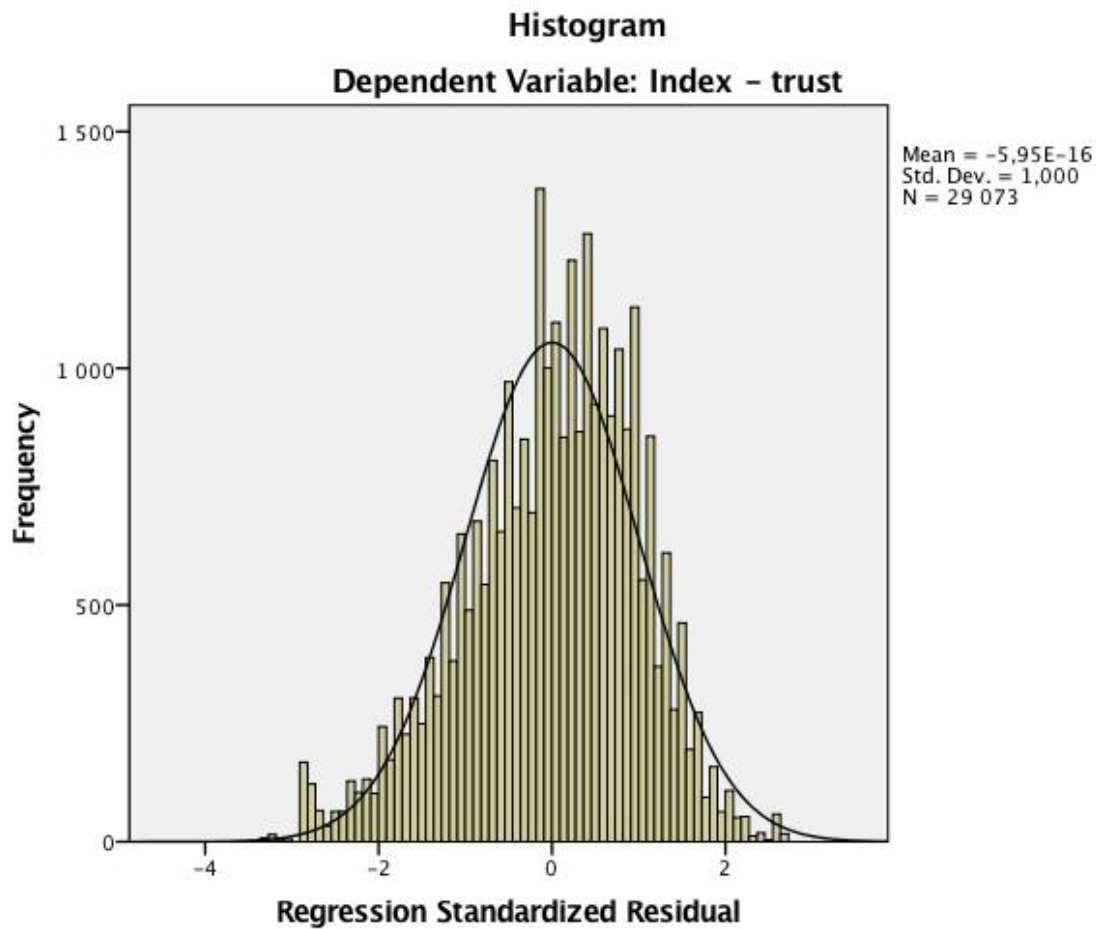


Figure 6 – Normal P-P Plot for the model with all the variables included

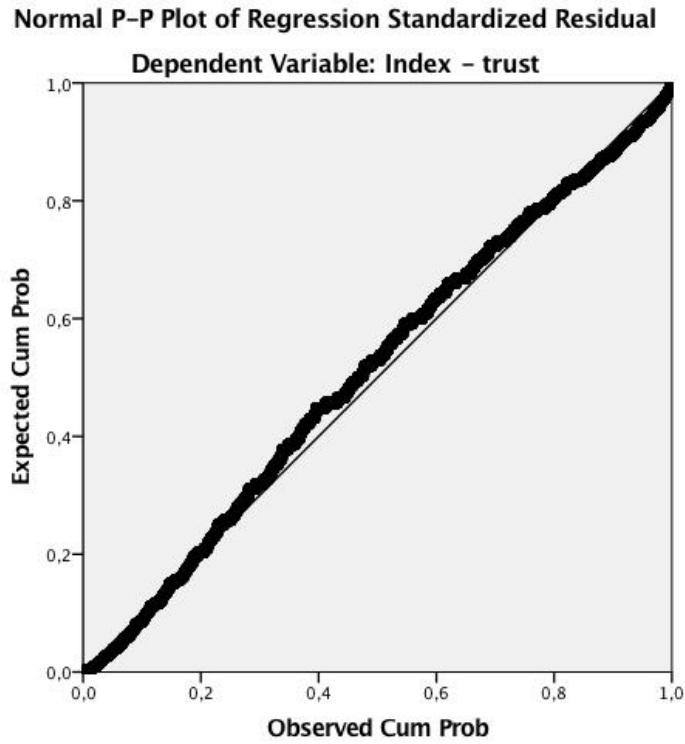


Figure 7 – Heteroscedastic check of the model with all the variables included

