

FINANCIALISATION AND WORK IN THE EU: INEQUALITY, DEBT AND
LABOUR MARKET SEGMENTATION

*FINANCIARIZACIÓN Y EMPLEO EN LA UE: DESIGUALDAD, ENDEUDAMIENTO
Y SEGMENTACIÓN DEL MERCADO DE TRABAJO*

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Recibido: junio de 2016; aceptado: agosto de 2016

ABSTRACT

This article examines the link between financialisation and work in five EU countries representative of different types of financial system and welfare regime: Sweden, Germany, the UK, Portugal and Poland. This is done by way of a cross-country comparative exercise that analyses micro-level survey data on household income, debt, and working conditions. Notwithstanding some differences across the countries, living conditions have worsened after the Global Financial Crisis (GFC) for a substantial number of households, as reflected in respondents' reports of declining household income, recourse to debt to cover living expenses and deteriorated employment relations. As the finance-work nexus has been more detrimental to low-income and non-standard workers in Germany and Poland, the article concludes that the impacts of financialisation on well-being cannot be simply inferred from the sizes of national financial systems or the extent of household engagement with finance, nor from extant welfare regime typologies. To better account for these impacts one also needs to consider the more intermediate effects of finance on well-being through labour market segmentation.

Keywords: EU; Financialisation; Inequality; Household Debt; Labour Market Segmentation.

RESUMEN

Este artículo analiza la conexión entre financiarización y trabajo en cinco países de la UE, representativos por exhibir diferentes sistemas financieros y distintos modelos de bienestar: Suecia, Alemania, Reino Unido, Portugal y Polonia. Dicho ejercicio comparativo se lleva a cabo analizando microdatos de renta familiar, endeudamiento y condiciones de trabajo. Más allá de las diferencias entre países, las condiciones de vida han empeorado a raíz de la Crisis Financiera Global (CFG) para un número sustantivo de hogares, como muestran la caída en la renta de las unidades familiares, el incremento del endeudamiento para cubrir gastos corrientes y el deterioro de las relaciones laborales. Dado que el nexo finanzas-empleo ha sido más dañino para los trabajadores atípicos y de bajos ingresos tanto en Alemania como en Polonia, el artículo llega a la conclusión de que el impacto de la financiarización sobre el bienestar no puede ser inferido simplemente atendiendo al tamaño de los sistemas financieros nacionales, al grado de inclusión de las economías domésticas en el ámbito financiero o a la tipología específica del modelo de bienestar existente en cada país. Para computar de forma adecuada dichos impactos, es preciso considerar además otros efectos intermedios de las finanzas en el bienestar, generados por medio de la segmentación del mercado de trabajo.

Palabras clave: UE; Financiarización; Desigualdad; Endeudamiento de los hogares; Segmentación del mercado laboral.

JEL Classification: D14, G01, I31, J50, P16.



1. INTRODUCTION

The aim of this article is to examine the link between financialisation and work in five EU countries representative of different types of financial system and welfare regime: Sweden, Germany, the UK, Portugal and Poland. This is done by way of a cross-country comparative exercise that analyses micro-level data on household income, household debt, and working conditions. Based on different strands of literature – from economics, sociology and other social sciences – that have recently addressed the connection between financialisation and work, four theses are selected and tested: 1) the social inequality thesis, 2) the debt-income compensation thesis, 3) the cultural transformation thesis, and 4) the disciplinary thesis.

It is now well-established that financialisation has had a detrimental effect on working conditions through the increased influence of shareholder interests which are unfavourable to workers, resulting in reduced income shares for wage-earners and social protection levels – *the social inequality thesis*. Another pervasive view considers that rising income inequality coupled with the retrenchment of Welfare States have driven low- and medium-income households into debt in order to provide for housing, education, health, or consumption in general – *the debt-income compensation thesis*. It has also been argued that deeper structural transformations responsible for the growing influence of finance in the economy and society have impacted people's attitudes towards debt, in particular, and individual and collective forms of social provision in general – *the cultural transformation thesis*. Finally, another argument that has been advanced is that the growing burden of servicing debt pushes households to work more and accept worse working conditions which contributes to the persistence of income inequality – *the disciplinary thesis*.

These theses are generally based on aggregate macroeconomic relations that take the Anglo-Saxon world as an exemplary case of financialisation. Therefore, they tend to unify what have been highly differentiated outcomes within and across countries. However, individual and household engagements with finance are diverse, depending on individual characteristics and varying across the socioeconomic strata. They entail differentiated meanings that cannot be completely detached from the material processes, structures, relations and agents that generate them. Nor can these engagements be disconnected from workers' positions in labour markets which are equally varied and differentiated, implying differentiated financial relations and impacts. Thus, the

analysis of the link between financialisation and work and their impacts on well-being requires taking into account both the differentiated engagements of individuals and households with finance and the segmentation of the labour market, within and across countries.

The examination of the finance-work nexus will be pursued through a series of binary logistic regressions based on the micro-data of the Finance and Well-Being Survey, as part of the FESSUD project, which has been conducted in five EU countries – Sweden, Germany, the UK, Portugal and Poland. Within the FESSUD project, the countries of the survey were selected to be representative of different financial systems and Welfare State regimes. According to welfare regime typology and subsequent developments, and by descending levels of decommodification and defamiliarisation, Sweden is taken to belong to the more generous social-democratic welfare regime, Germany is representative of the conservative-corporatist regime, the UK of the liberal system, Portugal is part of the Southern welfare regime, and Poland of the post-communist welfare regime (e.g. Esping-Andersen, 1990; Fenger, 2007; Ferrera, 1996). This classification is associated with different labour market regimes; for example, the UK is deemed to have a high level of labour-market flexibility, and Germany a higher degree of employment protection even if it offers lower social protection through the Welfare State than the social-democratic Sweden (Amable, 2003).¹

The article is organised as follows. Section 2 briefly reviews the literature that substantiates the four theses to be empirically tested with cross-sectional survey data. Section 3 formulates the hypotheses that guide the empirical work. Section 4 presents the results of the statistical analyses. Section 5 summarises the relevant findings providing more evidence for the differentiated and unequal detrimental impacts of financialisation and of the Global Financial Crisis (GFC) on workers, with particular focus on Germany and Poland, two countries with the lowest aggregate levels of household debt across the countries of the study.

2. FINANCIALISATION AND WORK: A LITERATURE REVIEW

Over the past four decades, we have witnessed an unprecedented expansion of the financial sector in the most advanced capitalist countries, a trend that has been generally referred to as ‘financialisation’ within the heterodox political economy literature and across the social sciences more generally. The most widely cited definition describes this trend broadly as the increasing importance of financial markets, motives, institutions, and elites in the economy and its governing institutions, and at the national and international levels (Epstein, 2005).

Most economic analyses have focused on major macroeconomic relations, mainly on aspects pertaining to the links between the financial sector

¹For more information about the *FESSUD Finance and Well-Being Survey* see Santos et al. (2016).

and the spheres of investment and production. Post-Keynesians, for example, have focused on the financial sphere itself and its inherent macroeconomic instability and enhanced volatility, seeing it mainly as the product of neoliberal policies carried out over the past four decades. These neoliberal policies include: privatisation, which has led to the expansion of stock markets; liberalisation, which opened markets, especially to international players; deregulation and reregulation of the financial sphere enabling the emergence of new actors, products and markets. The growing weight of finance on the economy is deemed to have led to falling labour income shares and increasing inequality in the personal distribution of market incomes. This effect has been explained by several factors, such as increasing shareholder value orientation and management short-termism, increasing top management salaries, restructuring production around financial as opposed to productivity imperatives, deregulation of the labour market and weakened trade union bargaining power, among others (e.g. Krippner, 2011).² Mounting evidence has since accumulated showing a strong association between financialisation and rising income inequality (e.g. Herr and Ruoff, 2016).

Similarly, the Regulation Approach has advanced the idea that the above mentioned transformations have resulted in a finance-led accumulation regime that replaced the former Fordist accumulation regime. In this view, internationalization of the economy and financial instability have created pressure on the wage-labour nexus of the Fordist regime, undermining collective arrangements and labour protection laws, increasingly perceived as “rigid”. In contrast to the previous regime, the emergent finance-led accumulation regime is characterised by “labour-market flexibility, price stability, developing high tech sectors, booming stock market and credit to sustain the rapid growth of consumption, and permanent optimism of expectations in firms” (Boyer, 2000: 116).

While undergoing similar systemic trends, the particular configurations of financialisation vary in time and place. They depend on the relative position of the country within the global economy, the broader social, political, and economic context of the country, as well as the ways in which finance interacts with particular economic sectors and social provisioning, which also depend on multiple contextual factors. For example, further excavating imbalances at the global level, systemic trends are taken to have resulted in the emergence of two growth models, a debt-led and an export-led model, as a reaction to the contraction of domestic demand. The countries following the debt-led growth model are seen as having sustained their domestic demand mainly by debt-financed consumption and residential investment booms, as has been the case of the USA economy. The countries that have followed the export-led model growth are instead taken to have been sustained by export demand, such as Germany, with rather low private consumption levels and exports being the main drivers of growth (Stockhammer *et al.*, 2009; Hein, 2015). This means

² Due to space limits this must be an incomplete review, providing only the main arguments and most relevant supporting references.

that financialisation is associated with the rise of household debt which has contributed to maintaining aggregate demand and activity. However, the process of substitution of loans for wages was unsustainable and doomed to end, as it did in the aftermath of the financial crisis of 2008-09.

At the meso-level, the social accounting approach to financialisation has focused on the financial euphoria of the 1990s and on what was then called the rise of 'shareholder value rhetoric' and its variable impacts on major corporations more intertwined with capital markets (e.g. Erturk *et al.*, 2007). This has inspired more recent analyses of changing power relations within firms detrimental to labour interests, resulting in increasing income inequality, deteriorating working conditions and weakened workers' representation (e.g. Darcillon, 2015). The dualisation of labour markets has accentuated where low-skilled and low-waged workers have worse working conditions and lower social protection, while high-skilled workers such as managers and professionals, receive higher wages and benefits from employers and enjoy higher levels of job satisfaction (e.g. Deutschmann, 2011). This diagnosis applies to many EU countries, intensified from other ongoing processes such as the tertiarisation of the economy and other institutional changes in labour markets and Welfare States (e.g. Betzelt and Bothfeld, 2011).

Weakened labour power relations together with the retrenchment of Welfare States are identified as relevant factors explaining the penetration of finance into ever more areas of economic and social life as social reproduction has become more and more dependent on the financial sector. This has meant that individuals and households have become increasingly responsible for their future financial security through expanding demand for financial products and services that are expected to supplement or replace public provision, as in the area of pensions, and have increasingly relied upon credit to provide for housing, education, health, or consumption in general (e.g. Barba and Pivetti, 2009; Finlayson, 2009; Montgomerie, 2009; Doling and Ronald, 2010; Gospel *et al.*, 2014; Darcillon, 2015).

Even if not entirely consistent, these accounts shed light on important structural transformations that have had very detrimental impacts on employment, wages and workers' rights. They convey the *social inequality thesis* according to which the impacts of financialisation on labour relations and on the dismantling of social provision have resulted in labour market segmentation and reduced social protection, producing rising levels of inequality. They also sustain the *debt-income compensation thesis* which states that rising income and wealth inequality have driven low- and medium-income households into debt.

Following on the seminal work on social emulation by Veblen (1973 [1899]), and more recently by Duesenberry (1949), sociological analyses have underlined that consumption (and thus thrift and debt) is strongly influenced by the sociocultural context which dictates prevailing norms for consumption. In this view, in a context of rising inequality and eased access to credit, rising levels of individual and household debt is also due to evolving and ever more demanding norms of consumption.

While consumption in the post-war period was marked by intraclass comparisons based on horizontal social emulation – a phenomenon popularly described by the British idiom “keeping up with the Joneses” – it began to change in the 1980s. The horizontal emulation model was gradually being replaced by a vertical emulation model, according to which the level of consumer aspirations was modelled by the rich and by celebrities who have become famous through the media (Schor, 2007; see also Bonefeld, 1995). In addition to stagnant wages and rising income inequality, the new model of social emulation has also contributed to widen the gap between income and levels of aspiration that encouraged the use of credit, resulting in the gradual deterioration of household finances, leading to an increase in working hours and trapping people in an uninterrupted cycle of work and consumption. This means that debt has functioned as a disciplining mechanism pressuring the working class to work more and under worse conditions (e.g. Starr, 2007).

Drawing now on Foucauldian accounts of governmentality, other sociological analyses have claimed that financialisation has transformed the individual into a neoliberal subject. This transformation has implied that individuals have gradually accepted the risks and rewards of financial markets as they have become increasingly responsible for their own security and autonomy through the market and at the expense of previously prevailing collective forms of provision (e.g. Langley, 2008). In contrast to the macroeconomic perspective that focuses on how households reacted defensively to preserve or keep up with evolving norms of consumption, these accounts posit a more active posture whereby individuals have gradually embraced the logic of the risk economy. The citizen is thus called not to fear but to embrace risk which thus becomes a motivating force to enter financial markets. But these transformations are not mere unanticipated effects of financialisation processes. They have been deliberately encouraged (or supported) by governments through ongoing reconfigurations of Welfare States, inculcating the neoliberal values of self-reliance and individual responsibility, as citizens need to become borrowers, investors and insurers and culturally embrace the competitive search for risk and yield in increasingly financialised worlds (e.g. Beggs *et al.*, 2014).

Similarly to the economic approaches, the sociological perspective tends to convey the idea that financialisation has been uniformly detrimental to the very heterogeneous household sector (with the exception of the extremely rich). This is a distorted view magnified by the geographically limited scope of these analyses to the USA and the UK, where financialisation has been more directly associated with the generalised rise of household debt. But even in those contexts, the impact of engagement with finance is not uniform, and includes cultural transformations that are riddled with tensions and contradictions, as meanings cannot be completely detached from the material processes that generate them. That is, insofar as financialisation entails diverse and differentiated household engagement with finance, its cultural effects are also highly differentiated, consolidating and increasing segmentation in society (Fine, forthcoming).

But again, despite the inconsistencies and notwithstanding the tendency to homogenise what are highly differentiated relations, the sociological approaches do shed light on important cultural transformations that are here summarised under the *cultural transformation thesis*. This thesis conceives debt-financed consumption as a more transversal phenomenon across the socioeconomic strata due to evolving norms of consumption and/or norms of self-reliance and individual responsibility. They also support the *disciplinary thesis* as consumption and debt are understood within a broader framework, rooted in the economy, society and culture of contemporary capitalism, that pressure the working class –even if not in the same way across all segment– to work more and under worse conditions. This situation results from new commitments to creditors, from having to provide for themselves, or from meeting ever more demanding norms of consumption.

These theses have already been partly tested in the USA. Based on micro survey data, Fligstein and Goldstein (2015) have found evidence supporting a new financialised culture and a change in attitude towards debt-based consumption. However, this new culture is concentrated in the top income groups, especially “amongst the better off 20% of the population”, who “have become accustomed to taking on risks, trading frequently in the stock market, and demonstrating their financial savvy by using the equity in their homes to fund investment and home renovation” (p. 597). The middle classes “have also become more financially oriented in order to maintain their lifestyles, but to a lesser degree”. In contrast, the lowest groups have seen their life chances diminished due to a declining wage income. But they “did not change their attitudes towards risk and debt significantly” (p. 597). However, they have increasingly used personal loans to pay bills, medical expenses or finance education in order “to get by” rather than to get ahead. The authors then conclude that “[f]or lower-income people, growing inequality has meant making it harder to keep your head above water. Taking on debt has been part of the answer, albeit one that comes with costs” (p. 598). They then venture that the American household finance culture might have expanded to other countries, especially to other liberal market economies, such as the UK, where social protection is weaker and households face increased pressures to become more indebted in order to sustain their accustomed standards of living. But they also admit the same pressures might be occurring in more progressive social democratic Welfare States as well, calling for further comparative research. This is precisely the exercise that is attempted in this article, focusing on five countries representative of different types of financial system and welfare regime.

3. THE FINANCE-WORK NEXUS HYPOTHESES

Based on the four theses that synthesise the “state of the art” on the relation between finance and work, a set of hypotheses is formulated that aims at examining at the micro level the way in which finance may have impacted on well-being through its effects on labour relations.

As seen above, according to the *social inequality thesis*, the growing weight of finance on the economy is taken to have had a detrimental impact on labour relations and social provision, which contributed to increased overall levels of inequality. A first step for testing this thesis is to assess whether income inequality has risen in recent years. In the wake of the GFC and ensuing austerity, it is expected that inequality has risen further and that its effects have been particularly harsh on the most vulnerable groups, such as low-income households and low-skilled workers. Evidently, the drop in incomes of low-income and low-skilled workers has not been similar across countries. It can be expected that the impact of the GFC has been more marked in most financialised countries where household relations with finance are most widespread. More specifically, we expect that low-income and low-skilled workers have been more affected by the GFC in the UK, Sweden and Portugal than in Germany and Poland. In the UK, households have more intense financial activity, as measured by the aggregate value of household financial assets and liabilities to GDP (290% and 99% of GDP, respectively), closely followed by Sweden (235% and 88% of GDP, respectively). Portuguese and German households somehow stand in reversed positions considering these countries' overall level of economic, financial and social development, with the former presenting a more substantial (234% and 101% of GDP, respectively) and the latter (185% and 59% of GDP, respectively) a more modest participation in financial markets. Polish households have a relatively low participation in financial markets with financial assets representing about 86% and household liabilities 35% of GDP, in 2012.³ However, in all the countries of the study, at the aggregate level, the financial balance sheets are positive, with assets largely covering household liabilities. This rationale leads to Hypothesis 1 that will provide support for the *social inequality thesis*:

Hypothesis 1: Low-income and low-skilled workers are more likely to report that their incomes fell in the period 2009-14, particularly in the countries where household relations with finance are more prevalent: the cases of the UK, Sweden and Portugal as compared to Germany and Poland.

According to the *debt-income compensation thesis*, a key idea is that rising inequality has driven low- and medium-income households into debt in order to provide for basic daily expenses. As the scale and spread of household involvement with financial markets varies across the countries, reflecting differences in financial systems and welfare regimes, it could be expected that indebtedness of low-income households and low-skilled workers might be more widespread in financialised countries where household relations with finance are more prevalent, and in countries with a less generous Welfare State and weaker unions. This rationale leads to Hypothesis 2 that will provide support for the *debt-income compensation thesis*:

Hypothesis 2: low-income and low-skilled workers use more loans to cover current living and unexpected expenses compared to other income and oc-

³ See Eurostat Financial balance sheets, http://ec.europa.eu/eurostat/data/database?node_code=nasa_10_fbs, consulted on July 22.

cupational groups, particularly in countries where household relations with finance are more prevalent and have less generous Welfare States: the case of the highly financialised UK and Portugal as compared to Germany (less financialised and a strong Welfare State), Poland (less financialised) and Sweden (a stronger Welfare State).⁴

However, according to the *cultural transformation thesis*, debt-financed consumption is a far more widespread phenomenon across the socioeconomic strata, and it could be expected that household debt might be a more evenly distributed phenomenon than that suggested in Hypothesis 2, and the more so in countries where households are more deeply involved with finance, such as the UK, Sweden and Portugal. This rationale leads to Hypothesis 3 that will provide support for the *cultural transformation thesis*:

Hypothesis 3: The use of loans to cover current daily and unexpected expenses is widespread in countries where household relations with finance are more prevalent: the cases of the UK, Sweden and Portugal.

Finally, and according to the *disciplinary thesis*, debt and weaker social protection intensifies the dependency of the salaried worker on his/her wage income pressuring the working class to work more and under worse conditions. From the above discussion, it can be expected that this disciplinary role will be most acute in countries with feebler collective arrangements and labour protection laws. This rationale leads to Hypothesis 4 that will provide support for the *disciplinary thesis*:

Hypothesis 4: Indebted workers are expected to work more (more intensively, for longer working hours, or take up a second job) and accept worse working conditions (less interesting work, reductions in pay, or less job security), particularly in countries with weaker labour protection laws: the UK, Poland and Portugal as compared to Germany and Sweden (according to typical classifications).

The four hypotheses were tested with household data from the FESSUD Finance and Well-being Survey, a cross-sectional survey that was specifically designed to assess the impact of financialisation and of the financial crisis on well-being, including questions about recent transformations in the labour market.⁵

⁴ Cf. the percentages of aggregate household financial assets and liabilities to GDP given above.

⁵ The FESSUD Survey consisted of telephone interviews (land line and mobile phone) carried out in November and December 2014 with nationally random samples of households. The questionnaire was applied to the individual (aged 18 or older) within the household who declared he/she knew about and was co-responsible for making decisions about household finances. It is assumed the respondent was well informed and his/her perceptions about household dealings with finance convey a uniform view within the household. The sample size in the countries ranged from 1300 for Portugal and 1501 for Poland and Sweden, bringing the total sample to 7009. The formula used to calculate the sample size took into account the desired margin of error (2.5%) for a 95% confidence level as well as population size. The dataset was weighted to correct for demographic biases, namely for household type, household size and household income. For more detailed information of the survey see Santos *et al.* (2016).

4. RESULTS

4.1. THE GLOBAL FINANCIAL CRISIS

The Global Financial Crisis (GFC) is the outcome of the unsustainable growth of finance after decades of privatisation, deregulation, and liberalisation of the financial sector (Crotty, 2009). Starting in the USA, it rapidly spread to Europe through financial markets and international trade with overall detrimental effects on economic performance, at first, producing rising unemployment and a deterioration of disposable household income and, at a later stage, a degradation of public services as a result of fiscal austerity used as the main remedy to tackle the crisis effects.

The GFC has had a differentiated impact across and within countries (Leahy *et al.*, 2014), which is also a consequence of financialisation processes, which put on similar financialising paths countries with very different starting points, resulting in increased risk for the most vulnerable of the weakest economies that have followed those paths. Even if for different reasons, Eastern European and Southern European countries were the most severely hit by the crisis within the EU, having had to request financial bailouts from official lenders when borrowing on markets to refinance public debt became prohibitively expensive.⁶ Portugal was among the most severely hit, which is by and large an outcome of early participation in the Economic and Monetary Union that allowed it to benefit from almost unlimited access to finance and at very low interest rates, thereby circumventing its less well-developed financial system, which led to unsustainable levels of private debt and external deficit (e.g. Rodrigues *et al.*, 2016).

This differentiated impact of the crisis is clearly demonstrated by the evolution of the unemployment rate during 2008-13, with Portugal (+8 percentage points) among the most affected, and countries from the Centre and North of Europe the least affected (+2 pp. in the UK and Sweden, and +3 pp. in Poland). Germany stands out as being the only country within the EU that has had a positive evolution in unemployment rates in this period (-2 pp.). In 2015 unemployment rates were still high particularly in Portugal (13%), surpassing the EU annual average of 9%.⁷

Reflecting the evolution of aggregate data, the FESSUD Survey shows that the impact of the GFC on households is perceived to have been particularly negative by 69% of the Portuguese respondents and perceived as almost non-existent by the Swedish (affecting only 13%), with Polish (38%), UK (33%) and German (20%) respondents reporting perceived impacts somewhere between these two poles. But in all these countries lower income groups have reported, on average, a higher impact of the crisis on the household than the top income group (Santos *et al.*, 2016).

⁶The EU Member States that underwent bailout programmes were: Hungary (2008), Latvia (2008), Romania (2009), Greece (2010), Ireland (2010), Portugal (2011), Cyprus (2011), and Spain (2012).

⁷http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics, consulted July 22.

Divergences across these countries are even less pronounced when respondents are asked about particular changes occurring in the five-year period after the GFC. For example, in Portugal and Poland more than two-thirds of respondents declare that they “had to manage on a lower household income”, “cut back on holidays or new household equipment”, and more than half admitted they “had to draw on household savings to cover ordinary living expenses”. Even though in Sweden, Germany and the UK respondents declare they did not suffer as much from the GFC, a high proportion of respondents still declare: they had to manage a lower household income (56% in the UK, 47% in Germany and 41% in Sweden); had to cut back on holidays or household equipment (54% in the UK and 48% in Germany); and had to resort to savings to cover ordinary expenses (47% in the UK and 40% in Germany). Only a small fraction of respondents declared that they had to get into debt to cover ordinary living expenses, with the highest percentages observed in Poland (26%) and the UK (22%), (Santos *et al.*, 2016).

4.2. RISING INEQUALITIES WITHIN AND ACROSS COUNTRIES

Important segments of the population report having experienced financial difficulties during 2009-14. The *social inequality thesis* posits that the growing weight of finance on the economy, through its detrimental impact on labour relations, has increased overall levels of inequality. In the wake of the GFC, it is expected that its effects have been particularly harsh on low-income households and low-skilled workers, and in countries where household relations with finance are most widespread, aligned with *Hypothesis 1*: Low-income and low-skilled workers are more likely to report that their incomes fell in the period 2009-14, particularly in the UK, Sweden and Portugal as compared to Germany and Poland.

Hypothesis 1 was tested through a set of binary regressions using a subsample of employed respondents to determine the effect of several factors (age, income, occupation, type of contract and job) on the likelihood (log-odds) that households had to manage a lower household income in the period (Table 1).

Across all countries, the highest income groups have lower likelihood of having had to manage a lower household income, when compared to the lowest income group. However, this tendency is more marked in Portugal and the UK, as the odds ratios are higher than in the other countries (OR = 0.23 and 0.22, respectively). The drop in income applies equally to quintiles 2, 3 and 4, in the UK, and to quintiles 2 and 3 in Portugal. In the other countries, the drop was only in quintiles 1 and 2 (in Poland there was a reduction in quintile 4). In Germany and Sweden, the likelihood that households belonging to quintiles 3, 4 and 5 had to manage a lower household income is significantly lower than that of households belonging to the bottom quintile 1. In Poland, we found statistically significant effects for households belonging to quintiles 3 and 5. These results indicate that lower income groups have perceived the crisis as worsening their situation in all

these countries. But in Germany, Poland and Sweden, these effects have been relatively more concentrated in the lower strata than in Portugal and the UK, where perception of the impact of the crisis, as measured by a lower household income, extended also to the middle classes.

It is interesting to note that in none of these countries is the occupational status of the respondent associated with a reduction in household income. But this does not mean that the way the labour market is organised has had no impact on the recent evolution of the household financial situation. Indeed, in all the countries but Germany, respondents with permanent contracts have a lower likelihood than respondents with temporary contracts to have had to manage a lower household income in the period. This suggests that the type of contract (permanent versus temporary) is a more critical variable than the type of occupation to mediate the impact of the crisis on the household, where the former may be rather uniformly dispersed across the various professions.

In all these countries (but Poland) the respondent's age is associated with a reduction of household income. In Germany and Sweden, respondents aged 25-39 are more likely to have experienced a decrease in household income, and in Sweden and the UK respondents older than 55 seem to have been more protected than the group of respondents aged 40-54 years. Considering that younger workers tend to have more precarious labour contracts than older workers, it can be argued that the crisis has been particularly felt by the former and less so by the latter groups. But in Poland and Portugal there is no such relation.⁸

To summarise, in all these countries a high proportion of households declare that they had to manage a lower household income in the period 2009-14. This effect depends on the level of household income and the type of work contract (except in Germany). These effects are more pronounced in Sweden, affecting younger workers, workers on temporary contracts and low-income households; and they are more widespread in the UK, where they are more evenly distributed across income and occupational groups. This provides partial support for Hypothesis 1 in that a greater impact of the GFC was found in low-income households (first two quintiles) than in the highest income group, but this impact was more widespread in more financialised countries such as Portugal and the UK. The Swedish case provides a first indication of the relevance of micro-level analysis at the household level. Indeed, while Sweden has better socioeconomic indicators, with a smaller proportion of households reporting they were affected by the crisis, it is also the country where inequality rose most between 2009 and 2014. This may be explained by both on-going rising levels of inequality in the country⁹ and the combined impact of the latter with the crisis producing a more pronounced negative effect on the most vulnerable.

⁸ In Sweden, women respondents have reported a larger decrease in household income than have men, but since household income pertains to the aggregate this relation does not have much interpretative value.

⁹ http://ec.europa.eu/eurostat/data/database?node_code=tessi190, consulted July 22.

TABLE 1. BINARY LOGISTIC REGRESSIONS FOR "HAD TO MANAGE A LOWER HOUSEHOLD INCOME", 2009-2014, REGRESSION COEFFICIENTS, ODDS RATIO AND SIGNIFICANCE LEVELS (SOURCE: FESSUD)¹⁰

| | Germany | Poland | Portugal | Sweden | UK |
|---|------------------|------------------|-----------------|------------------|-----------------|
| ref = quintile 1 (lowest income group) | | | | | |
| Quintile 2 | -0.42 0.66 | 0.03 1.03 | -0.46 0.63 | -0.97 0.38 | 0.12 1.13 |
| Quintile 3 | -1.02** 0.36 | -1.29** 0.27 | -0.61 0.54 | -1.50* 0.22 | -0.59 0.55 |
| Quintile 4 | -1.26*** 0.28 | -0.85 0.43 | -1.15* 0.32 | -1.52* 0.22 | -0.62 0.54 |
| Quintile 5 | -1.76*** 0.17 | -1.78*** 0.17 | -1.46** 0.23 | -1.74** 0.18 | -1.51** 0.22 |
| ref = male respondent | | | | | |
| Female | 0.24 1.27 | 0.45 1.57 | 0.08 1.08 | 0.59** 1.80 | 0.22 1.24 |
| ref = respondent aged 40-54 | | | | | |
| 18-24 | 0.30 1.35 | 0.05 1.06 | -1.42 0.24 | -0.64 0.53 | 0.21 1.23 |
| 25-39 | 0.86*** 2.36 | 0.27 1.32 | -0.71** 0.49 | 0.80*** 2.22 | 0.13 1.14 |
| 55-64 | -0.43 0.65 | 0.33 1.40 | 0.06 1.06 | -1.17*** 0.31 | -0.85** 0.43 |
| 65 or higher | -0.47 0.63 | -0.64 0.53 | -0.85 0.43 | -2.09** 0.12 | -1.73* 0.18 |
| ref = low skilled blue collar worker respondent | | | | | |
| High-skilled white-collar | -0.40 0.67 | 0.33 1.39 | -0.16 0.85 | -0.22 0.80 | -0.02 0.98 |
| Low-skilled white-collar | -0.37 0.69 | -0.33 0.72 | 0.12 1.13 | -0.36 0.70 | 0.21 1.23 |
| High-skilled blue-collar | -0.61 0.54 | -0.52 0.60 | 0.35 1.41 | -0.31 0.73 | 0.79 2.20 |
| ref = temporary contract | | | | | |
| Permanent contract | -0.40 0.67 | -0.65* 0.52 | -1.12* 0.33 | -1.71*** 0.18 | -1.18* 0.31 |
| ref = part-time job | | | | | |
| Full-time job | -0.44 0.64 | -0.91 0.40 | 0.29 1.34 | -0.01 0.99 | 0.00 1.00 |

Note: *p<0.05; **p<0.01; *** p<0.001

¹⁰ *High-skilled white-collar workers* include: Managers and Professionals; *Low-skilled white-collar workers* include: Technicians and associate professionals and Clerical support workers; *High-skilled blue collar workers* include: Service and sales workers, Skilled agricultural, forestry and fishery workers, Craft and related trades workers and Plant and machine operators and assemblers; *Low-skilled blue-collar workers* include: Elementary occupations.

4.3. RISING INDEBTEDNESS OF LOW-INCOME OR LOW-SKILLED WORKERS

The recent expansion of finance in the economy and society has meant the growing participation of households in both debt and financial assets markets. And this has been a generalised trend across countries. Indeed, the percentage of household financial liabilities and assets to GDP generally rose in the EU. Between 1995 and 2012, household financial wealth rose about 44 percentage points (pp.) and household debt rose about 34 pp. on average. Within the countries of the study, household involvement with finance rose the most in Sweden (financial wealth to GDP rose 131 pp. and liabilities 44 pp.), followed by Portugal (59 pp. and 62 pp.), Poland (51 pp. and 31 pp.) and Germany (47 pp. and -4 pp.). Starting from already high levels of household debt and wealth, the UK observed the most moderate evolutions (26 pp. and 28 pp.) in the period. Germany was the only country to register a (small) decline of household debt to GDP (-4 pp.) in the period and among all EU countries.¹¹

Two different patterns emerge in regard to household involvement in debt markets: Sweden, the UK and Portugal present a similar distribution, with the rate of participation in mortgage markets ranging between 30-34%, and the rate of participation in personal loans markets ranging between 13-17%. Germany and Poland present the reverse pattern, with a higher prevalence of personal loans (31% in Poland and 23% in Germany) relative to mortgages (10% in Poland and 17% in Germany), (Santos *et al.*, 2016).¹²

The distribution of financial products and services also varies within the countries. Both financial assets and liabilities, such as for example, mortgages and private pension plans, are concentrated in the higher income groups, as they have more wealth to invest in a more diversified portfolio of financial products and facilitated access to debt markets. The exception is personal loans, where household participation is fairly uniform across the socio-economic strata, denoting the more active participation of low-income groups in these than in other financial markets (Santos *et al.*, 2016).

Relatedly, for a significant number of households personal loans are used to fill the gap between income and expenditure. And this use of loans is relatively high in every country, except Sweden. In Poland, taking a personal loan to cover unexpected or current living expenses gathered 34% and 32% of affirmative responses, in Germany 34% and 29%, in the UK 35% and 43% and in Portugal 39% and 38% respectively (Santos *et al.*, 2016). Thus, despite the fact that personal loans markets are relatively small, involving at most 31% of households in Poland, an important part of households that take up these loans use them to fill a gap between income and expenditure. That is, in accordance with the *debt-income compensation thesis*, household debt seems to be part of a strategy to make ends meet. The case of Sweden could instead

¹¹ See footnote 3.

¹² Personal loans comprise consumer loans, credit lines, accounts with overdraft facility, and instalment loans.

point to a different role of debt, one more in line with the *cultural transformation thesis*.

While personal loans seem to be more or less evenly distributed across the income groups, the use of loans to complement low wage income may not be as uniformly widespread. Following on the *debt-income compensation thesis*, low-income and low-skilled workers may use loans more often to cover current living and unexpected expenses. And this may have been even more likely to happen in recent years, as a result of the GFC driving low and medium-income households into debt in order to provide for basic needs, and particularly so in countries where households are generally more embroiled with finance, and with less generous Welfare States and weaker unions, aligned with Hypothesis 2: Low-income and low-skilled workers use more loans to cover current living and unexpected expenses compared to other income and occupational groups, particularly in the UK and Portugal as compared to Germany (less financialised and a strong Welfare State), Poland (less financialised) and Sweden (a stronger Welfare State).

Alternatively, and now following the *cultural transformation thesis*, one can expect household indebtedness to be more widespread across income and occupational groups, particularly in the countries where household relations with finance are more prevalent, aligned with Hypothesis 3: The use of loans to cover current daily and unexpected expenses is more widespread in the UK, Portugal and Sweden.

In order to test Hypotheses 2 and 3, a set of binary regressions were performed to determine the effect of household income (controlling for several factors: age, occupation, type of contract and job) on the likelihood (log-odds) that a given household will take out a loan to cover current living expenses and/or an unexpected expense (Table 2).

Only in Germany and Poland is there an association between household income level and the use of loans to cover current living and/or ordinary expenses. This indicates that only in these countries are loans more recurrently used as a means of filling a gap between low income and expenditure. In Portugal, Sweden and the UK, where a more significant fraction of households is engaged in debt markets, especially the higher socioeconomic strata, loans seemed to be more generally used across the various income groups as a means to cover a gap between (low and high) income and expenditure.

Hypothesis 2 is thus only partly corroborated in Germany and Poland, as overall levels of household engagement with finance in these countries is relatively low in the EU context. By the same token, as overall levels of household engagement with finance are relatively high in the UK, Sweden and Portugal within the EU, where there is also more widespread use of personal loans, there is supporting evidence to corroborate Hypothesis 3. This means that Germany and Poland conform to the *debt-income compensation thesis* and the UK, Sweden and Portugal conform to the *cultural transformation thesis*.

While no clear association has been found between loans and labour market variables in Poland and Germany, there might be a relation between the two among low paid workers. Within the OECD countries, Poland and Germany have a relatively higher incidence of non-standard forms of work (including self-employment, temporary full-time jobs and part-time jobs), which tend to be concentrated at the bottom of the earnings distribution (OECD, 2015). Indeed, non-standard forms of employment account for 40% of total employment in Poland and 39% in Germany, where 20% of total employment in Poland consists of full-time temporary jobs and where 21% of total employment in Germany consists of part-time temporary jobs. In Portugal, Sweden and the UK non-standard work accounts for about 34% of total employment. It was also in Poland and in Germany where non-standard forms of work rose most between 1995 and 2013, by 12.6 and 10.6 pp. respectively, while it grew 3.5 pp. in Portugal and even decreased in Sweden (-3.7 pp.) and in the UK (-1 pp.). Finally, Germany is the country with the strongest polarisation between standard and non-standard jobs since non-standard work is mostly concentrated in the lowest-paid occupations, implying high levels of employment protection for ordinary better paid jobs (full-time or part-time permanent) and low-levels of protection for low-paid temporary jobs (full-time or part-time). Indeed, the earnings ratio between non-standard and standard workers in Germany (0.39) is one of the lowest of the OECD countries, being 0.57 in Poland, 0.56 in Portugal and 0.42 in the UK, with no data available for Sweden (OECD, 2015: 140-153).

Overall, the results of the regressions revealed the disproportionate use of loans for making ends meet by low-income earners in Germany and Poland, suggesting that the use of personal loans in these countries is associated with income/wage inequality. In the other countries the use of loans to fill gaps between income and expenditure is more widespread across the various socioeconomic groups. This is particular so in Portugal and in the UK, where there is no association between the use of loans for covering daily/unexpected expenses and income distribution and labour market variables. This may be explained by, on the one hand, the more intense and widespread embroilment of households with finance, and, on the other, the more uniform impact of the crisis across the socioeconomic strata in these two countries. In Sweden, the higher use of loans by respondents with temporary contracts and full-time jobs, together with the widespread use of these loans across income groups, reinforces the view that in this country the use of loans is part of a change of attitudes towards debt rather than a condition of the disadvantaged. Taken together, these results suggest that the use of loans to cover daily/unexpected expenses might be more associated with income/wage inequality than with overall aggregate levels of household debt at the country level.

TABLE 2. BINARY LOGISTIC REGRESSIONS FOR "TOOK A LOAN TO COVER CURRENT LIVING OR UNEXPECTED EXPENSES", 2009-2014 REGRESSION COEFFICIENTS, ODDS RATIO AND SIGNIFICANCE LEVELS (SOURCE: FESSUD)

| | Germany | Poland | Portugal | Sweden | UK |
|---|-----------------|------------------|---------------|-----------------|----------------|
| ref = Quintile 1 (lowest income group) | | | | | |
| Quintile 2 | -0.74 0.48 | -0.20 0.82 | 0.15 1.16 | 0.93 2.53 | -0.71 0.49 |
| Quintile 3 | -1.68* 0.19 | -1.35* 0.26 | 0.10 1.11 | -0.37 0.69 | -0.87 0.42 |
| Quintile 4 | -1.97** 0.14 | -1.47** 0.23 | 0.24 1.28 | -0.57 0.57 | -1.02 0.36 |
| Quintile 5 | -1.55* 0.21 | -1.69*** 0.18 | -0.67 0.51 | -1.39 0.25 | -0.95 0.39 |
| ref = male respondent | | | | | |
| Female | 0.72 2.05 | 0.39 1.47 | -0.05 0.95 | -0.33 0.72 | 0.96** 2.60 |
| ref = respondent aged 40-54 | | | | | |
| 18-24 | 2.19 8.93 | 1.23 3.42 | -0.99 0.37 | 0.91 2.48 | 0.04 1.04 |
| 25-39 | -0.06 0.94 | 0.17 1.19 | -0.38 0.68 | 0.19 1.21 | 0.50 1.65 |
| 55-64 | 0.43 1.54 | 0.83* 2.30 | -0.08 0.92 | -0.20 0.82 | 0.52 1.68 |
| 65 or higher | 14.16 (NA) | -13.64 (NA) | 14.24 (NA) | -0.31 0.74 | 2.05 7.74 |
| ref = low skilled blue collar worker respondent | | | | | |
| High skilled white-collar | -1.08 0.34 | -0.60 0.55 | -0.11 0.89 | 0.23 1.26 | 15.08 (NA) |
| Low skilled white-collar | -0.65 0.52 | -0.32 0.73 | 0.23 1.26 | 0.19 1.21 | -0.42 0.66 |
| High skilled blue-collar | -0.84 0.43 | -0.24 0.79 | -0.07 0.93 | 0.31 1.36 | -0.45 0.64 |
| ref = temporary contract | | | | | |
| Permanent contract | -0.13 0.88 | 0.15 -0.43 | 0.18 -0.48 | -1.50* -0.67 | -0.38 -0.81 |
| ref = part-time job | | | | | |
| Full-time job | 0.21 1.23 | -0.01 0.99 | -0.10 0.91 | 1.89* 6.60 | 0.08 1.09 |

Note: *p<0.05; **p<0.01; *** p<0.001

4.4. FINANCIALISATION AND WORKING CONDITIONS

Country differences become less marked when considering changes in employment over the past five years. In all the countries at least half of the respondents who are in work declare that they “had to work more intensively at work” (ranging from 56% in Sweden to 77% in Portugal). But the deterioration in working conditions seems to have been more acute in Portugal, Poland and the UK, with a higher percentage of employees declaring that they “had to work longer hours” (54% in the UK, 55% in Poland and 66% in Portugal), that they “had less job security” (44% in the UK, 52% in Poland and 57% in Portugal), and that they “had to take a reduction in pay” (31% in the UK, 35% in Poland and 69% in Portugal). Reflecting a different labour market organisation, Poland stands out with 31% of respondents declaring that they “had to take up a second job”, whereas these values range between 5% in Sweden and 16% in Portugal (Santos *et al.*, 2016).

According to the *disciplinary thesis*, being indebted increases the dependency of the salaried worker on his/her wage income leading workers to work harder and accept worse conditions. It may also be expected that the disciplinary role of debt is most acute in countries with more feeble collective bargaining arrangements and labour protection laws, aligned with Hypothesis 4: Indebted workers are expected to work more (more intensively, for longer working hours, or taking up a second job) and accept worse working conditions (less interesting work, a reduction in pay, or less job security), particularly in countries with weaker labour protection laws, such as the UK, Poland and Portugal as compared to Germany and Sweden (according to typical classifications as described above). In order to test Hypothesis 4, two series of binary regressions were performed on a subsample of employed respondents to determine the effect of several factors on the likelihood (log-odds) of a worker having had to work harder (Table 3) and accept worse working conditions (Table 4).¹³

Differences across these countries emerge once again, clustering Germany and Poland against Sweden, the UK and Portugal. Only in Germany and Poland does the likelihood of respondents having had to work harder vary with household income. In Germany, the likelihood of respondents belonging to quintiles 4 and 5 having had to work harder is lower than that of respondents belonging to quintile 1, while in Poland the likelihood of respondents belonging to quintiles 3 and 5 having had to work harder is lower than that of respondents belonging to the bottom income group. In the other countries there is no significant differential impact among income groups.

¹³ Having had to work harder includes affirmative answers to the options: “had to work more intensively at work”, “had to work longer hours” and “had to take up a second job”; Having had to accept worse work conditions include affirmative answers to the options: “had to do less interesting work”, “had to take a reduction in pay”, “had less job security” (Santos *et al.*, 2016).

TABLE 3. BINARY LOGISTIC REGRESSIONS FOR "HAD TO WORK HARDER", 2009-2014 (SOURCE: FESSUD)

| | Germany | Poland | Portugal | Sweden | UK |
|---|-----------------|-----------------|----------------|-----------------|----------------|
| ref = quintile 1 (lowest income group) | | | | | |
| Quintile 2 | -0.83 0.44 | -0.82 0.44 | 1.00 2.72 | 0.13 1.14 | -0.75 0.47 |
| Quintile 3 | -0.94 0.39 | -1.49* 0.23 | -0.15 0.86 | -0.13 0.88 | -0.97 0.38 |
| Quintile 4 | -1.34* 0.26 | -0.89 0.41 | -0.71 0.49 | 0.03 1.03 | -0.73 0.48 |
| Quintile 5 | -1.24* 0.29 | -1.54* 0.22 | -0.82 0.44 | 0.22 1.25 | -0.39 0.68 |
| ref = male respondent | | | | | |
| Female | -0.18 0.84 | -0.12 0.88 | 0.10 1.10 | 0.08 1.09 | 0.22 1.25 |
| ref = respondent aged 40-54 | | | | | |
| 18-24 | -1.89** 0.15 | 1.10 3.01 | 1.58 4.87 | -0.78 0.46 | 0.96 -1.10 |
| 25-39 | -0.31 0.73 | 0.06 1.06 | -0.02 0.98 | -0.15 0.86 | -0.10 0.91 |
| 55-64 | -0.23 0.79 | 0.04 1.04 | 0.36 1.44 | -0.66** 0.51 | -0.08 0.93 |
| 65 or higher | 1.47 4.33 | -0.71 0.49 | -- | -1.25* 0.29 | -2.23 0.11 |
| ref = low skilled blue collar worker respondent | | | | | |
| High skilled white collar | 0.01 1.01 | -0.64 0.52 | -1.62 0.20 | -0.13 0.88 | -1.77 0.17 |
| Low skilled white collar | -0.20 0.82 | -0.46 0.63 | -0.04 0.96 | 0.40 1.49 | -0.38 0.68 |
| High skilled blue collar | -0.67 0.51 | -0.26 0.77 | 0.12 1.13 | 0.05 1.05 | -0.52 0.59 |
| ref = temporary contract | | | | | |
| Permanent contract | 0.84 2.31 | -1.73** 0.18 | -1.22 0.30 | 0.27 1.32 | -0.86 0.42 |
| ref = part-time job | | | | | |
| Full-time job | 0.69 1.99 | 2.09** 8.06 | 0.98 2.66 | 0.16 1.18 | 0.74 2.09 |
| Debt | | | | | |
| Has mortgage | 0.36 1.44 | -0.10 0.90 | -0.53 0.59 | -0.44 0.65 | 0.13 1.14 |
| Has personal loans | 0.58* 1.78 | -0.28 0.75 | -1.26* 0.28 | 0.24 1.27 | -0.21 0.81 |
| ref = total debt less than 3 months of household monthly income (HMI) | | | | | |
| Debt 3-6 months HMI | -0.61 0.54 | -0.27 1.72 | 1.21 3.34 | -0.10 0.90 | -0.11 0.90 |
| Debt 6-12 months HMI | 0.46 1.59 | -0.59 0.55 | 17.32 NA | 0.25 1.28 | 0.08 1.08 |
| Debt 12-24 months HMI | -0.16 0.85 | 1.24 3.45 | 0.56 1.76 | -0.14 0.87 | -0.92* 0.40 |
| Debt more than 24 months HMI | -0.19 0.83 | 0.69 1.98 | 0.05 1.05 | 0.05 1.05 | 0.35 1.42 |

Note: *p<0.05; **p<0.01; *** p<0.001

Interestingly, having to work harder does not seem to be associated with household indebtedness. The only exception is Germany where respondents with personal loans are more likely to have had to work harder in the period.¹⁴ This could be explained by the unfavourable situation of low-wage non-standard workers in this country, as mentioned above. In Portugal, the likelihood of households with personal loans to have had to work harder is even lower than that of workers with no personal loans. And in the UK, the likelihood of households with debt totalling about 12-24 months of household income having had to work harder is lower than that of workers with debt totalling less than 3 months of household monthly income. This means that there is only partial supporting evidence for Hypothesis 4 in Germany, where workers with personal loans tend to work harder than workers with no such loans. This would mean that Hypothesis 4 is partly rejected if classifying Germany as highly labour protective. But given the recent polarisation of the labour market in this country, Hypothesis 4 might indeed be supported by the non-standard unprotected and low-paid labour market segment. That is, only in Germany do we find support for the *disciplinary thesis* and for low-paid workers.

However, labour markets have also undergone transformations that have a more qualitative impact than increased work intensity or working hours. In fact, a different picture emerges when considering such qualitative changes. As Table 4 shows, the likelihood of respondents having had to accept worse working conditions (less interesting work, a reduction in pay, or less job security) is associated with household income group (in all the countries except Sweden), occupation (in Portugal), type of labour contract (affecting more temporary workers in Poland) and household indebtedness (in Poland and Sweden). In all the countries (except Sweden), the higher income groups have a lower likelihood than the bottom income group of having had to accept less interesting work, a reduction in pay and/or less job security. More interestingly, a positive association emerges between debt and work conditions in Poland and Sweden, where higher levels of household debt are associated with a deterioration of these qualitative aspects related to work. Thus, Poland and Sweden provides partial supporting evidence for Hypothesis 4, where servicing high levels of debt is associated with worse working conditions. But only in Poland is the relation between debt and work more mediated by the characteristics of the labour market in that indebted households tend to have non-standard work contracts, aligned with the *debt-compensation thesis*. In Sweden, in contrast and in line with the *cultural transformations thesis*, debt is more uniformly spread across income and occupational groups and type of work contract. This means that the disciplinary effect of being in debt is more directly attributable to the condition of being indebted rather than to the structural characteristics of the labour market, thus providing stronger evidence for the disciplinary role of debt in the country.

¹⁴ They have a 78% increase in the odds of having had to work harder.

Taken together, these results indicate an association between being indebted and a deteriorated work situation in Germany and Poland, which is concentrated on low-income groups and non-standard workers. While the same association was found in Sweden, this is more evenly distributed. In Portugal and the UK no such association was found in that having to work harder or accept worse work conditions are relatively widespread factors across the socioeconomic groups and unrelated to debt.

TABLE 4. BINARY LOGISTIC REGRESSIONS FOR “HAD TO ACCEPT WORSE WORK CONDITIONS”, 2009-2014 (SOURCE: FESSUD)

| | Germany | Poland | Portugal | Sweden | UK |
|---|------------------|------------------|----------------|----------------|-----------------|
| ref = Quintile 1 (lowest income group) | | | | | |
| Quintile 2 | -0.73 0.48 | -1.14 0.32 | -1.56 0.21 | -14.21 (NA) | -1.59 0.20 |
| Quintile 3 | -1.49** 0.22 | -1.56* 0.21 | -2.44* 0.09 | -13.30 (NA) | -1.26 0.29 |
| Quintile 4 | -1.39** 0.25 | -1.11 0.33 | -2.61* 0.07 | -13.65 (NA) | -1.76* 0.17 |
| Quintile 5 | -1.75*** 0.18 | -1.56 0.21 | -2.33 0.10 | -14.25 (NA) | -2.20** 0.11 |
| ref = male respondent | | | | | |
| Female | -0.25 0.78 | 0.06 1.06 | -0.83 0.44 | -0.54 0.71 | 0.25 1.29 |
| ref = respondent aged 40-54 | | | | | |
| 18-24 | -0.17 0.84 | 0.67 1.95 | -1.66 0.19 | 0.40 1.49 | -0.33 0.72 |
| 25-39 | 0.00 1.00 | -0.02 0.99 | -0.62 0.54 | -0.21 0.81 | -0.39 0.68 |
| 55-64 | -0.21 0.81 | 0.38 1.46 | 0.01 1.01 | -0.47 0.62 | -0.50 0.61 |
| 65 or higher | -14.53 (NA) | -15.61 (NA) | -- | -1.11 -0.82 | -16.35 (NA) |
| ref = low skilled blue collar worker respondent | | | | | |
| High skilled white collar worker | -1.08 0.34 | -0.82 0.44 | 0.38 1.46 | -0.42 0.66 | -1.47 0.25 |
| Low skilled white collar worker | -0.28 0.76 | -0.32 0.75 | 1.97** 7.20 | -0.61 0.54 | 0.21 1.23 |
| High skilled blue collar worker | -0.48 0.62 | -0.68 0.51 | 2.15** 8.58 | -0.17 0.85 | -0.08 0.92 |
| ref = temporary contract | | | | | |
| Permanent contract | -0.87 0.42 | -1.47*** 0.23 | -1.54 0.21 | -0.78 0.46 | -0.07 0.93 |
| ref = part-time job | | | | | |
| Full-time job | -0.30 0.74 | 0.06 1.06 | -0.16 0.85 | 0.01 1.01 | -0.01 0.99 |
| Debt | | | | | |
| Has mortgage | 0.06 1.06 | -0.19 0.82 | -0.15 0.86 | -0.48 0.62 | -0.19 0.83 |
| Has personal loans | 0.16 1.18 | 0.27 1.30 | 0.91 2.49 | -0.03 0.97 | 0.48 1.62 |
| ref = total debt less than 3 months of household monthly income (HMI) | | | | | |
| Debt 3-6 months HMI | -0.28 0.76 | 0.09 1.10 | 0.18 1.19 | 0.38 1.46 | -0.35 0.70 |
| Debt 6-12 months HMI | 0.05 1.05 | -0.72 0.49 | 0.76 2.13 | 0.62 1.86 | 0.50 1.64 |
| Debt 12-24 months HMI | 0.37 1.44 | 0.10 1.11 | 0.29 1.33 | 1.11** 3.03 | 0.78 2.17 |
| Debt more than 24 months HMI | -0.24 0.79 | 1.2160* 0.79 | -0.28 0.75 | 0.80* 2.22 | 0.22 1.24 |

Note: *p<0.05; **p<0.01; *** p<0.001

6. CONCLUSION

Informed by financialisation literature, this article discussed and assessed the distribution of the effects of financialisation and of the financial crisis across socioeconomic strata in five EU countries with different types of finan-

cial system and welfare regime. Specifically, it aimed to examine the way in which finance and the financial crisis impacted on financial well-being through its mediating effects on labour markets.

In line with other research, this article has exposed distinct GFC impacts on the countries of the study. A more severe impact is observed in Portugal and almost no impact in Sweden, with Poland, the UK and Germany standing somewhere in between these two extremes. And while the impact of the crisis has been more or less felt across the various socioeconomic groups in Portugal, in the other countries this impact has been more or less circumscribed to the unemployed. However, and even if to different degrees, overall living and working conditions have worsened for a significant number of households, as reflected in respondents' reports of declining household income, recourse to debt to cover living expenses and deteriorated employment relations.

Notwithstanding highly differentiated positions, in all the countries inequality has risen. The low-income and younger workers with more precarious labour contracts have worsened their relative position. The article thus provides evidence for the *social inequality thesis* that posits growing inequality stemming from the detrimental impact of financialisation on work relations and wage income. But contrary to what could have been expected, in Germany and Poland, the two countries with relatively low levels of household indebtedness, the relation of households with finance and workers' position in labour markets proved to be more detrimental to low-income and non-standard worker groups. The article therefore provides evidence for the *debt-income compensation thesis* in these two countries that posits the rise of debt among the low socioeconomic strata. Based on recent trends in the labour markets a tentative explanation was put forward attributing the income compensation effect to labour market polarization that fails protecting the non-standard, low paid workers. This may also help to explain the stronger disciplinary effect, as conveyed by the *disciplinary thesis* in regard to these particular segments of the population.

In Sweden, Portugal and the UK there has been a more even distribution of the impacts of the financial crisis and financialisation across the socioeconomic strata. But different factors may account for this. In Portugal it might be explained by the more severe and widespread impact of the crisis across the socioeconomic spectrum. In the UK, we posit, the even distribution of the GFC impacts might be explained by the more widespread role of finance in peoples' everyday lives. In Sweden it might instead be explained by the milder impact of the crisis, the lower levels of inequality (even if rising) and the more robust welfare system (even if subject to reform). However, it was also found that in Sweden indebted households tend to accept worsened working conditions. As this tendency is shared across socioeconomic strata, the findings on Sweden support the *cultural transformation* and the *disciplinary* theses that posit more transversally changed attitudes towards credit and a loss of power on the part of workers.

The micro-level analysis of finance-work relations has brought to the fore detrimental impacts of finance that do not emerge in macro-level analysis. Indeed, Germany and Poland are not only among the least affected countries by the GFC (when considering the evolution of the unemployment rate and other macroeconomic data), they are also the countries with lower levels of household debt among the five countries of the study. Thus, while they have been least exposed to the GFC and financialisation, an important segment of the work force has experienced a severe deterioration in living standards due to reductions of wage income, increased work intensity and growing job insecurity. Because the institutional configuration of the labour markets is intrinsically and increasingly articulated with welfare provision, the position occupied in the labour market is determinant not only to workers' current, but also to future, well-being, were they to be hit by social risks such as unemployment and sickness, and in old age. The micro-level comparative analysis of finance-work relations thus points to the continued relevance of work in currently financialised times, a relevance that has become more prominent even if it cannot be inferred from the sizes of national financial systems or the extent of household engagement with finance, or from out-dated welfare regime typologies. Analysis of finance-work relations calls for the context-specific institutional analysis of finance, work and broader welfare provision, and of how they interact and evolve to produce differentiated socioeconomic outcomes in time and place.

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