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Working Paper, No. 77/2016

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Abstract
The paper examines the interdependencies of financialisation and working conditions by exploring the comparative findings of a micro-level survey on household income, household debt, and working conditions which was conducted in five European countries representing different institutional and socio-economic contexts (Sweden, Germany, the UK, Portugal, Poland). Referring to different strands of debate in economics and sociology in a transdisciplinary way, four hypotheses on the impact of financialisation on the worker-consumer nexus 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. The findings reveal that, notwithstanding differences across the five countries, living conditions have worsened after the Global Financial Crisis for many households, with declining household incomes, higher household indebtedness to cover living expenses, and deteriorated working conditions. Surprisingly, the finance-work nexus has been more detrimental to low-income and non-standard workers in Germany and Poland. Hence, it is concluded that the impact of financialisation on well-being cannot simply be read from the size of national financial systems or the extent of household engagement with finance, nor from mainstream welfare regime typologies. Instead, to better understand these impacts we need to consider the more indirect influence of financialisation on labour market polarization and income distribution.

Keywords: EU, financialisation, inequality, household debt, working conditions, labour market segmentation

JEL Classification: D14, G01, I31, J50, J 81, P16

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* A revised version of this paper is forthcoming in *World Economy Journal (REM Revista de Economía Mundial)*, Vol. 17(1), entitled *"Financialisation and Work in Europe: Inequality, Debt and Labour Market Segmentation"*. We are grateful to Hansjörg Herr and Eckhard Hein for helpful comments on the first version of the paper. Special thanks go to Petra Dünhaupt for her support with interpreting the empirical data and to Nuno Teles for his comments and suggestions. Thanks also to Finn Cahill-Webb for his thorough editing assistance. The usual disclaimer applies.

1. Introduction

The aim of the paper is to bring together different strands of literature from economics and sociology on the interdependencies of financialisation and working conditions, in particular to shed more light on micro-level relations by exploring the comparative findings of the Finance and Well-Being Survey, as part of the FESSUD project[1], in five European countries representing different institutional and socioeconomic contexts.

It is a widely accepted finding in heterodox macroeconomic literature that financialisation has a detrimental effect on working conditions, first and foremost on wage levels, which is typically explained by the increased influence of shareholder interests against those of labour and other stakeholders. There is a considerable number of studies showing this with aggregate data on financialisation and (declining) income shares of wage-earners. Also, at the meso-level of governance structures within firms, a number of studies have revealed changing power relations at the firm-level due to financialisation at the expense of labour interests, resulting in increasing income inequality within firms, deteriorating working conditions and reduced workers' representation.

What has been less explored, however, is the micro-level impact of financialisation on individual workers and consumers, in particular on their working and consumption behaviours. In the (sparse) literature on this issue there are two main lines of argumentation which look at financialisation from different angles (and academic disciplines). The dominant view sees the observed decline or stagnation of real wages in the last decades in most advanced economies as drivers for financialised consumption and increasing indebtedness as a coping strategy of private households to (partly) 'compensate'[2] for income losses and make ends meet and/or uphold high levels of consumption. This argument is forwarded predominantly by economists and is substantiated by aggregate macro-data.

The other line of argumentation states that financialisation has not only wage substitution effects through credits but also deeper impacts on people's attitudes about financial products and their consumption patterns. These more complex and profound cultural effects are related to what Ben Fine and others have named the 'material culture of consumption' (Fine, 2013a: 18ff; Fine, 2013b), and are embedded in the broader approach of the 'systems of provision' (Bayliss et al., 2013) which points out the various, and contradictory, relationships of financialisation with society at large and

[1] For more information about the FESSUD Finance and Well-Being Survey see Santos et al. 2016.

[2] To take on loans does not, of course, truly *compensate* a wage-decline from the individual's point of view, as it rather increases the costs of the household to service the debt. However, personal loans may enable households to maintain their standard of living despite wage losses, and in that sense one can argue that loans 'compensate' for the loss. At the aggregate level it is observed (esp. in the USA) that despite decreasing wage shares consumption levels have been maintained and private indebtedness has increased, which substantiates this argument (see below).

with private households. This approach emphasizes the need to socio-structurally differentiate the effects of financialisation on the subjectivity of people and their reflections upon and interaction with different dimensions of financialisation (Bayliss et al., 2016). The 'cultural' argument resonates with (early) sociological research on modern 'conspicuous consumption' behaviours already observed by Thorstein Veblen (1899), pointing out that consumer behaviour is strongly influenced by the socio-cultural context of the people who purchase certain (luxury) goods to distinguish themselves from lower classes and to imitate an upper-class lifestyle. This argument has been taken up later by the economist James Duesenberry (1949) who formulated the same social process as the 'relative income hypothesis', much attacked at that time by orthodox market-liberals such as Milton Friedman (1957) and later on denounced as 'psychologizing' (Mason 2000, both cited in Mitchell, 2015: 253). However, more recently, behavioural economists have revisited Duesenberry's and Veblen's argument having found supporting evidence for the relative income hypothesis (Frank et al., 2014; see below in section 2). In a similar vein, the socio-cultural context of work and consumption, including household indebtedness, is discussed in 'subjectivist' approaches in the field of sociology of work and economic sociology, drawing on qualitative social research and larger consumer surveys (e.g., Voß and Pongratz, 1998; Schimank, 2011; Deutschmann, 2011). However, there has been a lack of empirical micro-level data on the interdependencies of financialisation, on the one hand, and individual consumption patterns, working conditions and individual coping strategies, on the other. Micro-level survey data that brings both worlds – financialisation and (changing) working life – together is needed to shed more light on the nature of this interlinkage. This would allow for the testing of either one or the other lines of argumentation – or maybe both of them: (a) Do people make use of financial products such as personal loans mainly as a means to compensate for declining wages, rising income insecurity, and welfare state retrenchment, and if so, which social groups or classes are most affected by this process? Assumedly, the lower classes of society who suffer from disadvantageous working conditions are more prone to have recourse to credit to compensate for their lower wages. We refer to this perspective stating a direct impact of financialisation on working conditions as the *debt-income compensation thesis.* The more indirect impact of financialisation on working conditions via socio-cultural processes influencing consumption patterns endorses instead the view that (b) financial products are increasingly used in a risky way for upholding or extending high levels of consumption ('to keep up with the Joneses'), which then urges people to work longer hours, accept bad working conditions or even take up a second job in order to serve increasing debt payments or compensate for losses on the volatile financial markets. Assumedly, such effects should be seen more in medium/higher income groups. This perspective or approach is referred to as the *relative income* or *cultural transformation thesis*.

Comparative data are most preferable for such research as the socioeconomic and institutional contexts of financialisation vary, as does the impact of the financial crisis and subsequent policy answers. The FESSUD Finance and Well-Being Survey covers all of the mentioned issues and has been conducted in five European countries (Portugal, Poland, UK, Germany, Sweden) that belong to different types of capitalist economies, financial systems, welfare state regimes and industrial relations systems. The survey samples have been randomly selected in each country and deliver data representative of the national social structures. The same questionnaire, undertaken in each country's national language, was used in all of the five countries (with minor variations due to national specificities).

The questions raised on the impact of financialisation on the worker-consumer nexus and the interdependencies of the two were examined through descriptive statistics and multiple regression analyses. Although not all relevant questions can be answered in a single exercise such as this, some tentative answers are provided that contribute to a better understanding of the relation between financialisation and the worker-consumer nexus. The paper is organised as follows: Section 2 comprises a review of relevant theoretical and empirical literature on financialisation and work, especially at the micro-level and drawing on both economic and sociological literature. The transdisciplinary approach pursued is seen as a strength of this paper, informing the elaboration of the hypotheses that are put forward in section 3. Section 4 presents the results of the empirical tests. Section 5 concludes with an outlook for further research and some political implications.

2. The impact of financialisation on work and consumption: A review of the state-of-the-art

This section reviews relevant literature on the links between financialisation, work and consumption, comprising theoretical arguments and empirical findings at the macro-, meso- and micro-levels, with an emphasis on the latter, organized around the *debt-income compensation thesis* and the *cultural transformation thesis*, as defined above. Our review covers both economic and sociological literature, seen as the most appropriate for answering the raised questions.

The economic literature refers mainly to the *macroeconomic* relations between financialisation and labour, connecting aggregate macro-data on income distribution to indicators of economic growth (GDP) and financialisation (using various indicators). A number of authors have found robust evidence for a strong correlation between financialisation and rising income inequality (Herr and Ruoff, 2016; Herr and Ruoff, 2014; Hein, 2015; Hein, 2012a; Hein and Mundt, 2012; Dünhaupt, 2013; Stockhammer, 2012; Epstein, 2005). This is explained, first, by the observation that financialisation and the neoliberal project (privatisation, liberalisation, redistribution policies) have impacted on the functional distribution of income, leading to a decline of wage shares against growing capital shares, as a result of the increased influence of shareholder interests against those of labour (e.g. Herr and Ruoff, 2016, 2014; Hein, 2015). But financialisation has also led to a growing wage dispersion between the top and lowest personal market incomes, as well as to a higher profit dispersion due to the tremendous wealth accumulation of the few against that of the many zero asset-holders (Herr and Ruoff, 2014). Growing wage dispersion is explained, on the one hand, by the weakened power position of trade unions due to deregulated labour markets and high unemployment having resulted in expanded low-wage sectors; and, on the other hand, by the excessively growing wages of top-management and certain top-earner groups, for example in sports and show business. Last but not least, the concentration of wealth among a few households automatically leads to higher profit dispersion since the wealth accumulation of a few rich families accelerates with increases in their savings, at least if state redistribution policies do not intervene via taxation like it has been and still is in the case of the neoliberal era (Herr, 2016).

So, financialisation, as part and parcel of the neoliberal project, is perceived to have contributed to growing unemployment, more precarious working conditions, the dismantlement of social provision and the deregulation of labour markets (see also Santos, 2013). The increased macroeconomic pressures on labour through financialisation, leading to growing low-wage sectors and precarisation, together with labour market deregulation and supply-sided 'activation' policies (Betzelt and Bothfeld, 2011; Betzelt, 2015), provide theoretical and empirical support for the *debt-income compensation thesis*. On the other hand, the increased wage and profit dispersion through financialisation, which has made the top-earners even richer, supports the *relative income* or *cultural transformation thesis* (*cultural transformation thesis* from now on for short). Not only does wealth concentration towards the very rich increase their spending power but it probably also results in increased debt-financed consumption of the middle classes due to social comparison effects (i.e. in order 'to keep up with the Joneses').

However, the correlations between financialisation, labour income, private consumption and indebtedness are not universal but largely dependent on national context. In macroeconomic terms, the relative position of the country within the global economy is highly relevant. Whereas in 'debt-led consumption boom economies' such as, classically, the US, but also Greece, Ireland and Spain, private debt-financed consumption played a strong role for GDP growth in the period from the early 2000s to 2008 (Hein, 2012b: 8), this was not the case in 'mercantilist-led growth economies' such as Germany, Austria, Belgium and the Netherlands, which rather featured low private consumption levels and exports as the main drivers of growth. Nor was this the case in France, Italy and Portugal, depicted as 'domestic demand-led economies' where debt-financed private consumption played only a modest role for economic growth while domestic demand, private demand and income-financed consumption were relatively more important (Hein, 2012b: 9-12). Moreover, the effects of the Global Financial Crisis as an outcome of financialisation has to be taken into account since it has hit the European countries very differently, the South of Europe being affected most severely (Santos, 2016). The crisis has resulted in high unemployment and a loss of disposable income in the most affected countries, which has likely resulted in differentiated impacts on spending behaviour, savings and levels of private indebtedness across the income brackets.

At the meso-level, the examination of the impact of financialisation on the corporate governance of firms has focused on the changing power relations detrimental to labour interests, resulting in increasing income inequality within firms, deteriorating working conditions and weakened workers' representation (Gospel et al., 2014; Darcillon, 2015; Vitols, 2014; Fligstein, 2008; Watt, 2008). Both macro- and meso-level studies (e.g. Deutschmann, 2011; Lin and Tomaskovic-Devey, 2013) reveal that financialisation leads to a *dualization of labour markets,* i.e. a labour market segmentation with deteriorated working conditions and lower social security for low-skilled and low-waged workers whereas high-skilled workers like managers and professionals receive higher wages and benefits from employers and enjoy higher job satisfaction. However, different studies indicate increasing job insecurity and work intensification for all workers.[3] Only a few authors of this strand address the issue of household indebtedness, and along the lines of the *debt-income compensation thesis* (see below). Although the USA is taken as the country where financialisation processes are most advanced, the dualization diagnosis has also been made for many European countries, albeit not always in terms of an intensification of finance-led types of capitalism, but instead of the tertiarisation of the economy and, in particular, institutional changes through labour market and welfare state reforms (Emmenegger et al., 2012; Bonoli and Natali, 2012). Thus, the bulk of this literature does not reflect on the impact of these labour market changes on household consumption and indebtedness.

Colin Crouch (2012) analysed the role of different industrial relations (IR) systems to employment levels, household debts and government spending on public services. He compared the private debt-led high consumption, high employment level model of the Anglophone world with that of continental European countries. Using Eurostat data,[4] he finds different patterns within continental Europe that partly correspond to the diverse industrial relations systems (i.e., neo-corporatist, weak neo-corporatist, labour exclusion; Crouch, 2012: 402), identifying the sub-group of neo-corporatist Austria and Germany with high employment and moderate levels of both consumption and debt

[3] The recent European Working Conditions Survey reveals that demands on workers have overall increased, with the majority of respondents reporting the intensification of work and longer working hour, and blue-collar workers declaring increasing job insecurity (Eurofound, 2015: 4-6).
[4] The used database includes 24 EU Member States plus Norway, Switzerland and the US.

(Crouch, 2012: 410). However, the analyses of different variables, including the role of government consumption and external trade performance, could not sufficiently explain the diverse patterns, such as the cases of Denmark and the Netherlands, with both high employment and private debt levels but low private consumption level. As an interesting explanation Crouch suggests the role of 'flexicurity' policies, with private debts and (not always as widely assumed) welfare state provisions, helping to cope with insecure labour markets. He finally concludes, however, that it is not possible to draw clear conclusions from aggregate data about the exact causal relationships. To this end one needs micro-level and individual data that can inform on "the way how (household) debt is being used in different societies" (Crouch, 2012: 410).

Also Van der Zwan's (2015) insightful discussion on financialisation refers to several studies which reveal that IR systems and practices of corporate governance play an intermediating role for the influence of a shareholder value orientation on employment conditions.[5] In the European context, for instance, no straightforward empirical evidence could be found for the effect of a stronger role of shareholder value on job loss thanks to various intervening factors (Van der Zwan, 2015: 109). Nevertheless, Darcillon (2015) showed with comparative panel data models in 16 OECD countries that financialisation did water down workers' bargaining power and the strictness of employment protection. What these institutionalist approaches miss, however, is the impact on individual wage-earners themselves as they "become entangled in a complicated web of financial interrelationships" (Van der Zwan, 2015: 110).

However, there is little work on micro-level relationships between financialisation and work, with most studies focusing solely on the US. This literature more or less directly supports the *debt-income compensation thesis*, i.e. arguing that consumer debts and other financial instruments are used by individuals to cope with stagnating or falling real wages in order to maintain high consumption levels, as has been argued by Barba and Pivetti (2009) for the US. They confirm first, on the basis of macro-data, that increased household debt made it possible to maintain high levels of aggregate demand despite declining wages, and second, based on micro-level survey data, that the overall household debt used for consumption is primarily concentrated on the lower 80% of the income distribution (Barba and Pivetti, 2009: 115-117). This is explained, however, not only by the mere necessity for lower classes to finance their basic needs through debts but by the 'Veblen effect' – the drive for a continuous rise in the standard of living to keep up with consumption patterns of the upper classes (Barba and Pivetti, 2009: 126), endorsing, in other words, the *cultural transformation thesis*. Barba and Pivetti (2009: 127) also draw the links between increasing income inequality, rising household

[5] There are also industry-specific studies on the impact of financialisation on industrial relations and collective bargaining at the company level, for instance, in Germany which show that the nation-specific pattern of industrial relations still matter (Kädtler and Sperling 2002; Haipeter et al. 2012).

debt and working behaviour. They argue, without supporting micro-data, that the growing burden of servicing their debts pushes the lower classes to work harder and for longer working hours and accept any working conditions, thereby even contributing to the persistence of low wages.[6] This neo-Foucauldian argument of indebtedness functioning as a disciplining mechanism pressurising the working class is not new, having already been made by Bonefeld (1995) after analysing the UK case in the 1980s.

Proponents of the *cultural transformation hypothesis* emphasise that changing social norms of consumption, driven by marketing and mass media, and promoted by fiscal incentives, are responsible for an increasing pressure 'to spend beyond one's means' across the income distribution (Cynamon and Fazzari, 2010: 7-8), which leads to increasing household indebtedness. As mentioned before, behavioural economists also argue that – in contrast to the neoclassical assumption of permanently stable savings rates – savings rates first rise with household income, and then vary in time. Frank, Levine and Dijk (2014) have found empirical correlations between increased income inequality, savings rates and private bankruptcy.[7] Increased income inequality is correlated with decreased savings rates, which is explained by the social context that shapes the spending behaviour (Frank et al., 2014: 56). They use the term 'expenditure cascades' to describe the finding that the increased spending of some people in one income class leads those in the income bracket right below them to also increase their spending to keep up, which in turn results in higher spending in the subsequent lower class and so on (Frank et al., 2014: 57). This is explained, following Veblen and Duesenberry, by the demonstration effect – the socio-psychological pattern to compare oneself with significant others in the same neighbourhood.

The socio-cultural perspective on financialisation of everyday life also examines the changed attitudes and norms of risk-taking in 'popular finance' markets (Aitken, 2007). After the retreat of welfare states from social provision, the citizen is called not to fear but to embrace risk which thus becomes a motivating force to enter financial markets for protection against social risks like unemployment or old-age (Van der Zwan, 2015: 112). The 'investing subject' becomes the new ideal, being an autonomous, self-disciplining individual who takes care of himself and his household by

[6] Adrienne Roberts (2015) complements this class inequality perspective by highlighting other dimensions such as gender and ethnicity divisions in wealth and asset ownership and patterns of indebtedness. She points at effects of increased inequalities along these lines through welfare state retrenchment and 'privatised Keynesianism' (Crouch 2009) on the one hand (and according to the 'income compensation thesis'), and discriminatory lending practices especially in the mortgage market on the other. In contrast to mainstream economists she can prove by detailed US data on homeownership and mortgage income tax deductions that financialisation has actually reproduced existing social inequalities and even widened the gaps. However, she does not link these findings to working behaviours.

[7] They also examined the correlation with commute time and divorce rates with income inequality, which is not discussed here.

acting in a financially well-informed way on the markets. However, as Van der Zwan (2015: 113) criticises, this conceptualisation is unable to explain contrary empirical findings of increased risk-averse investment behaviours. Again, deeper sociological considerations, based on theoretical reasoning and micro-level data, are needed to shed more light on the complex, socially embedded individual decision-making on financial markets and their implications for work relations, further articulating the 'cultural' and the 'sociostructural' perspectives.

The German sociologist Deutschmann (2011) discusses the role of financialisation for work, labour and social reproduction, drawing on empirical findings from survey data of the Global Entrepreneurship Monitor Report (Lippmann et al., 2005) and earlier research on social mobility of the young in the large 'Globallife' study (Blossfeld et al., 2005). Based on these micro-level data, he argues that due to declining objective and perceived social chances for upward social mobility since the end of the 20th century and growing insecurity on precarious labour markets, the lower classes are less inclined to take the risks of entrepreneurship (on both labour and financial markets) voluntarily – which had been the motor of advancement and innovation in capitalist societies (Deutschmann, 2011: 380). This means that the lower classes of low-skilled youths have lost opportunities for upward social mobility and face a vicious circle of objective deterioration of social chances and individual resignation which is discussed under the keyword social exclusion (Kronauer, 2002). Such growing social cleavages change the social framing of entrepreneurship from a positive idea to a negatively connoted necessity. Deutschmann (2011: 382) concludes that these dynamics inherent to the "hegemonic regime of rentiers over entrepreneurs" are dysfunctional for capitalist productivity and accumulation in the long run.

The sociologist Uwe Schimank (2011) combines the two lines of argument in his analysis of small investors' loyalty to financial markets after the financial crisis, which keeps them in volatile financial markets despite their unpredictability and riskiness. In a similar vein as Deutschmann, Schimank (2011: 126-30) argues that welfare state retrenchment has pressured citizens to seek for returns in financial markets in order to compensate the cut-back of public old-age protection, or to finance education (private schools, coaching, tuition fees) for their children or to secure their future in general. He then concludes that the loyalty to financial markets is mostly compulsory due to wage stagnation and insecure job markets and the lack of alternatives to fund fundamental social goods and services. Well-known socio-cultural factors are also taken to influence individual decision-making and keep them 'loyal' to the markets, such as collectively believed stories about financial markets and their actors (ibid: 120-6). As in-depth interviews reveal, socially embedded cultural beliefs on the trustworthiness of advisors (or alternatively, the confidence in one's own primacy as rational decision-maker) of large firms, associated with promises of attractive returns, are essential to subjectively reduce the hyper complexity of financial markets and enable individual decision-making.

Finally, the two US-American sociologists Neil Fligstein and Adam Goldstein (2013) also find evidence for both the *debt-income compensation thesis* and the *cultural transformation thesis* in their research based on micro survey data for the US. The research reveals indeed a new 'financialised' culture and changed attitudes towards debt-based consumption. However, this new culture cannot be found across all social classes, being largely segmented. The authors find a new financial culture only in the top 20%, and even more so in the top 10% of the income distribution, with new financialised attitudes and strategies to make use of new financial products which allowed the well-off to "get even further ahead by taking risk and leveraging assets" (Fligstein and Goldstein, 2013: 27). Those who have been the biggest beneficiaries of financialisation are thus the main bearers of the new culture, "hav(ing) become accustomed to taking on risks, using the services of financial professions at a high rate, trading frequently in the stock market, and demonstrating their financial savvy by using the equity in their homes to fund their lifestyles" (ibid: 26). In contrast, the lower 40% of the income distribution whose life chances diminished due to a decline in their incomes during the past 20 years became increasingly risk averse. They made use of new financial products, especially personal loans, for routine household expenses such as paying bills, medical expenses or financing education in order "to get by" rather than to get ahead (ibid: 28). Despite their usage of new financial products, the authors do not see a new financial culture among these lower income classes. They conclude, in a similar vein as Barba and Pivetti (2009), that the vast expansion of credit and the wide availability of new financial products "has allowed households to try to maintain their current lifestyles, (but) it has not levelled the ability to buy valued goods and services across the income distribution. Instead it has ironically just made everyone keep pace" (Fligstein and Goldstein, 2013: 28). The authors suggest further comparative research, assuming that the American-style household finance culture has expanded to other countries, and predicting that in liberal market economies, where social protection is weak, households face pressures to become more indebted in order to sustain their accustomed standards of living. But they assume further that also in social democratic welfare states the increasing response to these pressures on people's current lifestyles is to become more indebted (ibid: 30).

The findings (and further suggestions) of Fligstein and Goldstein seem very plausible but do they also apply to European societies? At the aggregate level, we already saw considerable differences between the US and Europe (and within) according to diverse institutional and socioeconomic contexts and cultural norms. Macro and micro analyses conducted within the FESSUD project (Santos and Teles, 2014; Santos et al., 2014) revealed differentiated patterns in the distribution of liabilities and financial assets between and within countries. The most salient finding was a socio-economic stratified involvement of private households in financial markets in Europe where the higher income groups have higher participation rates in both debt markets and (even more so) in financial asset markets (Santos et al., 2014: 2-3).[8] The authors found a relatively higher participation of lower income groups in outstanding credit lines, credit card debt and savings accounts as opposed to mortgages and mutual bonds, shares and voluntary pension plans, and generally a higher and more diversified involvement in countries with more developed financial systems and better economic situations (ibid: 4). However, in contrast to the US and the UK, in the Eurozone the distribution of household debt is overwhelmingly concentrated on mortgage loans which make up 75% of total debts (Santos and Teles, 2014: 8).[9] This could speak against a strongly financialised consumption pattern or culture for the majority of the population; but the question is for which purposes the increasingly used mortgage debts have been used: were they used for paying off the monthly payment of the household residence, or were they used for other consumption purposes (Karacimen, 2013: 17)? The weight of housing debt to total debt rose in all countries between 1995 and 2011, though at different paces, and this kind of debt accounts for rising household indebtedness in the Eurozone, with the notable exception of Germany where household debt has slightly decreased in the period (Santos and Teles, 2014: 50). Consumer credit has increased at a much slower rate, having a relatively lower weight in all countries. Regarding the engagement of households in asset markets, an increasing relevance of higher-risk assets was observed, such as shares and voluntary pension funds/life insurances. But whereas shares and mutual bonds on average are held by less than 20% of the population, pension funds play by far the largest role with average participation rates of around 40-50% in many countries (Santos and Teles, 2014: 46). The evolution of the latter points to recent institutional changes, such as pension reforms that have progressively lowered the value of pensions and fiscal incentives to drive the purchase of these types of financial applications, rather than changed attitudes resulting from the new opportunities provided by the expansion of financial markets (ibid: 51).

Taken together, these findings point to the necessity for more in-depth micro-level analyses of household engagement with finance and its impacts on work relations.

3. Specified hypotheses on the finance-work nexus

Bearing in mind the goal of the paper – to explore the finance-work nexus and how it has impacted on well-being –, and based on the existing literature, a set of specified hypotheses is formulated that

[8] Based on data of the ECB Survey for 14 Eurozone countries with a total sample of more than 60,000 households (Santos et al., 2014: 1).

[9] Based on data from the European Credit Research Institute, analysed for 15 EU member states (Santos and Teles, 2014: 5).

aim 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, one prominent theme in the financialisation literature is the detrimental effect that the growing weight of finance on the economy has had on workers. It has been argued that increasing shareholder value orientation and short-termism of management, increasing top management salaries, the restructuring of production, deregulation of the labour market and weakened trade union bargaining power, taken together, have resulted in falling labour income shares and increasing inequality in the personal and household distribution of market incomes and wealth. In the wake of the Global Financial Crisis (GFC) it is expected that inequality has risen, as its effects may have been particularly harsh on the most vulnerable groups, such as low-income households and low-skilled workers. This supports hypothesis 1A:

Hypothesis 1A – Greater impact of the GFC on low-income and low-skilled workers: Low-income and low-skilled workers are more likely to perceive that they have been affected by the GFC, reporting that their incomes have fallen in the period 2009-14.

Assumedly, these impacts have not been the same across countries. It can be expected that the impact on low-income and low-skilled workers have been more marked in most financialised countries where household relations with finance are more widespread. This would mean 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. This is because in Poland households have a relatively low participation in financial markets with financial assets representing about 86% and household liabilities 35% of GDP, in 2012. 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%, respectively). Closely following the UK, in Sweden household financial wealth represents about 235% and household liabilities about 88% of GDP in the same year. The Portuguese and the German households somehow stand in reversed positions considering the countries' overall level of economic, financial and social development, with the former presenting a more substantial (234% and 101%) and the latter (185% and 59%) a more timid participation in financial markets than could be expected. However, in all countries of the study, at the aggregate level, financial balance sheets are positive, with assets more than covering household liabilities (Santos, 2016). This supports Hypothesis 1B:

Hypothesis 1B – Greater impact of the GFC on low-income and low-skilled workers in financialised countries with higher levels of household financial engagement: Low-income and low-skilled workers are more likely to perceive that they have been affected by the GFC, reporting that their incomes have fallen in the period 2009-14, especially so in most financialised countries where household relations with finance are more prevalent: The UK, Sweden and Portugal vs. Germany and Poland.

According to the *debt-income compensation thesis*, a key idea in the financialisation literature, stagnant wage income, rising income and wealth inequality and the retrenchment of the welfare state have been important mechanisms driving low- and medium-income households into debt in order to provide for housing, education, health or consumption in general. This supports hypothesis 2A:

Hypothesis 2A – Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses: low-income and low-skilled workers use more loans to cover current living and unexpected expenses compared to other income and professional groups. The scale and spread of household involvement with financial markets expectedly vary across countries, reflecting differences in financial systems and welfare regimes. It could be expected that indebtedness of low-income households and low-skilled workers is 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:

Hypothesis 2B – Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses in countries where household relations with finance are more prevalent: low-income and low-skilled workers use more loans to cover current living and unexpected expenses compared to other income and professional groups in countries where household relations with finance are more prevalent (the case of the UK, Sweden and Portugal vs Germany and Poland).

Hypothesis 2C – Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses in countries with less generous welfare states: low-income and low-skilled workers use more loans to cover current living and unexpected expenses compared to other income and professional groups in countries with less generous welfare states (following typical welfare state typologies, this would mean the cases of the UK, Poland and Portugal).

However, according to the *cultural transformation thesis* household indebtedness is a far more widespread phenomena, and it could be expected that household debt is a more evenly distributed phenomenon than that suggested in hypotheses 2A-2C, and perhaps more so in countries where households are more deeply involved with finance, such as the UK, Sweden and Portugal. Thus:

Hypothesis 2D – The use of loans to cover current daily and unexpected expenses is widespread in countries where household relations with finance are more prevalent: household indebtedness is more widespread across income and professional groups in the UK, Sweden and Portugal.

Finally, analyses of the financialisation of everyday life have noted the self-disciplinary role of debt, stressing that household debt intensifies the dependency of the salaried worker on his/her wage income as a result of assuming a medium to long-term commitment to creditors. It is also expected that the disciplinary role of debt is most acute in countries with more feeble collective arrangements and labour protection laws:

Hypothesis 3A – Indebted workers are expected to work more and accept worse working conditions: It is expected that the burden of servicing debt has pushed households to work harder (more intensively, for longer working hours, or taken up a second job), and accept worse working conditions (less interesting work, reduction in pay, or less job security).

Hypothesis 3B – Indebted workers are expected to work more and accept worse working conditions in countries with weaker labour protection laws: It is expected that the burden of servicing debt has pushed households to work harder and accept worse working conditions in countries with less favourable labour protection laws (according to typical classifications, it is to expect that UK, Poland and Portugal cluster against Germany and Sweden).

The hypotheses are to be tested by data from the FESSUD Finance and Well-being Survey carried out for the EU FP7 FESSUD project – Financialisation, Economy, Society and Sustainable Development. The FESSUD Survey was designed to assess the impact of financialisation and of the financial crisis on well-being. Considering its broader aims, the survey objectives were to: characterise individual and household relations with finance; investigate the uses and reasons given for the take up of debt; probe individual assessments of household relations with finance; probe individual assessments of the impact of the financial crisis on various domains of household life; measure the distribution of the effects of financialisation and of the financial crisis across different socioeconomic groups; assess the extent to which the effects of financialisation and of the financial crisis are attenuated by different social institutional settings; and undertake this in a comparative setting of different countries by both the extent of financialisation and the differences in national context (Santos et al., 2016).

The FESSUD Survey consisted of telephone interviews (land line and mobile phone), carried out between 24 November 2014 and 19 December 2014 with nationally random samples of households in five countries: Germany, Poland, Portugal, Sweden and the UK, selected to be representative of different types of financial system and welfare regime in the EU. For each household, one resident (aged 18 or older) responsible for financial decisions living in the five countries that took part in the study was interviewed. The sample size in the countries ranged from 1300 for Portugal to 1501 for Poland and Sweden, bringing the total sample to 7009. The margins of error for 95% confidence vary between ±2.5% (Poland and Sweden) and ±2.7% (UK and Portugal) meaning that a difference in figures between two countries needs to be higher than 5.4% to be considered statistically significant (for more detailed information of the survey see Santos et al., 2016).

The 3 hypotheses will be tested by data that more directly bears on the finance-work nexus that is the focus of the present paper. This will be done through recourse to multiple regression models for each country that were performed to test these hypotheses.

4. FESSUD Survey data on the finance-work nexus

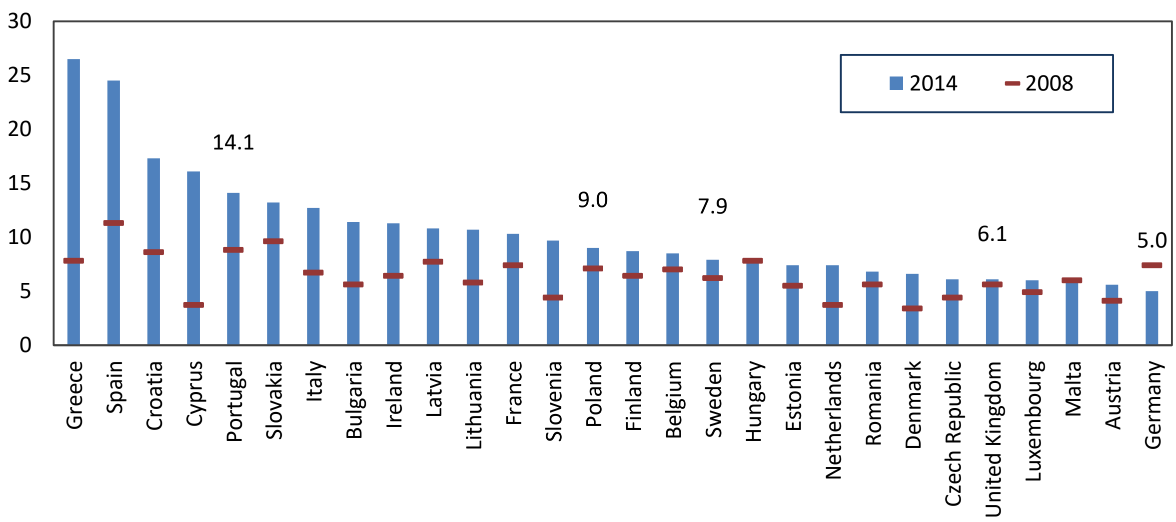
4.1 The Global Financial Crisis

The 2007-08 financial crisis is in itself a manifestation of financialisation, and it has exerted devastating effects on many European households. The 2007-08 financial crisis 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, the crisis rapidly spread to Europe through financial markets and international trade with overall detrimental effects on economic performance, producing, at first, rising unemployment and a deterioration of household disposable income and, at a later stage, a degradation of public services as a results of fiscal austerity used as the main remedy to tackle the crisis (Leahy et al., 2014).

But the GFC has had a differentiated impact across and within countries. This is also a consequence of financialisation processes, which put countries with very different starting points on a similar financialising path, resulting in increased risk for the most vulnerable of the weakest economies that followed those paths. Indeed, the crisis has had a more severe impact on the debt-led Southern European countries and Ireland. This is by and large an outcome of early participation in the Economic and Monetary Union that allowed these countries to benefit from almost unlimited access to capital markets and at very low interest rates, thereby circumventing their less well-developed financial systems. But the eased access to capital markets fuelled huge net external debts at the world level, culminating in the sovereign debt crises of 2010-11, forcing these countries to request financial bail-outs from official lenders. This was the case for Greece, Portugal and Spain, and also Ireland, which had to request financial assistance from the 'troika', made up of the European Central Bank, the International Monetary Fund and the European Commission, when borrowing on markets to refinance public debt became prohibitively expensive.

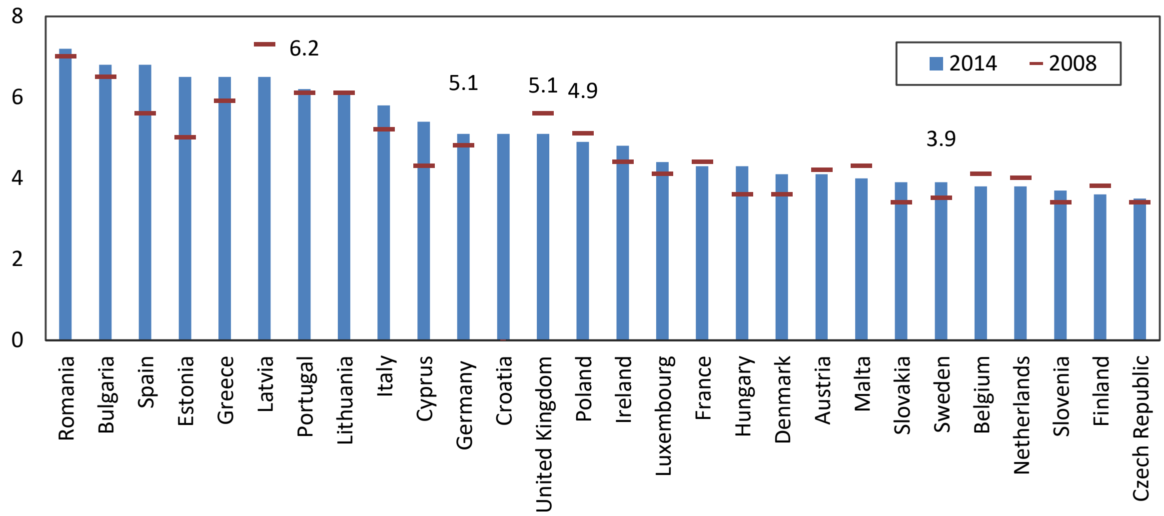
Thus, despite their relatively privileged position when compared to Eastern European countries, debt-led Southern European countries were the most severely hit by the crisis within the EU context. This is clearly conveyed by the evolution of the unemployment rate after 2008 (Figure 1). Greece, Spain, Croatia, Cyprus and Portugal were the countries most severely hit, suffering the most significant escalation of unemployment. Countries from the Centre and North of Europe were the least affected. Germany stands out as being the only country that has had a positive evolution on unemployment rate. Not only has the GFC had an immediate negative effect, it has also had a prolonged impact in most countries, as attested by the still high levels of unemployment in 2014. As Figure 1 shows, unemployment rose dramatically and continued to be very high in Greece, Spain, Croatia, Cyprus and Portugal, surpassing in all these countries an annual average of 14%, in 2014, reaching 24.5% in Spain and 26.5% in Greece.

Figure 1. Unemployment rate, 2008 and 2014 (Source: Eurostat, percentage)



This does not mean that households in countries that have better stood the impact of the crisis have not seen a deterioration of their living conditions, as aggregate data may hide very unequal distributions. For example, in Germany, the reduction of the unemployment rate was accompanied by a more unequal distribution of income, as measured by the ratio of the total income received by the 20% of the population with the highest income (the top quintile) to that received by the 20 % of the population with the lowest income (the bottom quintile), which increased in the period from 4.8 to 5.1 (Figure 2).

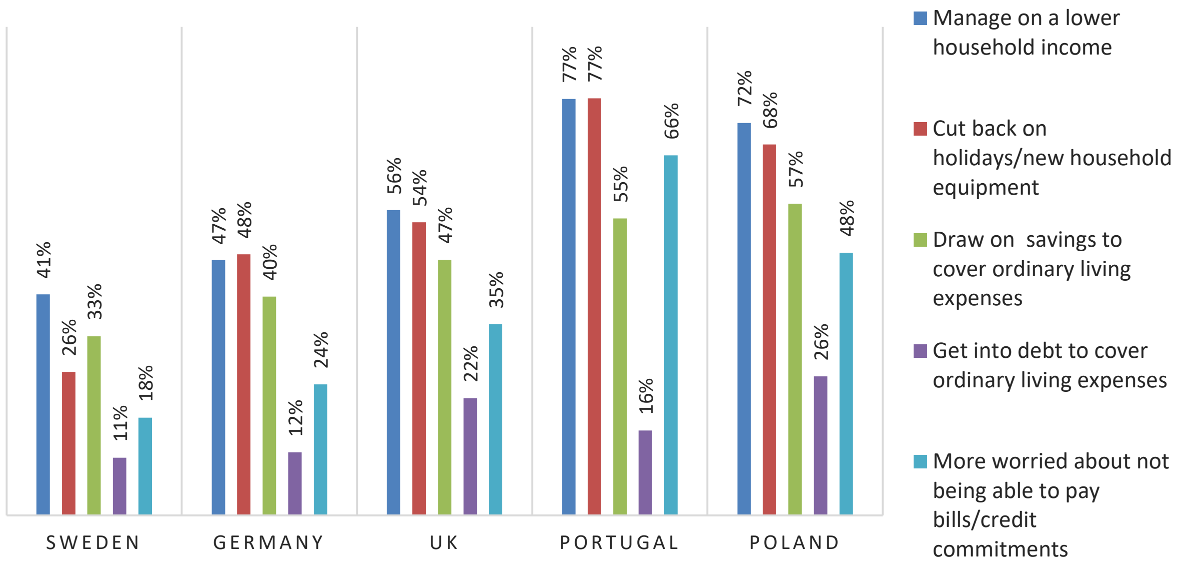
Figure 2. S80/S20 income quintile share ratio, 2008 and 2014 (Source: Eurostat)



To better assess the impact of the GFC on well-being and the distribution of its effects across different socioeconomic groups, the FESSUD Survey included questions about recent changes in various aspects of household life. Reflecting the evolution of aggregate data, the impact of the GFC on the household was perceived as particularly negative by the Portuguese respondents and perceived as almost non-existent by the Swedish respondents, with the Polish, UK and German respondents standing somewhere between these two poles. When asked to evaluate how bad the impact of the crisis on the household has been, 69% of Portuguese respondents report their households have been negatively affected, while 13% of Swedish, 20% of German, 33% of UK and 38% of Polish respondents declare that their household suffered a negative impact (Santos et el., 2016: 88-90).

Previous analysis of this data has also shown that the crisis has had a differentiated impact within each of the five countries of the study. It has shown that respondents' gender, age, education, employment status, household type and income have different effects on respondents' perceived impact of the crisis on the household across countries. For example, it has shown that: household type has a significant effect in Sweden (affecting more single parents and extended families than couples) and Germany (affecting more couples with children than couples without); employment status is more critical in Sweden, Germany and Portugal (e.g. affecting the unemployed more than the employed). However, in all the countries, household income was found to have a significant effect on the impact of the crisis on the household, with the lower income groups having reported, on average, higher impact scores than the top income group (Santos et el., 2016: 90-95). Notwithstanding variation in perceptions of the impact of the crisis on households, country divergences are less pronounced when respondents are asked about particular changes occurring in the five-year period after the GFC.

Figure 3. Perceived changes in household financial situation[10]



As Figure 3 shows, in Portugal and Poland more than two-thirds of respondents declare that they 'had to manage on a lower household income' and '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 change consumption patterns, cutting 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). Reflecting these country differences, respondents have 'become more worried about not being able to pay bills/credit commitments', ranging from 66% of respondents in Portugal to 18% of respondents in Sweden. 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%), which may include loans other than those provided by the financial sector.

4.2 Rising inequalities within countries

Notwithstanding country differences, important segments of the population in the five countries report having experienced financial difficulties during the five-year period 2009-14. It is not

[10] Questionnaire question Q17: "Please tell me whether or not each of the following has happened to you in the last five years…" Data: percentage of 'yes' responses to total, excluding 'DK/NA' answers.

farfetched to expect that these difficulties were not uniformly distributed across income and professional groups in each country. As seen above, one prominent theme in the financialisation literature is the detrimental effect the growing weight of finance on the economy has had on workers, resulting in falling labour income shares and increasing inequality in the personal and household distribution of market incomes. In the wake of the GFC, it is expected that its effects have been particularly harsh on the low-income households and low-skilled workers, and in countries where household relations with finance are most widespread. This supports hypotheses 1A and 1B:

Hypothesis 1A: Greater impact of the GFC on low-income and low-skilled workers.

Hypothesis 1B: Greater impact of the GFC on low-income and low-skilled workers in financialised countries with higher levels of household financial engagement.

In order to test Hypotheses 1A and 1B, a set of multiple regressions was performed to determine the effect of several factors (age, income, professional category, type of contract and job) on the likelihood (log-odds) of households with certain characteristics to have had to manage a lower household income during 2009-14 in the 5 countries (Table 1).[11]

In all countries, the likelihood of households to have had to manage a lower household income is lower in higher income groups. In Germany, Poland and Sweden, the likelihood of households belonging to Quintile 3 to have had to manage a lower household income is significantly lower than that of households belonging to the bottom Quintile 1.[12] In Portugal statistically significant differences are found for households belonging to Quintiles 4 and 5 and in the UK for households belonging to the top income group only. These results indicate that lower income groups have perceived the crisis as worsening their situation in all countries. But in Germany, Poland and Sweden, these effects have been relatively more concentrated on the lower strata than in Portugal and the UK, where perception about the impact of the crisis, as measured by a lower household income, were relatively more widespread across the population.

[11] Given the focus of the paper on the finance-labour nexus, the model was performed on the sample of respondents in work at the time they answered the questionnaire.

[12] For example, in Germany, belonging to Quintile 3 corresponds to a 64% decrease in the odds of having had to manage a reduced household income in the considered period. These values are 73% and 78% for Poland and Sweden, respectively. They were obtained by applying the formula 1-Exp(x) to the Household Income coefficient, in the case of Germany: 0.64 =1-Exp (-1.0183).

Table 1. Multiple regressions for "had to manage a lower household income", 2009-14 (regression coefficients and standard errors)

	Germany	Poland	Portugal	Sweden	UK
ref = male respondent					
Female	0.2403 (0.2111)	0.4523 (0.2461)	0.0792 (0.2598)	0.5853** (0.2006)	0.2155 (0.2389)
ref = respondent aged 40-54					
18-24	0.29765 (0.5094)	0.0536 (0.5149)	-1.4193 (0.7545)	-0.6388 (0.5811)	0.2100 (0.5968)
25-39	0.8600*** (0.2154)	0.2744 (0.2738)	-0.7073** (0.2887)	0.7984*** (0.2140)	0.1296 (0.2605)
55-64	-0.4283 (02389)	0.3347 (0.3163)	0.0576 (0.3862)	-1.1711*** (0.2544)	-0.8497** (0.3105)
65 or higher	-0.4665 (0.9702)	-0.6376 (0.7757)	-0.8535 (1.2083)	-2.0930** (0.7189)	-1.7340* (0.8915)
ref = quintile 1 (lowest income group)					
Quintile 2	-0.4153 (0.3670)	0.0286 (0.5685)	-0.4622 (0.5607)	-0.9733 (0.7164)	0.1222 (0.6492)
Quintile 3	-1.0183** (0.3704)	-1.2927** (0.5396)	-0.61212 (0.5398)	-1.4996* (0.7354)	-0.5941 (0.5507)
Quintile 4	-1.2596*** (0.3777)	-0.8496 (0.5171)	-1.1475* (0.5338)	-1.5161* (0.7034)	-0.6228 (0.5523)
Quintile 5	-1.7614*** (0.3788)	-1.7838*** (0.4903)	-1.4590** (0.5542)	-1.7410** (0.6973)	-1.5137** (0.5380)
ref = low skilled blue collar worker respondent[13]					
High-skilled white-collar	-0.4019 (0.5313)	0.3299 (0.5298)	-0.1622 (0.5054)	-0.2192 (0.4757)	-0.0160 (0.7958)
Low-skilled white-collar	-0.3654 (0.4749)	-0.3334 (0.4156)	0.1195 (0.4219)	-0.3550 (0.3625)	0.2099 (0.4885)
High-skilled blue-collar	-0.6109 (0.4664)	-0.5185 (0.4313)	0.3456 (0.4067)	-0.3122 (0.3712)	0.7905 (0.5321)
ref = temporary contract					
Permanent contract	-0.4022 (0.3931)	-0.6526* (0.3289)	-1.1197* (0.4685)	-1.7103*** (0.4609)	-1.1766* (0.6013)
ref = part-time job					
Full-time job	-0.4416 (0.2467)	-0.9140 (0.5613)	0.2891 (0.7190)	-0.0133 (0.2771)	0.0010 (0.3313)

Note: * The estimated effect is significant at 0.05 level, ** The estimated effect is significant at 0.01 level, *** The estimated effect is significant at 0.001 level.

It is interesting to note that the professional status of the respondent is in none of the five countries associated with a reduction in household income. But this does not mean that the way the labour market is organised has no impact on the recent evolution in household financial situations. Indeed,

[13] *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.

in all 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 2009-14.[14] This suggests that the type of contract (permanent versus temporary) is a more critical variable than the type of professional activity in mediating the impact of the crisis on the household, where the former may be rather uniformly dispersed across the various professions.

In all countries but Poland the age of the respondent is associated with a reduction of household income. In Germany and Sweden, respondents between 25-39 years old have a higher likelihood of having experienced a decrease in household income, and in Sweden and the UK respondents older than 55 years seem to have been more protected against reduced income than the group of respondents between 40-54 years old. Considering that younger workers tend to have more precarious labour contracts than older workers, it can be expected that the crisis has been particularly felt by the former and less so by the latter groups. However, in Poland and Portugal there is no such relation.[15]

Overall, the results of the multiple regression model show that in all countries the impact of the crisis on households, as measured by a reduction in household income, depends on the level of income of the household and it is not associated with the professional status of the respondent, having instead a relationship with the type of work contract (except in Germany). Consistent with the evolution of the distribution of income (Figure 2), these differentiated effects are more pronounced in Sweden, affecting most young workers and workers with temporary contracts and low-income households. They are less pronounced in the UK, where they are more evenly distributed across income groups. This supports Hypothesis 1A in that a greater impact of the GFC is felt by low-income households in all countries, but not Hypothesis 1B, since a greater impact of the GFC was not observed for low-income households with high levels of household financial engagement in the financialised countries, such as the UK and Portugal.

4.3 Rising household indebtedness

The recent expansion of finance in the economy and society has meant the growing participation of households in both debt and financial assets markets as households have increasingly purchased

[14] For example in Poland, a permanent contract corresponds to a 48% decrease in the odds of having had a reduced household income. These values are 67%, 82% and 69% for Portugal, Sweden, and the UK, respectively. They were obtained by applying the formula 1-Exp(x) to the Household Income Coefficient, in the case of Poland: 0.48 =1-Exp (-0.6526).

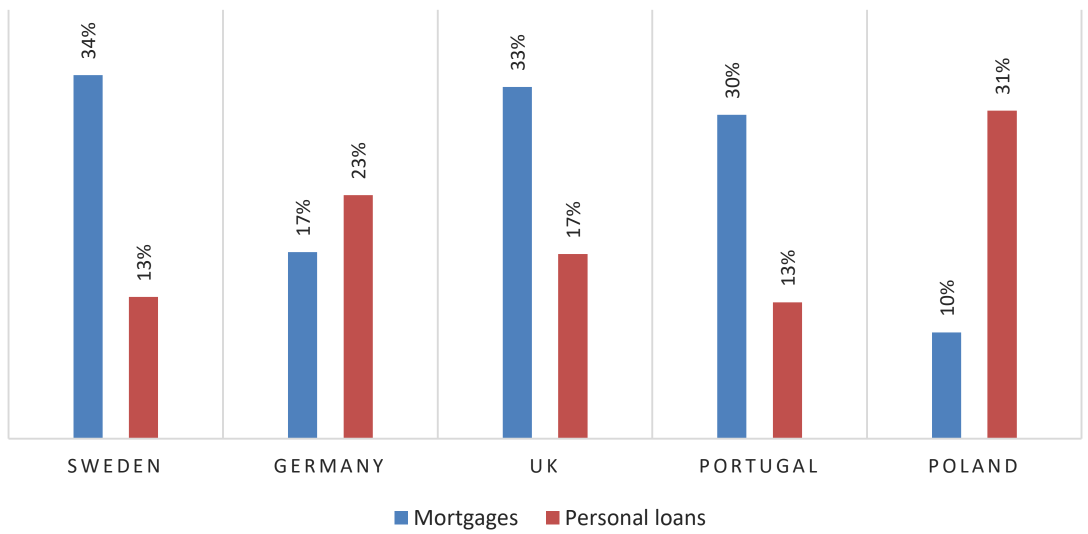
[15] In Sweden women respondents have reported a decrease in household income more than men, but since household income pertains to the aggregate this relation has not much interpretative value.

financial products and services, such as mortgages, car loans, credit cards, investment funds and private pension plans. This has been a general trend.

The percentage of total household debt and financial assets to GDP rose in all EU countries, with the only exception being Germany. Between 1995 and 2012, household financial wealth rose about 44 percentage points (pp.) and household debt rose by around 34 pp. on average in the EU. These averages naturally hide variation across EU countries, which have undertaken varied trajectories. Within the countries of the study, household involvement with finance rose the most in Sweden (financial wealth to GDP rose 131 pp. and debt 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 (Santos, 2016).

In regards to household involvement in debt markets, in particular, two different patterns emerge: Sweden, the UK and Portugal present very similar rates of household participation, 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) (Figure 4).

Figure 4. Percentage of households with loans[16]

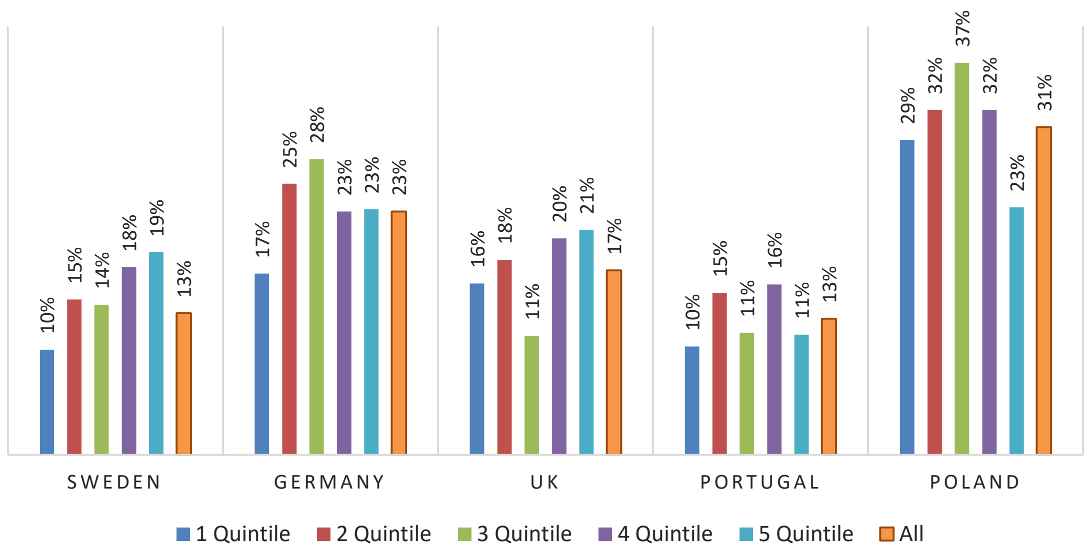


[16] Questionnaire question Q9. "Which of the following financial products and services do you/your household have, if any?" Data: respondents who provided an answer, excluding 'DK/NA' answers.

Previous research has shown that the distribution of financial products and services varies across the different socio-demographic groups. Both financial assets and liabilities, such as mortgages and private pension plans, are concentrated in the higher income groups, having 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 socioeconomic strata, denoting the more active participation of the low-income groups in these than in other financial markets (Santos et al., 2016).

As Figure 5 shows, participation in personal loan markets is rather uniform and widespread across the income groups in all countries, showing similar rates of household participation.[17] Overall, differences across groups are negligible (most of which with a difference of 5 percentage points, meaning that the difference is not statistically significant at the 5% level), indicating a facilitated access to these types of loans for low-income households. Although, household participation in these markets is generally higher in the top income than in the bottom income groups.

Figure 5. Households with personal loans by income group (%)

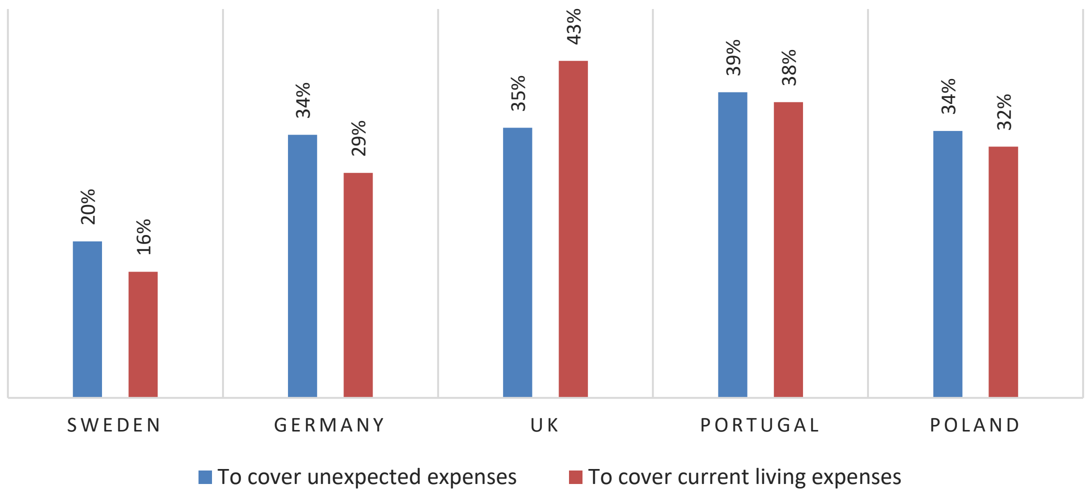


For a significant number of households, personal loans are used to fill the gap between income and expenditure. Notwithstanding variation across countries, the use of loans to cover unexpected or current living expenses is significant in every country, except Sweden. In Poland, these two reasons for taking the loan gathered about 34% and 32% of affirmative responses, in Germany 34% and 29%, in the UK 35% and 43% and in Portugal 39% and 38%, respectively (Figure 6).[18] Thus, despite the fact

[17] Personal loans comprise consumer loans, credit lines, accounts with overdraft facility and instalment loans.
[18] Other options included in the questionnaire were: 'To furnish or renovate house', 'To pay other debts', 'For education purposes' and 'To go on holidays'. The latter three gather substantially low responses (Santos et al., 2016).

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 it to fill the gap between income and expenditure. That is, as generally discussed in the literature, households' debt is indeed part of a strategy to make ends meet. The case of Sweden could indicate, however, a different role of indebtedness for the middle classes, in line with the *cultural transformation thesis*.

Figure 6. Reasons for taking other loans (other than mortgages or car loans)[19]



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 the *debt-income compensation thesis*, it is in fact likely that the low income and low skilled workers use debt more predominantly to cover current living and unexpected expenses. And this may have been even more likely in recent years as stagnant wage income, rising income and wealth inequalities and the retrenchment of the welfare state may have been important mechanisms driving low- and medium-income households into debt in order to provide for basic needs.

As the scale and spread of household involvement with financial markets expectedly vary across countries, reflecting differences in financial systems and welfare regimes, it could be expected that indebtedness of low-income households and low-skilled workers is more widespread in countries where households are generally more embroiled with finance, and in countries with a less generous welfare state and weaker unions. This supports the hypotheses:

Hypothesis 2A: Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses.

[19] Questionnaire question Q12. "Now please think about the biggest loan you have, excluding mortgages and car loans. Why did your household take out this loan? Please tell me whether or not the following reasons apply". Data: respondents who provided an answer, excluding 'DK/NA' answers.

Hypothesis 2B: Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses in countries where household relations with finance are more prevalent.

Hypothesis 2C: Low-income and low-skilled workers use more loans to cover current daily and unexpected expenses in countries with less generous welfare states and weaker unions.

Alternatively, and following now the *cultural transformation thesis*, one can expect that household indebtedness is more widespread across income and professional groups, particularly in the UK, Sweden and Portugal, where household relations with finance are more prevalent.

Hypothesis 2D: The use of loans to cover current daily and unexpected expenses is widespread in countries where household relations with finance are more prevalent.

4.4 Rising indebtedness of the low-income or low-skilled workers

In order to test Hypotheses 2A-2D, a set of multiple regressions was performed to determine the effect of several factors (age, household income, professional category, type of contract and job) on the likelihood (log-odds) of a given household to have taken a loan with the purpose of covering current living expense and/or an unexpected expense (Table 2).[20]

It is very interesting to note that only in Germany and Poland was a relationship found between household income level and the use of loans to cover current living and/or ordinary expenses. This suggests that loans are only recurrently used as a means of filling a gap between low income and expenditure in these two countries. In Portugal, Sweden and the UK, where a more significant fraction of households are engaged in debt markets, especially those in 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.

Support for Hypothesis 2A is thus only found in Germany and Poland. As overall levels of household engagement with finance in these countries is relatively low in the EU context, there is no evidence supporting Hypothesis 2B. By the same token, as overall levels of household engagement with finance is relatively high in the UK, Sweden and Portugal within the EU context, there is supporting evidence for Hypothesis 2D. Supporting evidence was not found for Hypothesis 2C. While there is a strong relation between an increased of loans by low-income households in Poland, and the absence of such a relation in Sweden, one should expect to find Portugal in a similar situation to that of

[20] Given the focus of the paper on the finance-labour nexus, the model was performed on the sample of respondents in work at the time they answered the questionnaire.

Poland, and Germany closer to that of Sweden, which was not observed. Thus, an association was not found between the use of loans and strong welfare states and unions.

However, the findings from Germany can be explained by recent developments in the labour market, in particular the Hartz-reforms (2002-5) and recent macroeconomic trends, which have produced a labour market dualization, with a polarization of working conditions. Indeed, Germany is one of the countries among the OECD group that presents the strongest polarisation between standard and non-standard workers (OECD, 2015: 150), with the majority of non-standard workers being found in the low-wage sector (which is one of the largest in Europe with 22% of all employees). The segment of non-standard workers, mostly located in the service sector, is less covered by collective bargaining institutions and enjoys lower labour protection than the primary segment, producing high wage dispersion. Moreover, more than one million workers in Germany have to top up their low wages with jobseekers' basic assistance (Bruckmeier and Wiemers, 2015: 444), even after the introduction of a mandatory minimum wage. The jobseekers' assistance scheme, however, is conditional on very strict household-based means-tests and implies a rather restrictive 'activation' regime. One effect of this is an equally high estimated number of 'hidden poor' who are not informed about their rights or do not take up benefits to avoid stigmatization and state intervention in their private lives.[21] Hence, it is at least plausible to assume that those low-waged workers and 'hidden poor' partly take up personal loans to sustain their living. For social research, this implies that the classification of Germany as a country with strong labour protection and a generous welfare state needs to be revised.

Similarly to the evolution of household income examined above, the use of loans to fill the gap between income and expenditure is not strongly associated with labour market variables. The only exception is Sweden where respondents with permanent contracts have a lower likelihood than respondents with temporary contracts, and respondents with full-time jobs have a higher likelihood than respondents with part-time jobs to have had recourse to loans to cover current living/unexpected expenses. Neither is the age of the respondent associated with the use of loans for these purposes. The only exception is Poland, where the 55-64 age group has a higher likelihood than the 40-54 age group to make use of such loans.[22]

[21] According to GSOEP the average non-take-up rate is 41%, being much higher for people older than 65 (68%), see Becker (2012). The public labour market research institute (IAB) found similar rates resulting from simulation models (Bruckmeier et al., 2013).

[22] The relation between the use of loans to cover household current living/unexpected expenses and a respondent's gender is not addressed because it has little interpretative value.

Table 2. Multiple regressions for "Took a loan to cover current living or unexpected expenses", 2009-14 (regression coefficients and standard errors)

	Germany	Poland	Portugal	Sweden	UK
ref = male respondent					
Female	0,7164 (0.4272)	0,3853 (0.3264)	-0,0539 (0.3221)	-0,3267 (0.3528)	0,9552** (0.3149)
ref = respondent aged 40-54					
18-24	2,1890 (1.2036)	1,2300 (0.7671)	-0,9869 (1.2598)	0,9065 (1.6427)	0,0361 (0.7339)
25-39	-0,0572 (0.3986)	0,1731 (0.3485)	-0,3789 (0.3762)	0,1919 (0.3803)	0,5018 (0.3426)
55-64	0,4304 (0.4263)	0,8314* (0.4168)	-0,0823 (0.4268)	-0,1983 (0.4299)	0,5215 (0.4143)
65 or higher	14,1594 (882.7435)	-13,6390 (882.7434)	14,2385 (882.7436)	-0,3065 (1.1911)	2,0467 (1.2034)
ref = Quintile 1 (lowest income group)					
Quintile 2	-0,7391 (0.7022)	-0,2008 (0.5247)	0,1523 (0.6442)	0,9294 (1.5183)	-0,7084 (0.8816)
Quintile 3	-1,6751* (0.7124)	-1,3545* (0.6126)	0,1042 (0.6158)	-0,3692 (1.5301)	-0,8715 (0.7493)
Quintile 4	-1,9659** (0.7530)	-1,4675** (0.5414)	0,2448 (0.5978)	-0,5677 (1.5158)	-1,0213 (0.7484)
Quintile 5	-1,5516* (0.7223)	-1,6892*** (0.5171)	-0,6731 (0.6459)	-1,3881 (1.5032)	-0,9495 (0.7136)
ref = low skilled blue collar worker respondent					
High skilled wcw	-1,0776 (0.9062)	-0,6002 (0.6098)	-0,1131 (0.6031)	0,2305 (0.8539)	15,0814 (786.0982)
Low skilled wcw	-0,6505 (0.7517)	-0,3154 (0.4598)	0,2307 (0.5400)	0,1894 (0.6308)	-0,4175 (0.6369)
High skilled bcw	-0,8434 (0.7512)	-0,2389 (0.4890)	-0,0703 (0.5200)	0,3055 (0.6553)	-0,4463 (0.6837)
ref = temporary contract					
Permanent contract	-0,1299 (0.7003)	0,1498 (0.4298)	0,1793 (0.4794)	-1,5043* (0.6705)	-0,3831 (0.8093)
ref = part-time job					
Full-time job	0,2054 (0.4554)	-0,0069 (0.7437)	-0,0950 (0.9327)	1,8877* (0.8162)	0,0822 (0.4437)

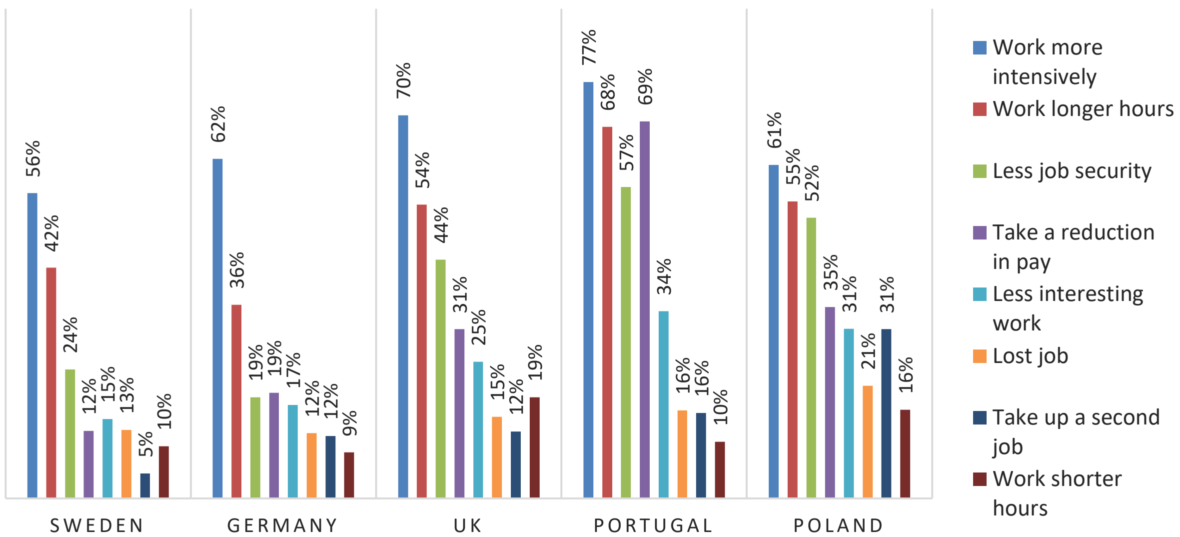
Note: * The estimated effect is significant at 0.05 level, ** The estimated effect is significant at 0.01 level, *** The estimated effect is significant at 0.001 level.

Overall, the results of the multiple regressions revealed the disproportionate use of loans for making ends meet by low-income households in Germany and Poland, suggesting that the use of personal loans in these countries is more associated with income 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 particularly 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 hand, the more uniform impact of the crisis across the socioeconomic strata in these two countries. Taken together, these results suggest that it is in countries with relatively lower rates of household participation in debt markets and aggregate levels of debt where the use of debt as a supplementary means of income is more prevalent.

4.5 Financialisation and working conditions

The 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 declared 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 different labour market organisation, Poland stands out with 31% of respondents declaring that they 'had to take up a second job', where these values range between 5% in Sweden and 16% in Portugal (Figure 7).

Figure 7. Perceived changes in employment[23]



In a context of deteriorating working conditions, being indebted may increase the dependency of the salaried worker on his/her wage income as a result of assuming a medium to long-term commitment

[23] Questionnaire question Q18. "Please tell me whether or not each of the following has happened to you in the past five years. Have you…" Data: percentage of 'yes' responses among employees, excluding 'DK/NA' answers.

to creditors, leading workers to work harder (more intensively, for longer hours or take up a second job) and accept worse conditions (accept less interesting work, a reduction in pay, or less job security). It may also be expected that the disciplinary role of debt is most acute in countries with more feeble collective arrangements and labour protection laws:

Hypothesis 3A: Indebted workers are expected to work more and accept worse working conditions.

Hypothesis 3B: Indebted workers are expected to work more and accept worse working conditions in countries with weaker labour protection laws.

4.6 The disciplinary role of debt

In order to test Hypotheses 3A and 3B, two multiple regressions were performed to determine the effect of several factors on the likelihood (log-odds) of a worker to have had to work harder (Table 3) and accept worse working conditions (Table 4).[24]

Table 3. Multiple regressions for "had to work harder"[25], 2009-14 (regression coefficients and standard errors)

	Germany	Poland	Portugal	Sweden	UK
ref = male respondent					
Female	-0,1765 (0.3276)	-0,1233 (0.3291)	0,0954 (0.4192)	0,0834 (0.2280)	0,2218 (0.3340)
ref = respondent aged 40-54					
18-24	-1,8870** (0.7207)	1,1015 (1.1345)	15,8328 (2629.8686)	-0,7792 (1.0505)	0,9628 (1.0964)
25-39	-0,3142 (0.3084)	0,0587 (0.3420)	-0,0190 (0.4744)	-0,1512 (0.2510)	-0,0980 (0.3464)
55-64	-0,2306 (0.3334)	0,0391 (0.4040)	0,3614 (0.7165)	-0,6640** (0.2713)	-0,0763 (0.4204)
65 or higher	14,6609 (817.4664)	-0,7115 (1.3306)	- -	-1,2542* (0.6473)	-2,2346 (1.1562)
ref = Quintile 1 (lowest income group)					
Quintile 2	-0,8286 (0.6720)	-0,8246 (0.7591)	1,0017 (1.029)	0,1289 (1.5682)	-0,7498 (0.8945)
Quintile 3	-0,9352 (0.6674)	-1,4911* (0.7544)	-0,1532 (0.8812)	-0,1257 (1.5524)	-0,9704 (0.7717)
Quintile 4	-1,3396* (0.6607)	-0,8914 (0.7373)	-0,7136 (0.8655)	0,0252 (1.5417)	-0,7279 (0.7917)
Quintile 5	-1,2419* (0.6519)	-1,5367* (0.6957)	-0,8153 (0.9027)	0,2200 (1.5390)	-0,3916 (0.7940)

[24] Given the focus of the paper on the finance-labour nexus, as well the dependent variables of the model, the model was performed on the sample of respondents in work at the time they answered the questionnaire.
[25] 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'.

Table 3. Multiple regressions for "had to work harder", 2009-14 (regression coefficients and standard errors), Continued

	Germany	Poland	Portugal	Sweden	UK
ref = low skilled blue collar worker respondent					
High skilled wcw	0,0050 (0.8678)	-0,6449 (0.7186)	-1,6195 (0.8786)	-0,1253 (0.5551)	-1,7741 (1.0770)
Low skilled wcw	-0,2031 (0.7500)	-0,4646 (0.5681)	-0,0375 (0.8042)	0,3992 (0.4010)	-0,3807 (0.6945)
High skilled bcw	-0,6704 (0.7374)	-0,2600 (0.6011)	0,1228 (0.8032)	0,0506 (0.4192)	-0,5216 (0.7459)
ref = temporary contract					
Permanent contract	0,8352 (0.5121)	-1,7258** (0.6081)	-1,2159 (0.8356)	0,2745 (0.5109)	-0,8632 (0.8840)
ref = part-time job					
Full-time job	0,6881 (0.3701)	2,0873** (0.6741)	0,9792 (1.0554)	0,1628 (0.3212)	0,7357 (0.4284)
Debt					
Has mortgage	0,3623 (0.3363)	-0,1035 (0.4242)	-0,5280 (0.5791)	-0,4350 (0.3497)	0,1317 (0.3589)
Has personal loans	0,5769* (0.2852)	-0,2825 (0.3079)	-1,2560** (0.4436)	0,2404 (0.2586)	-0,2093 (0.3400)
ref = total debt less than 3 months of household monthly income (HMI)					
Total debt 3-6 months HMI	-0,6082 (0.4427)	-0,2727 (0.3907)	1,2050 (0.8593)	-0,1006 (0.4203)	-0,1066 (0.5062)
Total debt 6-12 months HMI	0,4634 (0.4524)	-0,5939 (0.4924)	17,3221 (1526.7640)	0,2474 (0.3729)	0,0762 (0.5227)
Total debt 12-24 months HMI	-0,1622 (0.4671)	1,2391 (0.8352)	0,5631 (0.7439)	-0,1371 (0.4075)	-0,9175* (0.4747)
Debt more than 24 months of HMI	-0,1912 (0.4100)	0,6852 (0.6046)	0,0484 (0.4747)	0,0450 (0.3472)	0,3505 (0.4201)

Note: * The estimated effect is significant at 0.05 level, ** The estimated effect is significant at 0.01 level, *** The estimated effect is significant at 0.001 level.

Country differences emerge once again. Only in Germany and Poland the likelihood of respondents to have had to work harder varies with household income. In Germany, the likelihood of respondents belonging to Quintiles 4 and 5 to have 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 to have had to work harder is lower than that of respondents belonging to the bottom income group.[26] In the other countries there is no statistically significant differences among income groups.

Again, respondents' professional status does not have an effect on the likelihood of a given worker to have had to work harder in the 2009-14 period in any country. Labour market variables have only

[26] For example, in Germany, belonging to Quintile 4 corresponds to a 74% decrease, and to Quintile 5 corresponds to a 71% decrease in the odds of having had to work harder. These values are 77% and 78% for Poland, respectively, for Quintiles 3 and 5.

had an effect in Poland, where permanent contract and part-time workers have a lower likelihood than temporary contract and full-time workers to have had to work harder. Betraying perhaps the more favourable situation of the older vis-à-vis younger workers, the data for Sweden are significant in this respect and reveal that workers with 55 years old or older have a lower likelihood of having had to work harder than the reference group of 40-54 years old.

More interestingly, having to work harder does not seem to be associated with household indebtedness. The only exception is Germany where respondents with personal loans have a higher likelihood of having had to work harder in the period.[27] This could be correlated with the precarious situation of low-wage workers in this country and rather high non-take-up rates of jobseekers' assistance. In Portugal and the UK the relation is even negative. In Portugal, the likelihood of households with personal loans to have had to work harder is lower than that of workers with no personal loans. In the UK, the likelihood of households with debt totalling about 12-24 months of household income to have 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 supporting evidence for Hypothesis 3A in Germany, where workers with personal loans tend to work harder than workers with no such loans. This would mean that Hypothesis 3B is rejected if classifying Germany as highly labour protective, which however, is no longer the case in the lower labour market segment.

Taken together, these results suggest that having had to work harder in recent years is associated with low income levels in Germany and Poland. It has no strong connection with labour market variables and even less so with household indebtedness. In Portugal, Sweden and the UK, having to have to work harder in recent years seems a widespread phenomenon across all socioeconomic groups, an indication of rather uniform structural transformations.

In contrast, as Table 4 shows, the likelihood of respondents to have had to accept worse working conditions is associated with household income group (in all countries but Sweden), professional activity (Portugal), type of labour contract (Poland) and household indebtedness (Poland and Sweden). In all countries (with the exception of Sweden), the higher income groups have a lower likelihood than the bottom income group to have had to accept less interesting work, a reduction in pay and/or less job security. More interestingly, in this case a positive association emerges between debt and work conditions in Poland and Sweden, where higher levels of household debt are associated with worse work conditions. Thus, Poland and Sweden provide supporting evidence for Hypothesis 3A, where servicing high levels of debt is associated with worse working conditions (less interesting work, reduction in pay or less job security). But while Poland provides supporting

[27] They have a 78% increase in the odds of having had a reduced household income (0.78 =Exp (0.5769)-1.

evidence for Hypothesis 3B, Sweden provides refuting evidence as this is a country with more favourable labour protection laws than the others. It would not be expected to find a disciplinary effect of being in debt in Sweden. The case of Sweden could support, in contrast, the *cultural transformation thesis* as high-income groups are associated with higher indebtedness and worsened working conditions.

Table 4. Multiple regressions for "had to accept worse work conditions"[28], 2009-14 (regression coefficients and standard errors)

	Germany	Poland	Portugal	Sweden	UK
ref = male respondent					
Female	-0,2502 (0.2799)	0,0594 (0.2950)	-0,8262 (0.4719)	-0,3362 (0.2365)	0,2536 (0.2672)
ref = respondent aged 40-54					
18-24	-0,1745 (0.6993)	0,6667 (0.8684)	-1,6570 (1.5271)	0,3999 (1.0595)	-0,3314 (0.6458)
25-39	-0,0039 (0.2594)	-0,0150 (0.3038)	-0,6247 (0.4667)	-0,2125 (0.2532)	-0,3886 (0.2866)
55-64	-0,2125 (0.2891)	0,3763 (0.3778)	0,0134 (0.7269)	-0,4722 (0.2967)	-0,4998 (.3544)
65 or higher	-14,5255 (508.6099)	-15,6096 (827.3724)	--	-1,1112 (0.8195)	-16,3517 (586.1908)
ref = Quintile 1 (lowest income group)					
Quintile 2	-0,7338 (0.5056)	-1,1428 (0.6504)	-1,5605 (1.2395)	-14,2052 (535.4117)	-1,5904 (0.9353)
Quintile 3	-1,4926** (0.5109)	-1,5603* (0.6749)	-2,4371* (1.2110)	-13,2972 (535.4116)	-1,2552 (0.8588)
Quintile 4	-1,3888** (0.5039)	-1,1083 (0.6502)	-2,6095* (1.2488)	-13,6517 (535.4116)	-1,7602* (0.8622)
Quintile 5	-1,7281*** (0.5041)	-1,5601 (0.6131)	-2,3340 (1.3221)	-14,2518 (535.4116)	-2,1961** (0.8576)
ref = low skilled blue collar worker respondent					
High skilled wcw	-1,0755 (0.6681)	-0,8154 (0.6230)	0,3811 (0.7585)	-0,4175 (0.5838)	-1,4681 (1.0974)
Low skilled wcw	-0,2780 (0.5885)	-0,3181 (0.4873)	1,9739** (0.6982)	-0,6112 (0.4090)	0,2084 (0.5664)
High skilled bcw	-0,4839 (0.5835)	-0,6759 (0.5147)	2,1492** (0.7132)	-0,1682 (0.4262)	-0,0807 (0.6219)
ref = temporary contract					
Permanent contract	-0,8681 (0.5177)	-1,4679*** (0.4582)	-1,5378 (0.9099)	-0,7830 (0.5203)	-0,0700 (0.7170)
ref = part-time job					
Full-time job	-0,3018 (0.3205)	0,0550 (0.6888)	-0,1638 (0.9885)	0,0062 (0.3428)	-0,0147 (0.3973)

[28] Having had to accept worse work conditions includes affirmative answers to the options: 'had to do less interesting work', 'had to take a reduction in pay', 'had less job security'.

Table 4. Multiple regressions for "had to accept worse work conditions", 2009-14 (regression coefficients and standard errors), Continued

	Germany	Poland	Portugal	Sweden	UK
Debt					
Has mortgage	0,0604 (0.2758)	-0,1941 (0.3783)	-0,1458 (0.5851)	-0,4783 (0.3728)	-0,1921 (0.3253)
Has personal loans	0,1643 (0.2296)	0,2656 (0.2760)	0,9107 (0.6338)	-0,0318 (0.2636)	0,4797 (0.2967)
ref = total debt less than 3 months of household monthly income (HMI)					
Total debt 3-6 months HMI	-0,2773 (0.3992)	0,0913 (0.3718)	0,1778 (0.7100)	0,3770 (0.4598)	-0,3502 (0.4310)
Total debt 6-12 months HMI	0,0518 (0.3593)	-0,7198 (0.4560)	0,7578 (1.1679)	0,6207 (0.4062)	0,4963 (0.4481)
Total debt 12-24 months HMI	0,3656 (0.4067)	0,1049 (0.5813)	0,2872 (0.8902)	1,1102** (0.4439)	0,7754 (0.4603)
Debt more than 24 months of HMI	-0,2355 (0.3376)	1,2160* (0.5714)	-0,2813 (0.5152)	0,7976* (0.3904)	0,2188 (0.3391)

Note: * The estimated effect is significant at 0.05 level, ** The estimated effect is significant at 0.01 level, *** The estimated effect is significant at 0.001 level.

5. Conclusion

The GFC has had very distinct impacts in the five countries of the study. It has had a more severe impact on Portuguese households and almost no impact on Swedish households, with the Polish, UK and German households 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, overall living conditions have worsened for a significant number of households in the five countries of the study, although to different degrees, as reflected in respondents' reports of declining household income, job loss and deteriorated employment relations.

This has brought to the fore the centrality of work for well-being. This is not only because unemployment is a crucial vehicle of transmission of the effects of financial and economic crises on individual and household material and subjective well-being, even in the least exposed countries, but also because financial and economic meltdown has detrimental impacts on workers through reductions in wage income, increases in work intensity and growing job insecurity. Moreover, because the institutional configurations of the labour markets are intrinsically and increasingly articulated with welfare provision, the position occupied in the labour market determines not only the present material and subjective well-being of workers, but also workers' future well-being were they to be hit by social risks, such as unemployment and sickness, and in old age.

This paper aimed at analysing the finance-work nexus in the five countries of the FESSUD survey. In every country, the GFC has accentuated social inequality, having had a more negative impact on the low income groups and on younger workers with more precarious labour contracts. But contrary to what could have been expected, it was found that in Germany and Poland, the two countries with the lowest levels of household indebtedness among the countries of the study, 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. This provides, on the one hand, evidence for the *debt-income compensation thesis* in these two countries. On the other hand, the findings for Germany strongly recommend reviewing this country's standing in terms of welfare state provision and labour protection, taking into account the more recent labour market polarization and the weakened protection for low-waged workers and the poor. In Sweden, Portugal and the UK a more even distribution of the impacts of the financial crisis and financialisation was found. But different factors may account for this. In Portugal the more even distribution of these impacts might be explained by the more severe and widespread impact of the crises across the socioeconomic spectrum. In Sweden it might be instead explained by the very mild impact of the crisis on the country, its very low levels of inequality and its more robust welfare system. The findings from Sweden could also be interpreted as supporting the *cultural transformation thesis*, as we see higher income groups being more heavily involved in debt, which seems to make them accept worsened working conditions to service their debt. This, however, is only a tentative interpretation and would need further inquiry. In the UK, we posit, the even distribution of the GFC impacts might be explained by the more widespread and uniform role of finance in peoples' everyday lives across the social strata and for various purposes.

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Imprint

Editors:
Sigrid Betzelt Trevor Evans Eckhard Hein Hansjörg Herr
Birgit Mahnkopf Christina Teipen Achim Truger Markus Wissen

ISSN 1869-6406

Printed by
HWR Berlin

Berlin November 2016