

Economic crisis, vulnerability and institutional trust in the European Union

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Executive Summary

In this report, in the framework of Work Package 3 (WP3) of RE-InVEST, we investigate the impact of the recent economic crisis on institutional trust in European societies. In our study, we are guided by four main research questions: (1) How has public trust in political institutions evolved in European countries in the period before and after the outbreak of the economic crisis in 2008? (2) Can we observe different patterns of institutional trust between countries and can these patterns be explained by differences in policy shifts and differences in the resilience of society? (3) Are the observed trends in institutional trust driven by changes in economic conditions and vulnerability due to crisis? (4) Does the crisis affect institutional trust across the entire spectrum of the population, or the crisis effects are instead contingent on the socio-economic position of an individual? In order to answer these questions, we performed descriptive analyses of the evolution of institutional trust in six political institutions over time, using six waves of the European Social Survey (ESS) data. Following that, we conducted a multilevel analysis of trust in national parliaments and the European Parliament. Our findings suggests that the recent economic crisis had not only economic but also political and social costs to the European societies. In particular, as a consequence of the recent economic crisis, institutional trust in Southern European countries has fallen to dramatic levels. Specifically, in Greece, Portugal and Spain, the effect of the economic crisis on public trust in political institutions is especially prominent. Moreover, institutional distrust tend to be prevalent among the disadvantaged groups in the population. Furthermore, European countries with more established welfare states tend to be more resilient to the negative effect of the economic crisis on public trust. The results of the analyses indicate the need to consider the impact of the economic crisis not only in reference to economic costs but also in reference to declining levels of political trust and social cohesion of European societies.

Preface

In the framework of Work Package 3 (WP3) of RE-InVEST, this report is tasked with providing diagnosis of the social damage of recent economic crisis, with particular attention to the decline of trust in political institutions both at the national and the European Union levels. To supplement rich qualitative findings collected in the context of WP3 of RE-InVEST, this report summarizes the results of quantitative analyses focusing on the dynamic relationship between vulnerability, economic recession and institutional trust. Specifically, against the background of the economic crisis, we examine four main questions: (1) how has institutional trust evolved in European countries in the period before and after the outbreak of the economic crisis in 2008? (2) Can different patterns of institutional trust between countries be observed, and can they be explained by differences in policy shifts and differences in the resilience of society? (3) Are the observed trends in institutional trust driven by changes in economic conditions and vulnerability due to crisis? (4) Does the crisis affect institutional trust across the entire population, or are the crisis effects instead contingent on the socio-economic position of an individual? These research questions are addressed by a combination of the descriptive and comparative multilevel analyses based on cross-national survey data provided by the European Social Survey (2002-2012).

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Introduction

The financial and economic crisis that began in 2008 had far-reaching implications for social and political cohesion in European societies. Beyond strictly economic consequences of the crisis, namely a dramatic increase in unemployment, income poverty and social exclusion, the serious downturn in the economy had a substantial impact on the decline in solidarity and trust across European countries (Nicaise and Schepers, 2013). This decline in public trust affected not only domestic but also political institutions at the European level. To illustrate, according to the results of the Standard Eurobarometer 80 (2013), distrust in European institutions has increased twofold between 2007 and 2013. Although a number of studies have noted the negative effect of the recent crisis on social cohesion and on trust between individuals across European countries, only few studies have investigated the consequences of the current economic downturn on trust in public institutions from longitudinal perspective. In this report, we address this gap using recent advances in multilevel modelling.

Trust in political institutions is an integral component of social cohesion. Institutional trust is essential to maintaining legitimacy of the democratic institutions and support for political reforms. The recent economic crisis and the austerity policies that followed have contributed to the rising inequality within and between European countries. Although some European societies have proven to be more resilient to the effects of the crisis, many others have experienced rapid economic and social decline. Furthermore, policy responses adopted by a number of countries to counteract the consequences of the crisis have resulted in severe cuts in social expenditures further contributing to the decline in well-being of their citizens. In this context, the present report seeks to gain clear insights in the evolution of public trust in six distinct political institutions: national parliament, political parties, politicians, police, legal system, and the European Parliament. We focus on a particular dimension of the social impact of the crisis by evaluating levels of institutional trust both cross-nationally and across time. To this end, we rely on the results of all six rounds of the European Social Survey (2002-2012) for an in-depth analysis of the longitudinal trends in institutional trust and its relation to the recent economic crisis.

The report is structured as follows. Section 1 provides a brief background discussion on institutional trust and identifies key research questions of the current report. In Section 2, we describe the research methodology used in this study, while Section 3 introduces the data sources and outlines some data limitations. In Section 4, we present the descriptive aggregate-level analyses of trends in net trust and a more nuanced analysis of trust in six most prominent political institutions: national parliament, political parties, politicians, legal system, police and the European Parliament. Next, in Section 5 we use an innovative multilevel methodology to estimate a series of models that allow to gain insights into the effect of the economic crisis on trust in national parliaments and the European Parliament. Finally, in Section 6, we summarize the main conclusions of this report and provide our assessment of the impact of the recent economic crisis on public trust in institutions across European countries.

1. Theoretical background

1.1 Institutional trust

Institutional trust can be defined as a general belief that, on the whole, political institutions will act in the societal interest (Levi and Stoker, 2000). Institutional trust is a fundamental component of the legitimacy of a given political system (Berelson, 1952). Trust in political institution ensures a certain degree of societal cohesion and provides support for the policies and reforms introduced by the governments. At the same time, the causal link between policies and trust can run in the opposite way, namely the policy measures introduced by the governments can lead to unfavourable consequences for their population and can result in decline of political trust and confidence in political institutions. In order to counteract the effects of the recent economic crisis, many European countries have adopted severe austerity policies. These measures and, in particular, substantial cuts in public spending and social transfers, had negatively affected vulnerable categories of the European population. A number of recent studies have reported the detrimental impact of the economic crisis on socio-economic outcomes, personal well-being, health, and mental health across European societies. To complement these findings, in the current report, we aim to explore the link between the impact of the economic crisis and public trust in the key political institutions.

1.2 Research questions

To explore the dynamic relationship between vulnerability, economic crisis and institutional trust, we identify the following key questions summarized in Box 1.1.

Box. 1.1 Main research questions

RESEARCH QUESTIONS

- 1) How has institutional trust evolved in European countries in the period before and after the outbreak of the economic crisis in 2008?
- 2) Can different patterns of institutional trust between countries be observed, and can they be explained by differences in policy shifts and differences in the resilience of society?
- 3) Are the observed trends in institutional trust driven by changes in economic conditions and vulnerability due to crisis?
- 4) Does the economic crisis affect institutional trust across the entire population, or are crisis effects instead contingent on the socio-economic position of an individual?

2. Research methodology

Previous comparative research on institutional trust has mainly focused on individual characteristics of the respondents in explaining their level of trust in political institutions. Recently, more efforts in political trust research have been dedicated to analysing how economic performance and the associated macroeconomic policies affect public trust in institutions. Most of the present studies, however, either rely on cross-sectional analysis that focuses on a particular point in time or on the aggregation of individual responses to the country-level. Given that these methodological strategies focus on only one level of data, they lose an important part of the explanation, either at the individual or at the country-level.

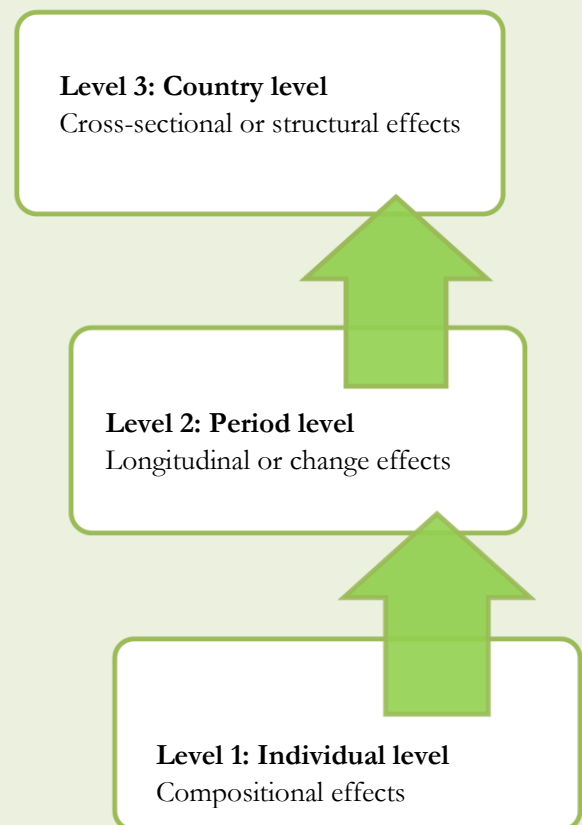
Presented with this challenge, we apply multilevel analysis to the repeated cross-sectional data, which allows us to benefit from all six waves of the ESS data in order to answer the research questions of this study. Specifically, we estimate a series of three-level models by considering the individuals (level 1) nested in country-periods (level 2), which are, in turn, nested in countries (level 3). The key advantage of such modelling is that it allows us to simultaneously identify the differences in the trajectories of trust within countries and the differences in the level of institutional trust between countries (Fairbrother, 2014).

The hierarchical character of the European Social Survey data with the individual respondents clustered within countries is ideally suited for a multilevel modelling approach. Survey respondents are simultaneously embedded in countries and in a specific survey wave. Such “nesting” provides for a three-level structure in the data that can be modelled using hierarchical modelling techniques (Gelman and Hill, 2006). Furthermore, multilevel modelling allows for inclusion of explanatory variables at all three (or more) levels of the survey data.

Three levels of data

The repeated cross-sectional survey data can be conceived as consisting of three levels: individual, country-period, and country level. These different levels allow for modelling of different effects. Individuals (Level 1) are nested in country-periods (Level 2) which, in turn, are nested in countries (Level 3). By modelling this “nesting” structure of the ESS data, we could simultaneously account for cross-sectional, longitudinal, and compositional effects.

Figure 2.1 Graphical representation of the data structure for the three-level model



3. Data sources

3.1 Data sources

3.1.1 Microdata

The source of the individual-level data used in this report is the European Social Survey (ESS). A short general description of the ESS is provided in Box 3.1. In all our analyses, we adopt a comparative perspective. We make use of all six waves of the data available in the ESS comprehensive repository, spanning over the ten-year period, from 2002 to 2012. This span allows us to investigate trends in political trust before, during, and after the economic crisis of 2008, across European countries. It is notable that the ESS is one of the first cross-national surveys that provides high-quality data in a multilevel format including relevant characteristics at both the individual and the country level of aggregation.

Box. 3.1 A brief description of the European Social Survey (ESS)

ESS DATA DESCRIPTION

The European Social Survey (ESS) is a biennial cross-national attitude and behavioural survey administered in more than thirty European countries. The ESS intends to measure changing social attitudes and values in Europe. The ESS data are collected by means of uniform face-to-face interviews and are representative of the general population aged 15 years and older living in private households, irrespective of their citizenship status, nationality or language.

The ESS survey consists of a core module of approximately two hundred items and two rotating modules. The core module with fixed questions repeated in each wave allows for the examination of stability and change in a wide range of demographic and attitudinal characteristics of the European population. The rotating modules are designed to collect additional information in the specific areas of social interest, for example, citizenship, immigration, health, and welfare attitudes.

The ESS is dedicated to producing high quality comparative survey data. The countries with unacceptably high level of non-response are not included in the final data. The ESS indicators are characterized by a high degree of reliability and validity thus allowing for a highly rigorous comparative analysis. A more thorough description of the European Social Survey can be found at the home page of the ESS project: www.europeansocialsurvey.org/.

The sample size per country and per survey round used in this study is included in Table 3.1. Not every country was surveyed in each round of the ESS so our final sample includes 28 countries and 137 country-period combinations. For the purposes of the longitudinal modelling, we retained only the countries that were surveyed at least two times over the period 2002-2012.

Table 3.1 Number of respondents per country and the ESS survey round

Country		2002	2004	2006	2008	2010	2012	Total
AT	Austria	2,257	2,256	2,405	0	0	0	6,918
BE	Belgium	1,899	1,778	1,798	1,760	1,704	1,869	10,808
BG	Bulgaria	0	0	1,400	2,230	2,434	2,260	8,324
CH	Switzerland	2,040	2,141	1,804	1,819	1,506	1,493	10,803
CY	Cyprus	0	0	995	1,215	1,083	1,116	4,409
CZ	Czech Republic	1,360	3,026	0	2,018	2,386	2,009	10,799
DE	Germany	2,919	2,870	2,916	2,751	3,031	2,958	17,445
DK	Denmark	1,506	1,487	1,505	1,610	1,576	1,650	9,334
EE	Estonia	0	1,989	1,517	1,661	1,793	2,380	9,340
ES	Spain	1,729	1,663	1,876	2,576	1,885	1,889	11,618
FI	Finland	2,000	2,022	1,896	2,195	1,878	2,197	12,188
FR	France	1,503	1,806	1,986	2,073	1,728	1,968	11,064
GB	United Kingdom	2,052	1,897	2,394	2,352	2,422	2,286	13,403
GR	Greece	2,566	2,406	0	2,072	2,715	0	9,759
HR	Croatia	0	0	0	1,484	1,649	0	3,133
HU	Hungary	1,685	1,498	1,518	1,544	1,561	2,014	9,820
IE	Ireland	2,046	2,286	1,800	1,764	2,576	2,628	13,100
IS	Iceland	0	579	0	0	0	752	1,331
IT	Italy	1,207	1,529	0	0	0	960	3,696
LT	Lithuania	0	0	0	0	1,677	2,109	3,786
LU	Luxembourg	1,552	1,635	0	0	0	0	3,187
NL	Netherlands	2,364	1,881	1,889	1,778	1,829	1,845	11,586
NO	Norway	2,036	1,760	1,750	1,549	1,548	1,624	10,267
PL	Poland	2,110	1,716	1,721	1,619	1,751	1,898	10,815
PT	Portugal	1,511	2,052	2,222	2,367	2,150	2,151	12,453
SE	Sweden	1,999	1,948	1,927	1,830	1,497	1,847	11,048
SI	Slovenia	1,519	1,442	1,476	1,286	1,403	1,257	8,383
SK	Slovakia	0	1,512	1,766	1,810	1,856	1,847	8,791
Sample Size		39,860	45,179	38,561	43,363	45,638	45,007	257,608

3.1.2 Macrodata

The two contextual indicators, namely unemployment rate and the real GDP growth, for the period 2002 to 2012 used in the analyses for this report were obtained from the Eurostat website (<http://ec.europa.eu/eurostat/data/database>). A more detailed description of the contextual indicators is provided in the section below.

3.2 Measurements

Institutional trust: We operationalize institutional trust by using the European Social Survey's battery of questions measuring political trust in the most important national and EU-level institutions. To measure the levels of institutional trust, the European Social Survey asks respondents about their levels of trust in the national parliament, legal system, police, political parties, politicians, the European Parliament, and the United Nations. The individual responses are recorded on eleven-point scale ranging from 0 ("having no trust at all") to 10 ("having complete trust"). We use the ESS data to analyse whether levels in institutional

trust vary between countries and within countries over time. In addition to examining the development of trust in national institutions, we are also interested in capturing changes in the level of public trust in the EU institutions, using the ESS indicator of public trust in the European Parliament. The exact wording of the question on trust in political institutions used in the ESS questionnaire is provided in Table 3.2.

Table 3.2 Question wording of the institutional trust items in the ESS

Question wording	Response range
<p>Using this card, please tell me on a score of 0-10 how much you <u>personally</u> trust each of the institutions I read out. 0 means you do not trust an institution at all, and 10 means you have complete trust:</p> <ul style="list-style-type: none"> - [country]’s parliament - the legal system - the police - politicians - political parties (from the 2nd ESS round onwards) - the European Parliament - the United Nations 	0 (no trust at all) – 10 (complete trust)

Impact of the economic crisis: Following the approach currently used in the literature investigating the effects of economic crisis, we operationalize the impact of the crisis by using two macroeconomic indicators, the real GDP growth rate and unemployment rate. At the macro-level, these two measures constitute the most tangible impact of the economic crisis on European countries. To introduce these two contextual measures into the model, we calculate the mean unemployment rate and the mean real GDP growth rate over the period per country.

Welfare policies: The economic crisis did not affect every European country in the same way. Likewise, various strategies have been employed by the national governments to counteract the crisis. A number of countries had to adopt severe austerity measures in an attempt to reduce public deficit. These austerity policies and programme reforms have affected the capacity of welfare states to provide social protection for the vulnerable population. In order to assess the resilience of various welfare states to the economic crisis, in our analysis, we characterize countries by welfare regime. Our classification follows the categorization of welfare state regimes suggested by Arts and Gelissen (2002).

Individual variables: In our analysis, we also include a number of individual-level variables. Previous research on the determinants of political trust has indicated that gender, age, place of residence (urban/rural), religiosity and political ideology, to varying extents, are related to institutional trust. At the individual level, gender and age are specifically included in order to control for compositional effects of the population. Given that in our report we are particularly interested in the level of trust of the most vulnerable segments of the population, we include unemployment status (short and long-term unemployment), subjective income, and minority status, to the list of individual characteristics. In addition, we introduce educational level as a proxy for socio-economic status, into our models.

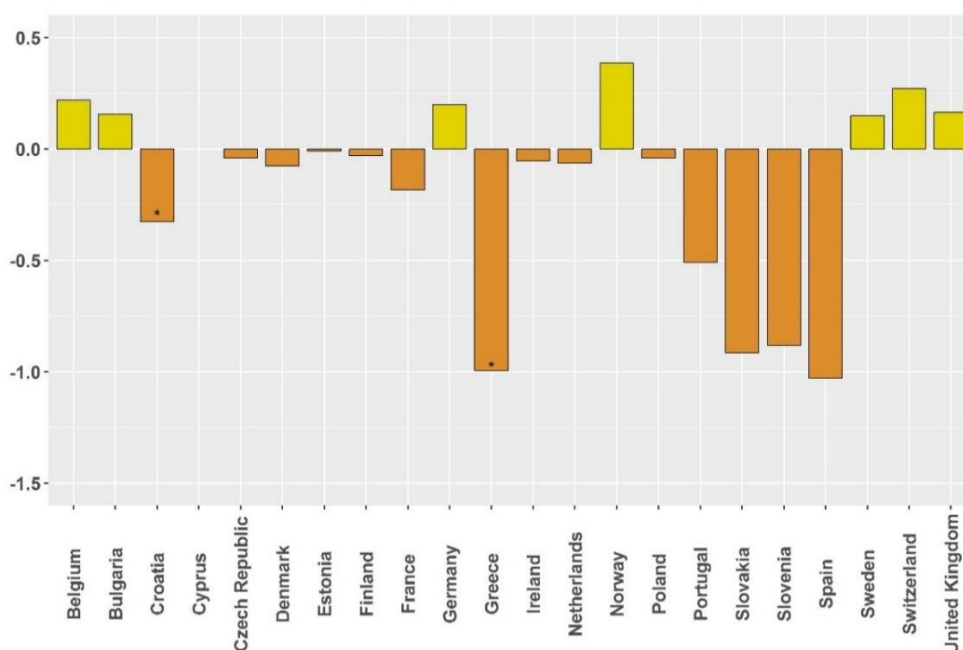
4. Trends in trust in public institutions

This section provides a descriptive overview of trends in institutional trust across European countries from a comparative and a longitudinal perspective over the period 2002-2012.

4.1 Changes in average trust in public institutions

Figure 4.1 presents the changes in the average level of trust in five domestic institutions (national parliament, politicians, political parties, police, and the legal system) between 2008 and 2012, for the selected European countries. As can be observed from Figure 4.1, the overall trend in institutional trust tends to be negative. In other words, in increasing number of countries, citizens tend to mistrust their political institutions more in 2012 than in 2008. It is notable that the countries with the largest change in public trust are those most severely affected by the economic crisis. In particular, the largest decline in average public trust has been experienced by Greece, Spain, Slovakia, Slovenia, and Portugal. In these countries, the negative balance of institutional trust ranges from -0.58 in Portugal to -1.03 in Spain. On the other hand, a number of countries, including Norway, Sweden, Switzerland, and Belgium, have experienced a slight increase in public trust over the recession period 2008-2012. In what follows, we explore trends in public trust in a variety of national institutions and the European Parliament in order to provide a more nuanced picture of the dynamics of institutional trust over the period of the crisis.

Figure 4.1 Average change in trust in national public institutions across European countries over the period 2008-2012



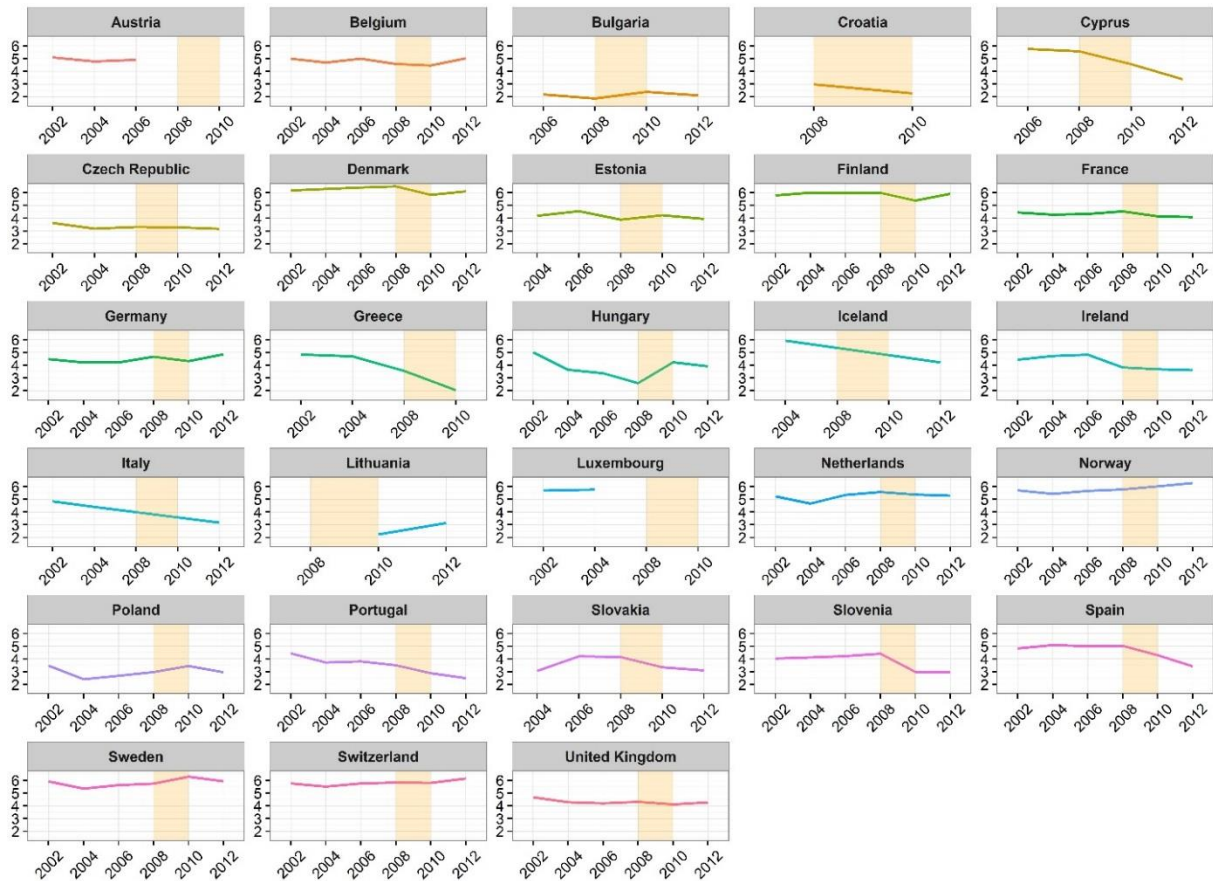
Source: ESS 2002-2012.

* For Greece and Croatia, the reference year is 2010.

4.2 Trust in national parliaments

Figure 4.2 allows for a quick examination of both cross-national and longitudinal differences in evolution of trust in national parliaments for the period before, during and after the economic crisis. First, we note considerable differences in levels of trust in domestic parliaments across countries. In particular, in the Nordic countries, we observe the highest level of trust (mostly above 5, which represents the midpoint of the scale). In contrast, the Eastern and Southern European countries mostly score lower than 5. The countries of Western Europe are generally situated between these two extremes. This stark contrast between levels of trust in national parliament can be easily observed by comparing Belgium and Bulgaria, for example. While slight fluctuations in trust are present in the case of Belgium, trust in national parliament does not fall below 4 on an 11-point scale. In contrast, in Bulgaria, we find the lowest trust level. Here, the trajectory of trust remains below 2.4 for the entire period of the observation. This regional pattern with the Nordic countries maintaining high levels of trust confirms the regional differences in institutional trust often cited in the literature.

Figure 4.2 The evolution of trust in national parliaments across European countries, 2002-2012



Source: ESS 2002-2012.

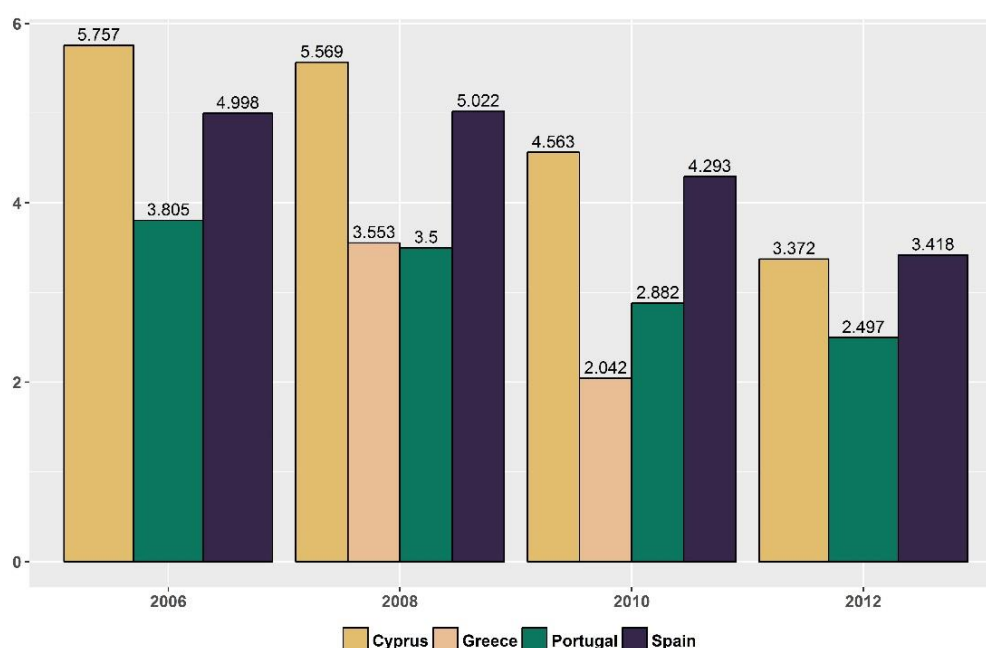
Notes: The y-axis indicates average score in trust in national parliament per country per year. Shaded area represents the recession period.

Longitudinally, the decline in trust during the period 2008-2010 is rather prominent for most countries in the sample. The increase in distrust is especially noticeable in Greece, Cyprus, Slovenia, Slovakia, Spain, Iceland, Italy and Portugal. In these countries, the level of trust in their domestic parliaments is situated substantially lower in 2012 than it was in the pre-crisis years of 2004-2006. The declining trends are less

prominent in the Western European countries, although even in this region the level of trust in national governments slightly decreased compared to the pre-crisis period.

Figure 4.3 provides a closer look at the changes in trust in national parliaments for the four countries severely affected by the economic crisis. In Cyprus, the level of institutional trust in 2012 reveals a staggering drop of 41% from its initial trust level in 2006. Similarly, in Greece in 2012, the level of trust in national parliament is 42.5% lower than in 2008. Spain and Portugal have also experienced a dramatic decline in trust levels (31.6% and 34.3% respectively).

Figure 4.3 The dynamics of trust in national parliaments for the selected countries, 2006-2012

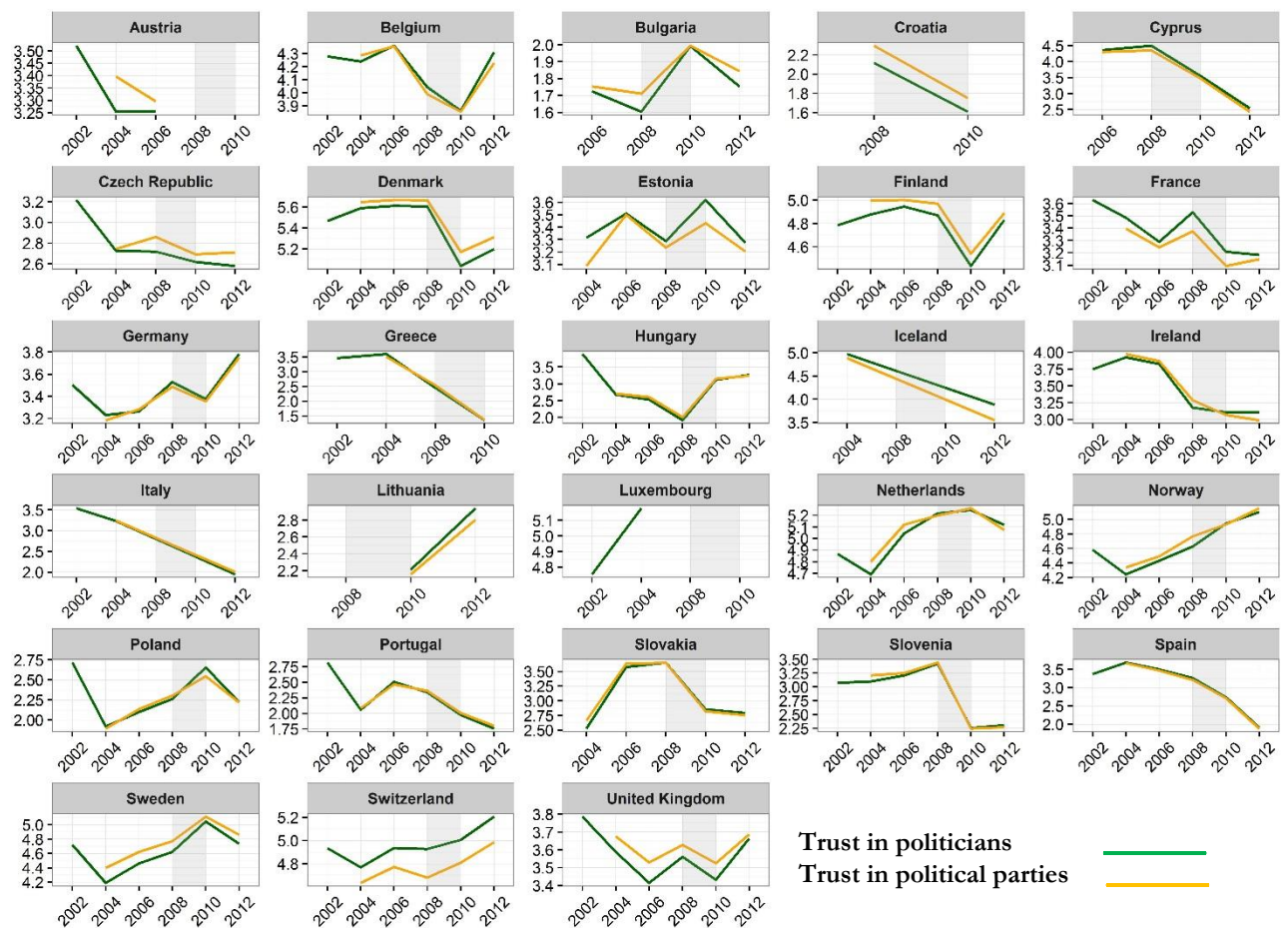


Source: ESS 2002-2012.

4.3 Trust in political parties and politicians

Figure 4.4 provides an overview of evolution of public trust in political parties and politicians for twenty-eight European countries in the sample. Given that trust in political parties was not included in the ESS questionnaire during the first round of the survey, its trajectory can only be measured in 2004. Notably, trust levels in these two representative institutions is generally lower than levels of trust in national parliament or in implementing institutions such as legal system or the police. In addition, Figure 4.4 indicates that public trust in political parties and politicians is less stable than trust in other political institutions. In most countries the trajectories of trust in these two representative institutions coincide or mirror each other, indicating a strong correlation. In most countries, the declining trend in institutional trust during the period of the economic crisis is rather pronounced. The largest decline can be observed in Greece, Cyprus, Portugal, Ireland, Spain, Italy, Slovenia, and Slovakia.

Figure 4.4 The evolution of trust in political parties and politicians across European countries, 2002-2012



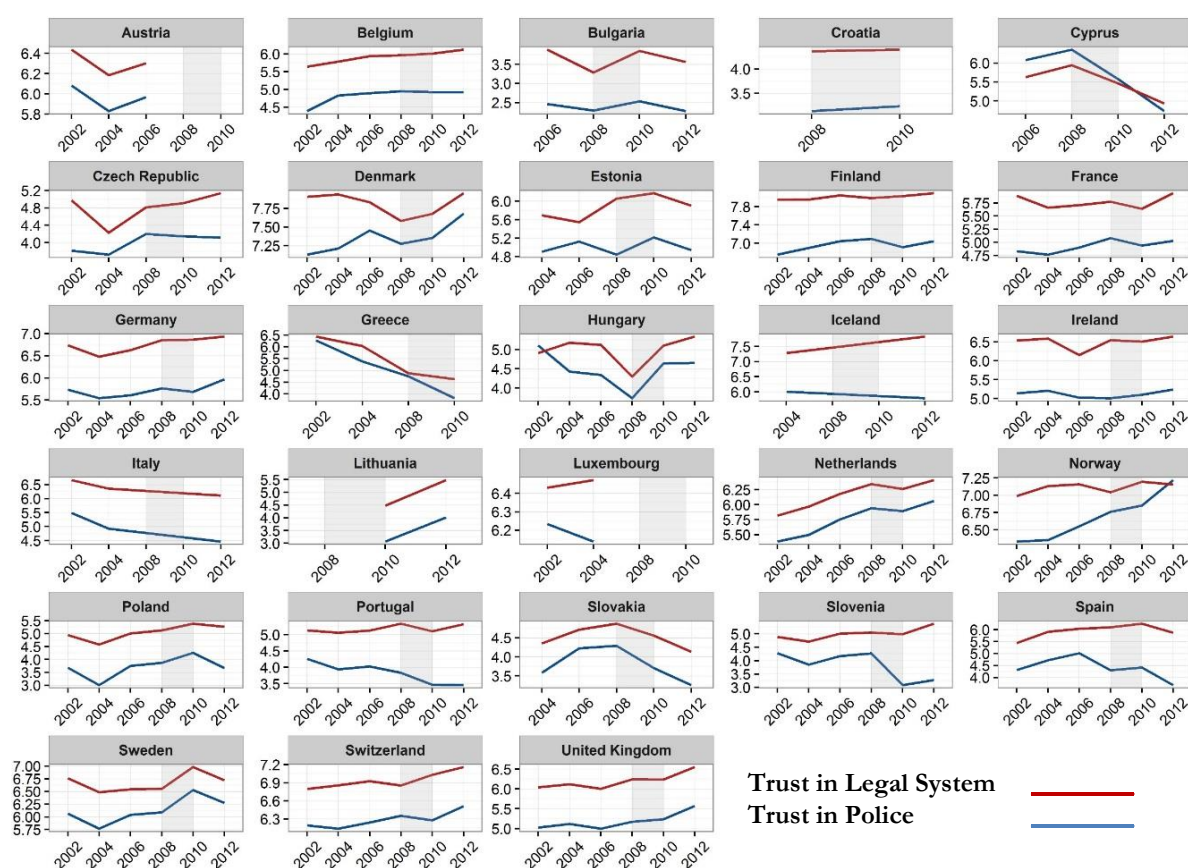
Source: ESS 2002-2012.

Notes: The y-axis indicates average score in trust in political parties and politicians per country per year. Shaded area represents the recession period.

4.4 Trust in legal system and police

Previous research on institutional trust maintains that respondents tend to have the highest level of trust in implementing institutions, namely legal system and the police (Marien, 2011). Figure 4.5 confirms this result, with most countries having higher scores on trust in legal system and police compared to trust in politicians and political parties. Nevertheless, Figure 4.5 suggests that even this traditionally trusted institutional sector has experienced decline in levels of trust. In particular, Cyprus, Greece, Slovakia, and Portugal have experienced most substantial changes in trust levels in both institutions. In Slovenia, for example, trust in legal system has decreased from 4.01 in 2008 to 3.08 in 2008. Similarly, in Greece, trust decreased from 4.75 in 2008 to 3.82 in 2010. In contrast, the Nordic countries exhibit a slightly upward trend, although this result could also reflect sample fluctuations.

Figure 4.5 The evolution of trust in legal system and police across European countries, 2002-2012



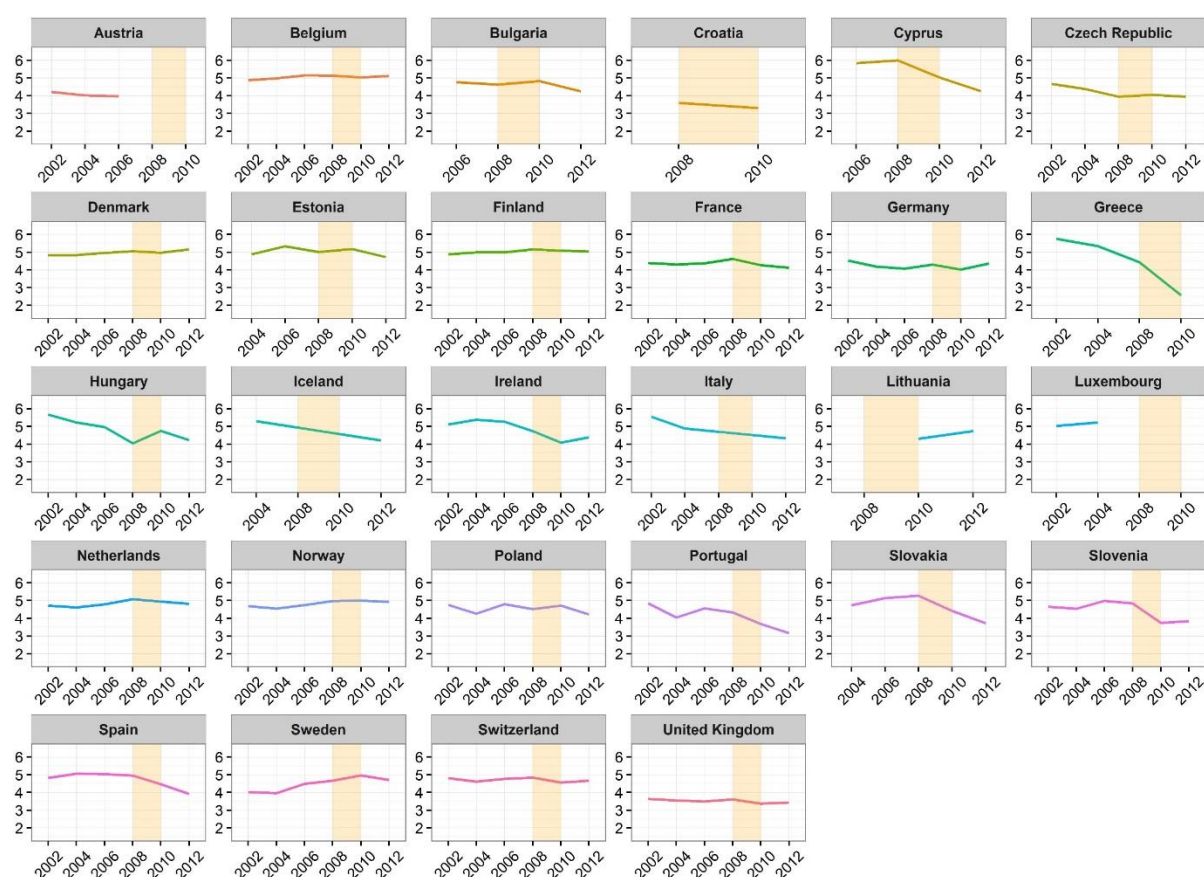
Source: ESS 2002-2012.

Notes: The y-axis indicates average score in trust in legal system and police per country per year. Shaded area represents the recession period.

4.5 Trust in the European Parliament

From our descriptive analysis of trust in the European Parliament, we can conclude that citizens tend to have more confidence in the EU Parliament than in their national political parties or politicians (Figure 4.6). This conclusion corresponds to the findings of the current research on institutional trust (Marien, 2011). Furthermore, in a number of Central and Eastern European countries, namely Bulgaria, Croatia, Estonia, and Poland, respondents are generally more trusting of the European Parliament than of their domestic parliaments. One explanation for this phenomenon found in the institutional trust literature is that citizens tend to hold their own governments rather than international institutions accountable for the domestic economic and social problems. Nevertheless, Figure 4.6 reveals the declining trend in trust in the European Parliament in Greece, Ireland, Portugal, Cyprus, Slovakia, Slovenia, and Spain. At the same time, trust in the European Parliament remained rather stable in Belgium, Finland, Norway and Denmark.

Figure 4.6 The evolution of trust in the European Parliament across European countries, 2002-2012



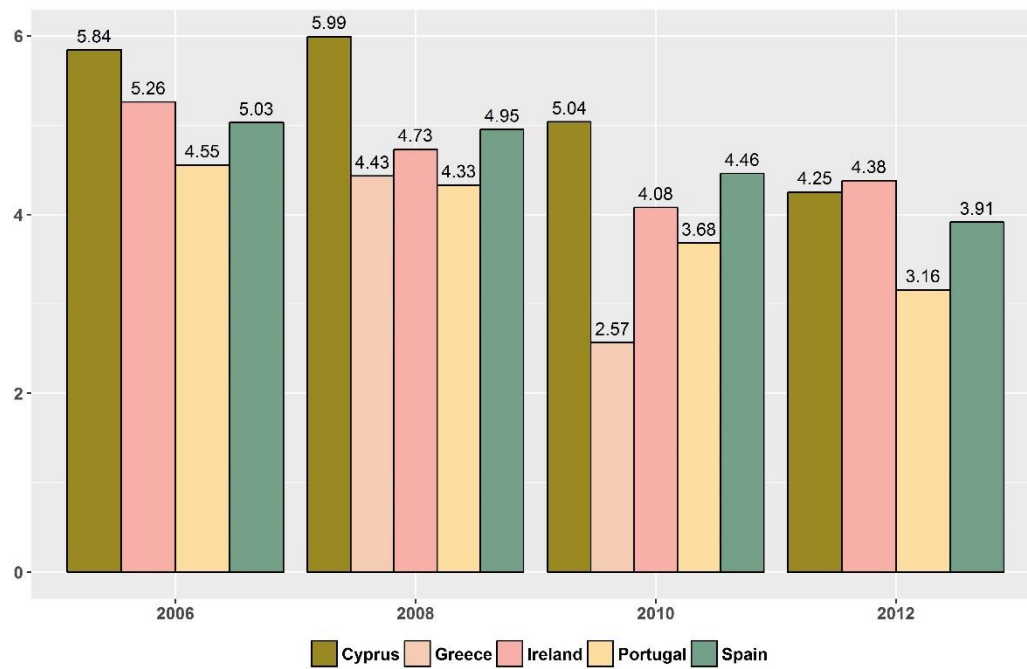
Source: ESS 2002-2012.

Notes: The y-axis indicates average score in trust in the European Parliament per country per year. Shaded area represents the recession period.

Figure 4.7 zooms in on the changes in trust in the European Parliament in five selected countries: Cyprus, Greece, Ireland, Portugal, and Spain. The decline in trust is substantial in all five countries. In Greece, in particular, trust in the EU Parliament decreased rapidly from 4.43 in 2008 to 2.57 in 2010. Among the selected countries, only in Ireland the level of trust in the European Parliament began to recover in 2012. It had not, however, achieved its pre-crisis level.

In this section of the report, we examined data from the European Social Survey (2002-2012) in order to assess the effect of the recent economic recession on public trust in institutions across European countries. The economic and social difficulties experienced by citizens across Europe since the onset of the crisis in 2008 appear to weaken public trust in main political institutions, particularly in countries most adversely affected by the economic recession. In our consequent analyses, we proved an in-depth examination of the evolution of trust in national parliaments and the European parliament using a multilevel approach.

Figure 4.7 The dynamics of trust in the European Parliament for the selected countries, 2006-2012



Source: ESS 2002-2012.

5. Longitudinal effects of the economic crisis on institutional trust

To examine the impact of the economic recession on public trust in institutions, we estimate a series of multilevel models for trust in national parliament (Table 5.2) and trust in the European Parliament (Table 5.3). Our analyses are based on the information provided for twenty-eight European countries included in the European Social Survey sample over the period 2002-2012.

5.1 Is there a need for multilevel model?

In order to determine whether the multilevel model is required, we first estimate an empty (null) three-level model. The results of the estimation (Table 5.1) indicate significant variation in trust in national parliaments and in the EU Parliament at all three levels, i.e. across individuals, time-periods and countries. Most of the variation is found at the individual level (78.9% for trust in national parliament and 94.4% for trust in the EU Parliament). At the same time, we note also a significant variation in institutional trust at the country level (16.9% of the total variance for trust in national parliament vs. 2.3% for trust in the EU Parliament) and at the time-period level (4.1% for trust in national parliament and 3.4% for trust in the EU Parliament). Because of the significant variation at all three levels of data it is important to employ a multilevel model in our further analyses.

Table 5.1 Covariance parameter estimates for the null models

Covariance Parameter Estimates					
Covariance Parameter	Trust in National Parliament			Trust in European Parliament	
	Subject	Estimate	Pr > Z	Estimate	Pr > Z
Intercept	Country	1.1149	0.0003	0.1320	0.0040
UN (1,1)	Country (ESS round)	0.2729	<.0001	0.1977	<.0001
Residual		5.2018	<.0001	5.5124	<.0001

5.2 Does institutional trust decline over time?

To examine the effect of time trend on the evolution of institutional trust, we include time as a predictor in our models both as a linear process and as the dummy variable for the year 2010 (Model 1A and 1B). Both for trust in national parliament and trust in the European Parliament, the linear time effect differs significantly from zero indicating that, on average, and across all countries in the sample, trust in domestic parliaments and the EU Parliament decreased between 2002 and 2012. In addition, a significant random slope for time effect suggests variations between countries in their longitudinal trajectories. In other words, some countries experienced a rise in institutional distrust while in others the level of institutional trust increased or remained stable. Taken together, these findings confirm the results of our descriptive analyses

on the evolution of trust in national parliament and the EU Parliament. In contrast to the linear time trend, the dummy variable for the year 2010 has no significant effect. In other words, we detect no additional change for the year 2010, apart from the linear time trend.

5.3 Effect of individual characteristics on institutional trust

In Models 2A and 2B, we add the individual characteristics to our multilevel model in order to account for compositional effects across countries and time periods. Interestingly, most of the individual predictors play an important role in explaining trust in the domestic parliaments and trust in the EU Parliament. Individuals in rural environments tend to be less trusting of either political institution, while religious respondents tend to exhibit more political trust. Furthermore, respondents who hold more centrist political positions tend to be more distrustful as compared to the respondents who identify with the political left. In addition, male respondents tend to be more trusting of their domestic parliaments while female respondents tend to exhibit more trust in the European Parliament. Age seems to have a significant effect on trust in the European Parliament with the older respondents having less trust.

5.4 Vulnerable groups and trust in institutions

In this report, we are especially interested in examining the levels of institutional trust among disadvantaged groups. As the results of Model 2A and 2B indicate, individuals with a lower socioeconomic status tend to distrust both their domestic parliaments and the European Parliament. In particular, the less-educated respondents and those with a low subjective income tend to have a higher level of mistrust in these political institutions. The effect of subjective income on decrease in trust in national parliaments (0.33) and the European Parliament (0.29) is quite substantial. The effects of the unemployment on the level of institutional trust is equally telling. The status of being unemployed for three months and for twelve months has a significant negative effect on trust in domestic parliaments and the EU Parliament. Interestingly, minority members tend to be more trustful compared to the native population. This finding is consistent with the results from the previous studies on political trust and is usually attributed to the comparison made by the minorities between their “current” government and their “origin” government.

5.5 Is there an impact of the economic crisis on institutional trust?

To determine whether the economic crisis has affected public trust in political institutions, we add two indicators of the economic context, namely the unemployment rate and the real GDP growth rate, into the multilevel models (Model 3A and 3B). As explained in the methodological section, we include these indicators in two ways, first, as the cross-sectional or time-invariant component and, second, as the longitudinal or time-varying component. Our findings indicate a significant effect on public trust in national parliament of both the longitudinal component of unemployment rate and that of the GDP growth rate. In other words, when GDP growth rate is decreasing and the unemployment rate is on the rise, the level of distrust in national parliaments tend to increase. At the same time, only longitudinal component of unemployment rate is significant in the model for the European Parliament, while the longitudinal change in the real GDP growth rate has no detectable significant effect. The results of both models (3A and 3B), nevertheless, confirm the significant impact of the effects of the economic crisis on institutional trust across European countries. In addition, cross-national components of the unemployment rate and the real GDP growth rate are also significant in the case of trust in national parliament. This parameter indicates that countries with higher level of unemployment and the countries with the higher GDP growth rate tend to exhibit lower level of trust in national parliament and the European Parliament.

Table 5.2 Results of multilevel models for trust in National Parliament

Trust in National Parliament									
		Model 1A		Model 2A		Model 3A		Model 4A	
		b	sig.	b	sig.	b	sig.	b	sig.
Intercept		4.3392	***	2.8306	***	4.3967	***	4.5725	***
Time trend		-0.1276	**	-0.1242	**	-0.0735	*	-0.0772	*
Dummy: time-point 2010		-0.1017		-0.0915		0.1670		0.1648	
(1) Individual variables									
Age ^a				-0.0021		-0.0021	*	-0.0021	**
Gender				0.1584	***	0.1584	***	0.1584	***
Education				0.0444	***	0.0444	***	0.0444	***
Unemployment 3-months				-0.2051	***	-0.2050	***	-0.2051	***
Unemployment 12-months				-0.1258	***	-0.1255	**	-0.1255	**
Subjective income				0.3322	***	0.3319	***	0.3319	***
Urbanization				0.0366	*	0.0366	*	0.0366	*
Religious involvement				0.0966	***	0.0967	***	0.0966	***
Left-right placement									
	Left (ref.cat.)								
	Centre			-0.1902	***	-0.1901	***	-0.1901	***
	Right			0.1738	**	0.1739	**	0.1739	**
Minority	Member of majority (ref. cat.)								
	Member of minority			0.2452	**	0.2450	**	0.2452	**
(2) Context variables									
Unemployment rate – longitudinal						-0.0471	**	-0.0467	**
Unemployment rate – cross-sectional						-0.1205	*	-0.0527	
GDP growth – longitudinal						0.0582	*	0.0572	*
GDP growth – cross-sectional						-0.1885	*	-0.0052	
Welfare regime									
	Nordic (ref. cat.)								
	Liberal							-1.0125	***
	Continental							-0.6758	*
	Southern							-1.0180	**
	Eastern							-1.7900	***
Variance									
(3) Variance country intercept		1.1496	***	0.8452	***	0.4464	***	0.2591	**
(3) Variance slope time		0.0312	*	0.0240	*	0.0142	*	0.0139	*
(2) Variance country-year intercept		0.1472	***	0.1277	***	0.1148	***	0.1159	***
(1) Residual variance		5.2018	***	4.9656	***	4.9656	***	4.9656	***
Deviance		1082162		1041676		1041658		1041643	

*p<.05, **p<.01, ***p<.001; N country = 28.

^a Age variable is grand-mean centred.

Table 5.3 Results of multilevel models for trust in the European Parliament

Trust in the European Parliament									
		Model 1A		Model 2A		Model 3A		Model 4A	
		b	sig.	b	sig.	b	sig.	b	sig.
Intercept		4.5630	***	3.1865	***	3.2688	***	3.4244	***
Time trend		-0.1209	**	-0.1083	**	-0.0769	*	-0.0787	*
Dummy: time-point 2010		-0.0636		-0.0476		0.1329	*	0.1352	*
(1) Individual variables									
Age ^a				-0.0148	***	-0.0148	***	-0.0148	***
Gender				-0.0685		-0.0685		-0.0685	
Education				0.0245	***	0.0245	***	0.0246	***
Unemployment 3-months				-0.1778	***	-0.1778	***	-0.1777	***
Unemployment 12-months				-0.1429	***	-0.1425	***	-0.1425	***
Subjective income				0.2965	***	0.2963	***	0.2964	***
Urbanization				0.0724	***	0.0724	***	0.0723	***
Religious involvement				0.0789	***	0.0789	***	0.0789	***
Left-right placement									
	Left (ref.cat.)								
	Centre			-0.1640	**	-0.1639	**	-0.1638	**
	Right			0.1372		0.1371		0.1372	
Minority	Member of majority (ref. cat.)								
	Member of minority			0.3484	***	0.3480	***	0.3481	***
(2) Context variables									
Unemployment rate – longitudinal						-0.0422	***	-0.0431	***
Unemployment rate – cross-sectional						0.0114		-0.0218	
GDP growth – longitudinal						0.0399		0.0405	
GDP growth – cross-sectional						0.0519		0.2116	*
Welfare regime									
	Nordic (ref. cat.)								
	Liberal							-0.3393	
	Continental							-0.1551	
	Southern							0.4140	
	Eastern							-0.4120	
Variance									
(3) Variance country intercept		0.1928	***	0.1882	***	0.2043	***	0.1916	**
(3) Variance slope time		0.0296	**	0.0269	**	0.0233	**	0.0231	**
(2) Variance country-year intercept		0.0729	***	0.0607	***	0.0479	***	0.0481	***
(1) Residual variance		5.5124	***	5.2569	***	5.2569	***	5.2569	***
Deviance		1003457		983761		983759		983756	

*p<.05, **p<.01, ***p<.001, N country = 28.

^a Age variable is grand-mean centred.

5.6 Are some European societies more resilient than others?

To address the research question of whether some European societies have been more resilient to the impact of the economic crisis, we include the contextual measure of welfare regimes in Model 4A and 4B. Interestingly, when we account for welfare regimes, the cross-national effects of unemployment rate and the GDP rate become insignificant. In other words, the time-invariant effects of the economic context can be accounted by the type of the welfare state. In contrast, the longitudinal effects of the economic crisis, i.e. unemployment rate and the real GDP rate, in case of trust in national parliament and unemployment rate, in case of trust in the European Parliament, remain significant. In other words, even when we account for the welfare state regime, the average decline of institutional trust across European societies is still pronounced.

While the effects of the welfare state regime appear to be insignificant in the case of trust in the European Parliament (Model 4B), the type of welfare regime is significant in explaining trust in domestic parliaments. In particular, the Nordic model, or the model with the most comprehensive welfare state appears to be the most resilient when it comes to the level of institutional trust. All other regime types exhibit more mistrust vis-à-vis their domestic parliaments, although the continental type less so than the regime types with substantially less social protection (Liberal, Eastern, and Southern types).

5.7 In sum: the results of multilevel analyses

Considered together, the results of the multilevel analyses provide additional support to our descriptive findings. On average, trust in national parliaments and trust in the European Parliament has declined during the period from 2002 to 2012. In addition, the multilevel model provides interesting insights into the individual and contextual determinants of institutional trust. In terms of the impact of the individual indicators, socio-economic background and unemployment significantly influence the level of institutional trust in European countries. In other words, institutional mistrust is more pronounced in the more disadvantaged strata of the European population. Furthermore, the findings confirm the significant impact of the economic crisis, measured by unemployment rate and the real GDP growth rate, on the decline in institutional trust. This decline in public trust, however, has not been uniform. The European countries with a more extended welfare state and the higher level of social provision tend to be more resilient when facing economic hardships. On the other hand, the countries with less developed welfare state tend to be characterized by high level of institutional mistrust.

6. Conclusion

In this report, we employed all six waves of the European Social Survey data over the period 2002 to 2012 to investigate the impact of the recent economic crisis on institutional trust in European societies. In our study, we were guided by four key research questions: (1) How has institutional trust evolved in European countries in the period before and after the outbreak of the economic crisis in 2008? (2) Can we observe different patterns of institutional trust between countries and can these patterns be explained by differences in policy shifts and differences in the resilience of society? (3) Are the observed trends in institutional trust driven by changes in economic conditions and vulnerability due to crisis? (4) Does the crisis affect institutional trust across the entire spectrum of the population, or the crisis effects are instead contingent on the socio-economic position of an individual? In order to answer these questions, we performed descriptive analyses of the evolution of institutional trust in six political institutions over time. Following that, we conducted a multilevel analysis of trust in national parliaments and the European Parliament. Our findings can be summarized as follows.

To begin with, Southern European countries clearly stand out from the other European regions considered in this study. As a consequence of the recent economic crisis, institutional trust in these countries has fallen to dramatic levels. In particular, in Greece, Cyprus, Portugal and Spain, the effect of the economic crisis on public trust in institutions is especially prominent. Secondly, looking at the individual characteristics that are associated with institutional trust, respondents with low subjective incomes, low level of education, and those who are unemployed report significantly lower trust in national parliaments and the European Parliament. Although the direct mechanism between the austerity measures implemented by a number of European governments in response to the crisis and declining levels of institutional trust is difficult to establish methodologically, one cannot ignore an alarming levels of institutional distrust among the disadvantaged groups in the population.

Several lessons can be learned given the results of our study. First, the recent economic crisis had not only economic but also political and social costs to the European societies. Institutional trust is one of the key indicators of democratic legitimacy of European societies. As our results indicate, there has been a stark decline in institutional trust, especially in the European countries most severely affected by the crisis. In turn, distrust in public institutions can lead to social and political instability in these societies. Second, the European countries with the traditionally stronger welfare states seem to be more resilient to the decline in public trust. This is especially evident in the case of the Nordic countries. In contrast, although spending on social protection as a proportion of GDP increased during the initial period of the crisis in Southern, Central and Eastern European countries, recent fiscal consolidation packages implemented by their governments have led to a substantial decrease in social protection and social welfare of their citizens. Thus, when analysing the impact of crisis on institutional trust, we cannot solely rely on the social expenditure indicator since it combines not only the generosity of benefits but also the effect of case load. Thirdly, the most vulnerable sector of the population, such as poor and unemployed, tend to exhibit higher levels of distrust, compared to the rest of the European population. Consequently, one might observe that the measures implemented to combat the effects of the economic crisis and, in particular, the reduction in social transfers may have had detrimental effects not only for the well-being of the disadvantaged population but also on the level of trust and support for the current political system. In this context, national and the

European policymakers need to take into account social and political costs of the economic crisis to the European societies.

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