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Life satisfaction and unemployment in Turkey: evidence from Life Satisfaction Surveys 2004–2013

Z. Bilgen Susanlı[1]

Abstract This paper has three purposes. First, it explores the relationship between unemployment and well-being in Turkey using data from Life Satisfaction Surveys for the period between 2004 and 2013. Second, it examines to what extent joblessness at the household level interacts with own unemployment. Third, it tests whether the negative effect of unemployment on well-being varies with individuals' own perceptions of their labor market prospects. Consistent with the other studies in the literature, findings indicate that the unemployed experience significantly lower levels of life satisfaction than the employed. While the results do not provide support for the social norm effect at the household level, they do indicate that that the impact of labor market status on well-being varies with the job prospects. There is also suggestive evidence that women and men are similarly affected by unemployment and job prospects.

Keywords Life satisfaction · Unemployment · Turkey · Job prospects

1 Introduction

Over the last few decades, the topic of subjective well-being has spurred much interest from economists. Accordingly, there has been an increasing recognition that objective indicators of economic progress should be complemented by subjective measures of how people evaluate their lives (Diener and Seligman 2004; Frey and Stutzer 2002). Subjective well-being is defined as people's evaluations of their own lives (Diener 2000). Measures of

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✉ Z. Bilgen Susanlı
bilgen.susanli@isikun.edu.tr

[1] Işık University, Istanbul, Turkey

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subjective well-being refer to an individual's evaluation of his/her life and different domains of it such as family, health, and finance. Many countries collect data on how people asses their lives and several aspects of their lives through nationally representative surveys undertaken by statistical offices. Typically, these surveys gather data on happiness through questions such as 'Taken all together, how would you say things are these days, would you say that you are very happy, pretty happy, or not too happy?'. Alternatively, the question would ask about the overall satisfaction of the respondent with his/her life. The term 'happiness' is generally used interchangeably with well-being and life satisfaction. Research suggests that in addition to its genetic component, half of the variation in subjective well-being (hereafter, SWB) is due to differences in external factors (Weiss et al. 2008). Existing studies, mostly on developed countries, report that demographic and economic variables such as (absolute) income, education, and marital status are important for SWB.[1]

It is well-documented that the unemployed, on average, report lower levels of well-being than those with a job. In addition to the fall in well-being due to the loss of income, the loss of non-pecuniary benefits (such as self-esteem and self-confidence) associated with employment is detrimental to well-being.[2] A separate line of literature examines the relationship between individual well-being and unemployment among relevant others, i.e. the 'social norm' effect of unemployment. Unemployment as a social norm implies that the effect of an individual's own unemployment on well-being is alleviated by a higher level of unemployment among relevant others (Clark 2003). Accordingly, surrounding unemployment lowers the well-being of the employed but has a much smaller impact on the well-being of the unemployed. In environments with a strong social norm to work, jobless individuals may experience a fall in well-being due to lack of acceptance and approval from others. This fall is expected to be smaller if unemployment is the norm.

Determinants of well-being is a relatively underexplored area for Turkey. Exceptions are the studies by Caner (2015) and Selim (2008). Using data from the Life Satisfaction Surveys for 2003–2011, Caner (2015) reports a positive association between favorable income comparisons, expectations of future household income and life satisfaction. Selim (2008) examines the determinants of life satisfaction in Turkey, also controlling for unemployment. Results from ordered probit estimations in the work of Selim (2008) indicate that consistent with studies on other countries, health and income are positively correlated with life satisfaction. Selim (2008) also documents that compared to developed countries, life satisfaction is on average lower and has a greater standard deviation which may explained by greater income inequality. Of interest to the current study, Selim (2008) finds a negative marginal effect for unemployment relative to the base category of self-employment, and this effect is stronger for women. This result suggests that despite the low female labor force participation rates, working women attach a much higher value to employment. This result is in contrast with evidence that women suffer less from joblessness as they have different ways of obtaining social approval than men (Van der Meer 2014).

Turkish labor market is characterized with low female labor force participation rates and employment rates (about 35 and 30.5% in 2015, respectively). This is partly due to high levels of migration from the rural to the urban areas where the skills of migrant women do not match those demanded in the urban labor markets and partly due to the cultural attitudes towards

[1] See Di Tella and MacCulloch (2006) and Dolan et al. (2008) for reviews, and Frey and Stutzer (2013) for an overview of recent developments in this area.

[2] Using data from the National Longitudinal Survey of Youth, Goldsmith et al. (1996) document that past unemployment and inactivity have an adverse effect on current self-esteem.

women's employment. The average gender pay gap is about 1% as of 2010 (Turkish Statistical Institute [TUIK] 2015), suggestive of positive of selection of women into the labor force. There is also evidence for the reversal of the gender education gap at the university level in 2013. The schooling ratio in higher education is 41% for women compared to 39% for men (Turkish Statistical Institute [TUIK] 2015). Together, these developments may be an indication of changing cultural attitudes towards women's work.

By drawing on individual level data from Turkey, this paper has three purposes. First, it explores the life satisfaction gap between the employed and the unemployed for the period 2004–2013. Second, it tests the social norm effect of unemployment at the household level by comparing the self-reported life satisfaction of unemployed individuals across households with a different number of unemployed members. Third, it tests an alternative channel for the effect of unemployment on well-being, namely, whether the negative effect of unemployment on well-being varies with individuals' own perceptions of their labor market prospects.

This paper makes three contributions to the existing literature. First, it reproduces the standard result that the unemployed, on average, experience significantly lower levels of well-being than the employed for the case of Turkey. Second, it examines the externalities from others' unemployment at the household level. While the negative impact of others' unemployment on the employed is statistically significant, no mitigating effect of others' unemployment is detected for the unemployed. Third, by taking into consideration the self-assessed labor market prospects of the individuals, this paper provides evidence that the employed and the unemployed are not homogenous groups as the impact of labor market status on well-being varies with the job prospects. There is also suggestive evidence that the impact of unemployment and job prospects are similar for men and women.

The structure of this paper is as follows. Section 2 reviews the existing literature on the link between unemployment and well-being. Section 3 summarizes the dataset and the empirical methodology. Section 4 presents the estimation results, and Sect. 5 draws some conclusions.

2 Previous research

2.1 Own unemployment and well-being

Economists have become increasingly interested in the factors that determine happiness with the availability of reliable data on SWB since the 1990s. This line of research builds on the studies of psychologists that examine people's own evaluations of their lives. Most research in this area explores survey data where individuals are asked how satisfied they are with their lives and/or with specific domains of it such as job, health, marriage, etc. The respondents report their response in terms of categories on a range from 'very satisfied' to 'very dissatisfied'. Alternatively, these categories are numbered from 0 or 1 to 5, 7 or 10 where the lowest level of satisfaction corresponds to 0 or 1. The variations in the responses are explained by ordered logit or probit models using a set of explanatory variables at the individual or household level. The underlying assumption in these studies is ordinal interpersonal comparability.

Theoretically, there are pecuniary and non-pecuniary benefits associated with employment. Unemployment causes a loss of well-being because it deprives individuals of both of these benefits. The loss of pecuniary benefits is detrimental to well-being as the loss of income leads to lower levels of consumption of material goods and services (Ervasti and

Venetoklis 2010; Goul Handersen 2002). In addition, there are also non-pecuniary benefits of employment. These non-pecuniary benefits of employment can be defined as the latent consequences of having a job such as time structure, a social network and experiences outside the family, personal status and identity, shared purposes and aims other than one's own, and required activity (Jahoda 1981). As per this view, unemployment is involuntary. On the other hand, job search theory posits that the well-being difference between employment and unemployment determines the job search effort. Hence, job search theory views unemployment mostly voluntary. The empirical evidence on these views is mixed. Gielen and Van Ours (2014) test the prediction of job search theory that individuals who are hurt most by job loss are likely to put the greatest effort in search activities and find employment faster. Using data from the German Socio-Economic Panel (GSOEP), the authors find that about half of the unemployed do not experience a fall in well-being. Their findings also indicate that while the unhappily unemployed search more actively, this elevated search effort does not translate into faster reemployment. Mavridis (2015) provides supportive evidence that a larger fall in happiness due to job loss translates into greater search effort and hence into short unemployment spells for men in the UK. Chadi (2010) investigates the voluntariness of unemployment and finds that while the unemployed have, on average, lower levels of well-being, there is substantial variation in the fall in well-being due to job loss across the unemployed.

At the cross-sectional level, several studies document a negative association between unemployment and SWB for different countries. Clark and Oswald (1994) use the first wave of the British Household Panel Survey (BHPS) and find that the unemployed are, on average, less happy than the employed. Similar findings are documented in Korpi (1997) for Sweden; Winkelmann and Winkelmann (1998) for Germany; Frey and Stutzer (2000) for Switzerland; Namazie and Sanfey (2001) for Russia and Kyrgyzstan; Blanchflower (2001) for Eastern Europe; Blanchflower and Oswald (2004) for Britain and the United States; Bockerman and Ilmakunnas (2005) for Finland. However, cross-sectional studies have well-known shortcomings. First, it is not straightforward to establish the direction of causality between unemployment and SWB. One can argue that inherently happier people may find it easier to find and keep a job. In addition, happier people may also be more productive at work or have other favorable characteristics that make them more desirable employees. In a cross-section study, this would be interpreted as the effect of unemployment on SWB. Second, there may be omitted variables bias if there are unobservable variables that affect both SWB and unemployment. One way to address this is to use panel data to examine the change in the SWB of individuals as they transition from employment into unemployment. Repeated observations on the same individual allow for controlling for unobserved time-invariant individual characteristics that are correlated with unemployment. A number of studies examine the direction of causality between well-being and labor market outcomes and find mixed evidence. By distinguishing between exogenous and endogenous entry into unemployment, Kassenboehmer and Haisken-DeNew (2009) identify a large negative causal effect of exogenous entry into unemployment (due to plant closures) on well-being for Germany. Krause (2013) examines the possibility that the direction of causality runs from happiness to labor market outcomes. By drawing on German data, Krause (2013) finds that there is an inverted U-shaped relationship between happiness and reemployment probability for men.

The negative effect of unemployment on well-being may be long-lasting. Based on panel data, some studies document evidence for scarring in the sense that past unemployment may have lasting effects on well-being. Using data from Germany, Clark et al. (2001) show that while past unemployment scars, there may be a habituation effect in the

sense that the psychological impact of a job loss may be lower for individuals that experienced unemployment more frequently. It is also found that the scarring effects operate through expectations of job loss in the future even after reemployment (Knabe and Rätzel 2011).

2.2 Social norms, unemployment, and well-being

In Akerlof (1980) norms are defined as beliefs held by the members of the society as to how people should behave. Violation of social norms may, therefore, reduce well-being due to self-sanctioning as well as external sanctioning by the others. In this sense, the strength of this social norm to work in a person's reference group may be a function of the unemployment rate in that reference group.

For the unemployed, there are two opposite effects of others' unemployment. On the one hand, a higher unemployment rate diminishes the chances of returning to work for a given unemployed individual. On the other hand, through the social norm effect, the fall in well-being will be attenuated for the unemployed as more others are unemployed. In other words, being unemployed is more acceptable in regions where unemployment is widespread. The choice of the reference group for the social norm varies across studies. The reference group for the norm may be those in the same the couple, household or region (Clark 2003).

A priori, it is difficult to know the impact of household joblessness on the SWB of the unemployed as there are two counteracting effects. First, a greater number of unemployed individuals in the same household would imply that a greater number of people are dependent on unemployment benefits and/or earnings of the employed members of the household. Even if household income is controlled for, one can surmise that the psychological consequences of unemployment would be aggravated as more members in the same household go through prolonged episodes of job search. The second effect is the social norm effect which suggests that unemployed individuals would cope better with their situation if they share it with other unemployed household members. Therefore, the net effect of household joblessness on SWB depends on which of these effects dominates.

Empirical evidence on the social norm effect is mixed depending on the country and the definition of the reference group. Clark (2003) uses data from the BHPS to investigate the effect of others' employment on both the employed and unemployed. Employing three different measures of others' unemployment at the region, household, and partner level, results confirm the existence of a social norm effect whereby the well-being of unemployed men is positively associated with others' unemployment. Using household level data from South Africa, Powdthavee (2007) finds that household joblessness hurts less in regions with higher unemployment. Using data from Australia, Shields, Wheatley Price and Wooden (2009) also provide evidence that unemployed men suffer less in regions with higher unemployment rates. Stutzer and Lalive (2004) generate a novel social norm variable from the referendum results about the cuts in unemployment benefits in Swiss cantons by aggregating the responses to the questions regarding attitudes toward work ethic. They ascribe a stronger social norm to work to cantons which vote more favorably for the cuts. Their results show that the loss in well-being is greater for the unemployed in the cantons with a greater social norm to work.

A number of papers, however, do not detect a social norm effect. Drawing on data from the GSOEP and the Swiss household panel, Oesch and Lipps (2012) find no moderating effect of surrounding unemployment on the well-being of the unemployed. Scutella and Wooden (2008) examine the impact of household joblessness on the well-being of

individuals in Australia, and find no evidence for the social norm effect. At the cross-country level, one would expect to observe a greater well-being gap between the employed and the unemployed in countries where there is a stronger norm to work. Stam et al. (2016) use the questions on work ethic in the European Values Study to generate the social norm variable and find no evidence for the social norm effect in a sample of 45 countries.

Clark et al. (2010) suggest that the impact of the social norm depends on labor market insecurity rather than employment status. They categorize the unemployed into those with good and bad prospects, and the employed into those with high and low job security. Their findings confirm the main result that the well-being gap between the employed and the unemployed is lower in regions with high unemployment rates. Regarding labor market prospects, their results show that the unemployed with poorer reemployment prospects and the insecurely employed suffer less from regional unemployment. Lastly, based on data from Germany, Chadi (2014) documents that higher aggregate unemployment worsens rather than alleviates the well-being loss experienced by the unemployed. Additionally, Chadi (2014) distinguishes between the unemployment induced disutility and norm-induced disutility from receiving social benefits by separately controlling for the strength of the social norm against dependency on others. Findings in the work of Chadi (2014) indicate that while the unemployed experience lower levels of well-being in regions with higher unemployment, individuals that receive public funds suffer less in areas with weaker social norms.

2.3 Unemployment and job security

It has been documented that aggregate unemployment lowers life satisfaction even after controlling for personal unemployment (Blanchflower 2007; Di Tella et al. 2015). As such, unemployment generates negative externalities in addition to its impact on those who lose their jobs. For the employed, higher unemployment may lower well-being through downward pressure on wages as well as increased working hours. In addition, recent studies highlight the role of (self-reported) job security regarding the impact of unemployment on the well-being of both employed and unemployed. Job insecurity implies anticipation of economic distress as the employed face a heightened probability of an unemployment spell in the future. Therefore, others' unemployment might influence the well-being of the employed through the information about the potential risk of unemployment.

Knabe and Rätzel (2010) show that perceived job security is at least as important for well-being as the current labor market state in Germany. By controlling for individual expectations about future job prospects, they find that a jobless person with favorable job prospects might be happier than if he or she were employed with bad prospects. Along similar lines, using panel data from Germany, Luechinger et al. (2010) find that for the employed individuals, the negative externality of aggregate unemployment depends on the perceived economic security of individuals. Their results suggest that private sector employees are more strongly affected by regional unemployment than public sector employees. Hence, they conclude that a substantial part of loss in well-being due to aggregate unemployment operates through heightened feelings of economic insecurity. Using cross section data, Laszlo et al. (2010) also document a statistically significant negative correlation between self-reported health and job insecurity in a sample of 16 European countries.

3 Data and empirical methodology

3.1 Data and variables

This paper draws on individual data from the Life Satisfaction Surveys (LSS) conducted by Turkish Statistical Institute (TUIK) for the period between 2004 and 2013. The LSS are repeated cross-sections that are designed to be representative of the population. The LSS interview individuals 18 years old or older to collect information about their assessment of their lives as well as satisfaction levels with several aspects of their lives such as health, social security, education, work life, income, and the justice system. Life satisfaction is measured with the following question: "All things considered, how happy are you with your life as a whole these days?". The respondents choose from five choices "1: Very happy, 2: Happy, 3: Average, 4: Unhappy, and 5: Very unhappy". The responses serve as the dependent variable in this study (The order will be reversed hereafter; from 1 (very unhappy) to 5 (very happy)).

Of particular interest to this study is the labor market status of individuals. The survey participants are asked if they worked with or without pay in the previous week and the reasons for not having worked. Individuals are considered unemployed if they report not having worked in the previous week as they have not been able to find a job. The employed are those who worked with or without pay in the reference week or those who did not work but are connected to their jobs. Since 2009, the LSS also collect rich information on several life events that occurred during the previous year. Among these events, job loss, job finding, and starting a business are especially relevant for this study since they refer to the labor market history of the individuals. The survey includes questions on individuals' expectations about their own labor market prospects. Respondents of all labor market states report whether they expect their job prospects to be the same, better, or worse in the next year. The surveys collect information whether individuals reside in urban settlements whereby urban settlements are defined as areas with a population of 20,000 or greater. This definition, however, does not capture geographical proximity. One limitation of the dataset is that no information on the region is available until the 2013 wave. In 2013, the questionnaire was revised to provide data at the province level.

Table 7 in the "Appendix" presents the descriptive statistics of the variables used in the analyses. About 57% of the sample report being happy or very happy, this is 41 and 59% among the unemployed and the employed, respectively. The unemployed tend to be younger (33 vs. 38 years old) and less educated than the employed. The unemployed are more likely to be female than the employed (36.4 vs. 27.7%). An interesting finding is that joblessness seems to be concentrated among households: while about 17% of the unemployed live in households with at least one more jobless household member, this is 6% for the employed.

3.2 Unemployment and life satisfaction

The working sample includes all individuals aged between 18 and 64 years who are either employed or unemployed. Individuals that are out of the labor force for various reasons such a homemaking, education, illness, etc. are excluded from the sample. This yields

90,503 observations with a complete set of covariates. Following Caner (2015), the following life satisfaction equation will be estimated using ordinary least squares[3]:

$$\begin{aligned} LS_i = {} & \alpha_0 + \alpha_1 \cdot Unemp_i + \alpha_2 \cdot Joblesshh_i + \alpha_3 \cdot Unemp_i \cdot Joblesshh_i + \theta' X_i + \delta \\ & \cdot Personality_i + \lambda_1 \cdot YearDummy_t + \varepsilon_i \end{aligned} \quad (1)$$

where LS_i is the life satisfaction reported by individual *i*. $Unemp_i$ is a dummy variable, as defined in the preceding subsection. The vector X_i consists of observed individual characteristics on individual *i* that are expected to be correlated with life satisfaction, and ε_i is the error term. Among the variables in X_i are age, age squared, gender, marital status, highest education level completed, and monthly household income. The monthly household income is recorded in brackets in the dataset.[4] Also included in X are labor market transitions in the previous year on the observations from 2009 to 2013. The dummy variable, *Joblesshh*, equals one if there is at least one unemployed member in the household, other than the respondent. To account for the variation in the number of unemployed household members, the number of unemployed members in the household excluding the respondent, *Other Unemployed*, is also controlled for.

The parameters of interest, α_1 and α_3 capture the impact of own unemployment on well-being, and the effect of others' unemployment on the well-being of the unemployed, respectively. Clearly, one would expect α_1 to be negative. A priori, the impact of household unemployment on the well-being of the unemployed is unclear as there are two effects operating in opposite directions. One the one hand, there is the social norm effect which suggests that unemployed individuals may cope with their situation better if unemployment is the norm in that household. On the other hand, negative effects of unemployment may compound as more members are out of work in the same household. A countervailing social norm effect for the unemployed implies that α_3 is positive.

The *Personality* variable captures the effect of individual factors such as the mood of the respondent while participating in the survey, a random unobservable incident that occurred before the survey, and the time-invariant personality characteristics of the individual. Assuming that in large samples, the effects of the mood and the random unobservable events offset each other, personality traits would be the source of most of the omitted variable bias (Caner 2015). Not controlling for the personality traits leads to omitted variable bias. The LSS do not collect data on personality. Therefore, to address this, I follow Caner (2015) to estimate the unobserved individual specific characteristics.[5] To account for unobserved personality traits, self-reported life satisfaction with different domains of life is regressed on the same set of independent variables used in Eq. (1) as follows:

$$SatisfactionDomain_i = \beta_0 + \beta_1' X_i + \lambda_2 \cdot YearDummy_t + \xi_i \quad (2)$$

where X_i includes the same set of individual characteristics as described in Eq. (1). The common factor of the predicted residuals from these regressions are then extracted. The

[3] Ferrer-i-Carbonell and Frijters (2004) show that the assumption of ordinality or cardinality of the dependent variable yields similar results in well-being estimations. Despite the availability of latent variable models to model ordinal dependent variables, OLS will be used in this paper for brevity of presentation and ease of interpretation. An earlier version of this paper estimates an ordered probit model. Table 8 in the Appendix presents the average marginal effects from estimating the model by ordered probit. Findings confirm that both OLS and ordered probit produce equivalent results. Approximate likelihood-ratio test of equality of coefficients across response categories yields $\chi^2(81) = 1279.82$ with $Prob > \chi^2 = 0.0000$. Hence, the null hypothesis of parallel slopes is rejected.

[4] In 2013, the brackets were 0–1080, 1081–1550, 1551–2170, 2171–3180, 3181+, all in Turkish liras.

[5] Caner (2015) follows the procedure suggested by Van Praag and Ferrer-i Carbonell (2008).

intuition is that an individual's personality traits (e.g., optimism, pessimism, etc.) would bias every response in the same direction. In other words, an optimist would give higher responses to all the satisfaction questions. The underlying assumption is that the common factor of these residuals captures the personality traits which is the most important omitted variable of the initial life satisfaction regressions. The first principal component of the residuals from the regressions described in Eq. (2) serves as an estimate of personality in estimating Eq. (1). The choice of criteria for the domain satisfaction variables used as dependent variables is that the residuals from the domain satisfaction equations have the lowest correlation with the error term in the happiness equation. The following five domain satisfactions are used: satisfaction from the relationship with relatives, satisfaction from friends, satisfaction from the neighborhood, satisfaction from the current residence, and satisfaction from neighbors. Table 1 presents the correlation matrix for the residuals. The correlations are largely the same as those found in the work of Caner (2015).

Figure 1 presents the unemployment rate among 15–64-year-olds and the evolution of life satisfaction by labor market status in the sample. For the period between 2004 and 2013, unweighted, average life satisfaction (left axis) and unemployment rates (right axis) are plotted for individuals in the sample. Unemployment rate fluctuates between 9.4% in 2012 and 14.3% in 2009 during the sample period. Life satisfaction, measured between 1 ("very unhappy") and 5 ("very happy"), moves cyclically. This is more pronounced for the unemployed. The unemployed report, on average, lower levels of well-being than the employed. This is the so-called 'unhappiness gap of unemployment' in Oswald (1997).

Table 2 reports the average life satisfaction of the employed and the unemployed by gender and household joblessness, *Joblesshh*. Among men and women, the employed individuals in households with no other unemployed have the highest levels of life satisfaction; and the unemployed in jobless households have the lowest levels of life satisfaction.

The second empirical specification tested loosely follows Clark et al. (2010). This approach is based on distinguishing individuals with respect to their self-assessed job prospects. The LSS questionnaire includes a question on how individuals think their work lives will be in the next year. Respondents choose from: 1: Same, 2: Better, 3: Worse, and 4: Don't know. In 2013, a fifth choice is added for those who will not be working in the

Table 1 Pairwise correlation between the residuals from the happiness regression and the residuals from the domain satisfaction variables. *Source:* Author's calculations using LSS, 2004–2013

	Satisfaction from					
	Happiness	Relatives	Friends	Neighborhood	Residence	Neighbors
Satisfaction from						
Happiness	1					
Relatives	0.18	1				
Friends	0.15	0.43	1			
Neighborhood	0.16	0.20	0.19	1		
Residence	0.22	0.16	0.13	0.38	1	
Neighbors	0.14	0.41	0.41	0.35	0.19	1

Control variables include age, age squared, gender, marital status, education, household income brackets, and year dummies

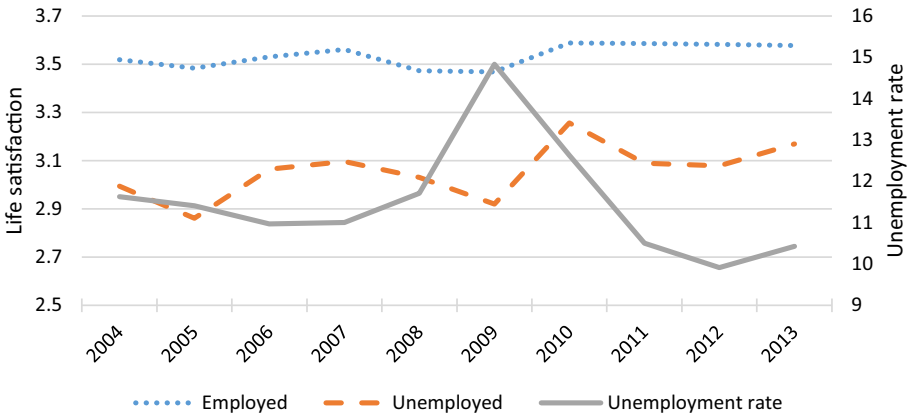

Fig. 1 Labor market status and life satisfaction. *Source:* Author's calculations using LSS, 2004–2013

Table 2 Mean life satisfaction scores. *Source:* Author's calculations using LSS, 2004–2013

	Men	Women
Employed		
Jobless household	3.46	3.41
No other jobless in the household	3.56	3.60
Unemployed		
Jobless household	3.06	3.16
No other jobless in the household	3.09	3.25

next year. Individuals that report "Don't know" are dropped from the sample as the interpretation of their responses are unclear. In addition, 214 individuals that report they will not work in the next year are also excluded from the analysis. This generates six categories with respect to employment and job prospects: the employed and unemployed; with same, better or worse prospects.

Table 3 presents the mean life satisfaction for the different labor market groups as described above. The unemployed report lower levels of life satisfaction at all job prospects. For both men and women, the most satisfied group consists of individuals with better job prospects regardless of the employment status. The least satisfied are the unemployed with worse job prospects. The average life satisfaction reported by those with the same job prospects lie between the average life satisfaction of those with worse and better job prospects. Interestingly, the average life satisfaction of the unemployed with better prospects is greater than that of the employed with worse job prospects (3.4 vs. 3.3).

Table 3 Mean life satisfaction scores, by gender and self-assessed job prospects. *Source*: Author's calculations using LSS, 2004–2013

	Men and women		Men		Women	
	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed
Same job prospects	3.6	3.1	3.6	3.1	3.6	3.3
Better job prospects	3.8	3.4	3.8	3.3	3.8	3.4
Worse job prospects	3.3	2.9	3.3	2.8	3.4	3.1

The following extended equation for life satisfaction will be estimated by interacting the job prospects variable, *JP*, with *Unemp*:

$$LS_i = \gamma_0 + \gamma_1.Unemp_i + \gamma_2.Joblesshh_i + \gamma_3.Unemp_i.Joblesshh_i + \gamma_4.JP_i + \gamma_5.Unemp_i.JP_i + \pi' X_i + \rho.Personality_i + \lambda_3.YearDummy_t + \varepsilon_i \quad (3)$$

To control for regional unemployment at the province level, the following equation will be estimated using the sample from 2013:

$$LS_{ic} = \rho_0 + \rho_1.Unemp_{ic} + \rho_2.Joblesshh_{ic} + \rho_3.Unemp_{ic}.Joblesshh_{ic} + \rho_4.Unemprate_c + \rho_5.Unemp_i.Unemprate_{ic} + \rho_6.Provincegdp_c + \psi' X_i + \eta.Personality_{ic} + \lambda_4.YearDummy_t + \varepsilon_{ic} \quad (4)$$

where $Unemprate_{ic}$ is the unemployment rate in 2013 in province c where individual i lives. Province unemployment rates were taken from TUIK's online database and range between 4.2 and 23.4%. Estimation of Eq. (4) also includes gross domestic product of the provinces, *Provincegdp*, taken again from TUIK's online database.

Given the historically low labor force participation of women in Turkey, men and women may react differently to unemployment. Hence, all analyses are conducted separately for men and women.

4 Results

4.1 Main results

Table 4 presents the regression results from the estimation of Eq. (1). The variables controlled for include age, age squared, gender, marital status, education, monthly household income, unemployed, jobless household, and personality. Year dummies are also controlled for.

Column (1) presents the results from pooling the observations from all sample years. Findings are broadly in line with the expectations. Briefly, the estimated coefficients indicate that age follows the u-shaped relationship with life satisfaction reported in other studies in the literature (Clark 2003; Scutella and Wooden 2008). Married people report significantly higher levels of life satisfaction than individuals with other relationship statuses. Women on average report significantly higher levels of well-being, a result consistent with the findings in Zweig (2015).[6] Life satisfaction is significantly higher for individuals with a university diploma. These findings remain qualitatively the same throughout different estimations except for the effect of higher education on the well-being of women. Coming to the variable of interest, being unemployed is associated with significantly lower life satisfaction. All else constant, an unemployed person on average reports about 0.28 points lower life satisfaction on a 5-points scale. Findings also indicate that the presence of unemployed others in the same household is associated with lower levels of well-being for the employed. All else constant, an employed person is predicted to experience 0.06 points lower life satisfaction if at least one other household member is

[6] Using data from 73 countries, Zweig (2015) find that women are at least as happy as men in nearly all of the countries.

Table 4 Life satisfaction, unemployment, and household unemployment

	(1) All sample	(2) All sample	(3) 2009–2013	(4) Men	(5) Women
Age	−0.058+	−0.058+	−0.057+	−0.057+	−0.059+
	(0.004)	(0.004)	(0.005)	(0.004)	(0.006)
Age squared	0.001+	0.001+	0.001+	0.001+	0.001+
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Marital status					
Married	0.312+	0.312+	0.338+	0.322+	0.292+
	(0.016)	(0.016)	(0.021)	(0.019)	(0.028)
Widowed	−0.183+	−0.184+	−0.080	−0.201*	−0.220+
	(0.057)	(0.057)	(0.074)	(0.104)	(0.071)
Divorced	−0.282+	−0.282+	−0.210+	−0.212+	−0.370+
	(0.037)	(0.037)	(0.048)	(0.054)	(0.049)
Female	0.047+	0.047+	0.044+		
	(0.011)	(0.011)	(0.015)		
Education					
No schooling	−0.054	−0.054	−0.042	−0.022	−0.010
	(0.036)	(0.036)	(0.046)	(0.055)	(0.050)
Less than high school	0.024	0.023	0.008	0.087*	−0.004
	(0.030)	(0.030)	(0.042)	(0.048)	(0.041)
High school or vocational high school	0.031	0.030	0.032	0.088*	0.016
	(0.031)	(0.032)	(0.043)	(0.050)	(0.046)
University or more	0.112+	0.111+	0.119+	0.179+	0.076
	(0.033)	(0.033)	(0.045)	(0.051)	(0.048)
Unemployed	−0.283+	−0.283+	−0.223+	−0.284+	−0.251+
	(0.022)	(0.022)	(0.027)	(0.026)	(0.037)
Joblesshh	−0.064+		−0.065**	−0.049*	−0.101+
	(0.022)		(0.031)	(0.027)	(0.039)
Unmployed × Joblesshh	0.012		−0.011	−0.013	0.073
	(0.050)		(0.072)	(0.058)	(0.101)
No. of other unemployed = 1		−0.051**			
		(0.023)			
No. of other unemployed = 2 or more		−0.195**			
		(0.084)			
Unemployed × No. of other unemployed = 1		0.007			
		(0.054)			
Unemployed × No. of other unemployed = 2 or more		0.109			
		(0.126)			
Labor market history					
Lost job			−0.001		
			(0.043)		
Found job			−0.025		
			(0.022)		
Started business			0.163+		
			(0.026)		
Number of observations	99,503	99,503	83,020	70,882	28,621

Table 4 continued

	(1) All sample	(2) All sample	(3) 2009–2013	(4) Men	(5) Women
R squared	0.236	0.236	0.240	0.230	0.254

OLS results from estimating Eq. (1) using survey weights. The dependent variable is reported life satisfaction. Base categories are unmarried, male, illiterate, employed, and no other unemployed in the same household. Regressions also include household income, year dummies, and personality. Standard errors in parentheses

$^{+}$ $p<0.01$; ** $p < 0.05$; * $p < 0.1$

jobless. The coefficient of the interaction effect, *Unemployed x Joblesshh*, is positive but imprecisely estimated. This result indicates that while the presence of other unemployed in the same household hurts the employed, it somewhat alleviates the loss of well-being for the unemployed. But this mitigating effect for the unemployed is not statistically significant. In column (2), the number of the other unemployed household members is used in place of the *Joblesshh* variable. The number of other unemployed is collapsed into a categorical variable, *Number of other unemployed*, as 99% of the sample lives in households with fewer than two other unemployed. Findings are consistent with those in column (1). Unemployment of other household members is associated with significantly lower levels of well-being, and this loss in well-being is greater when two or more others are unemployed. The coefficients of the interaction variable with *Unemp* are positive but not statistically significant. Column (3) introduces a categorical variable to capture the labor market history of the individuals into the model estimated in column (1). Estimation results from the period 2009–2013 indicate that individuals that started their own business in the previous year have significantly higher levels of well-being relative to those that did not make any labor market transitions. Separate estimations of Eq. (1) for men and women displayed in columns (4) and (5) reveal similar patterns except for the effect of education. While the effect of education is positive and increasing starting with less than high school category in the sample of men, it is statistically insignificant for women. Own unemployment is associated with significantly lower life satisfaction for both men and women. An interesting finding is the difference in the magnitude of the coefficient of *Joblesshh*. The impact of the presence of other unemployed household members seems to be much stronger for women.

Finally, to examine these associations over the sample years, the regressions are run separately for each year. Table 9 in the "Appendix" reports the coefficient estimates of the variables of interest from each separate regression. Results are broadly consistent with the findings reported in Table 4: the coefficient of *Unemp* is negative and statistically significant over the sample years. The fall in well-being associated with unemployment is notably smaller in 2010 and 2011. This may be due to the impact of global recession on the Turkish labor market. Indeed, the unemployment rate peaked at 14% in 2009, followed by 12 and 10% in 2010 and 2011, respectively. Therefore, the negative effects of own unemployment may be mitigated when shared with many others in times economic downturns.

4.2 Job prospects and life satisfaction

Table 5 shows the estimation results when job prospects are controlled for as described in Eq. (3).[7] For ease of presentation, only the coefficients of interest are reported. First, the negative and significant impact of unemployment remains despite the substantial decline in magnitude. Second, the coefficients of the job prospects variables carry the expected sign. Employed individuals with better job prospects experience significantly higher levels of well-being relative those in the base category of same job prospects. Similarly, worse job prospects are associated with lower levels of well-being for the employed. Results also indicate that the unemployed with better job prospects experience higher levels of life satisfaction relative to the base category of the unemployed with same job prospects. Holding everything else constant, for an unemployed person an improvement in job prospects from same to better implies a rise in well-being of about 0.10 points. While findings are largely similar across men and women, interesting insights emerge from separate estimations. Controlling for job prospects, women seem to experience a greater loss of well-being due to unemployment relative to men. While the impact of job prospects on the well-being of the employed is similar for men and women, there is no significant differential effect of unemployment depending on job prospects for women.

Table 5 Life satisfaction, unemployment, and job prospects

	(1) All sample	(2) Men	(3) Women
Unemployed	−0.060^{+} (0.022)	−0.046* (0.027)	−0.098** (0.039)
Joblesshh	−0.299^{+} (0.028)	−0.308^{+} (0.032)	−0.230^{+} (0.051)
Unemployed × Joblesshh	0.009 (0.052)	−0.002 (0.060)	0.032 (0.104)
Better job prospects	0.151^{+} (0.012)	0.152^{+} (0.014)	0.150^{+} (0.024)
Worse job prospects	−0.226^{+} (0.017)	−0.240^{+} (0.020)	−0.156^{+} (0.034)
Unemployed × better job prospects	0.103** (0.046)	0.132** (0.056)	0.007 (0.078)
Unemployed × worse job prospects	0.015 (0.057)	0.038 (0.069)	−0.112 (0.087)
Number of observations	87,786	63,594	24,192
R squared	0.254	0.251	0.266

OLS results from estimating Eq. (3) using survey weights. The dependent variable is reported life satisfaction. Base categories are unmarried, male, illiterate, employed, no other unemployed in the same household, and same job prospects. Regressions also include household income, year dummies, and personality. Standard errors in parentheses

$^{+}$ $p<0.01$; ** $p < 0.05$; * $p < 0.1$

[7] As a robustness check, an ordered probit model was estimated by job prospects. Results (not presented) are qualitatively similar to those in Table 5.

Table 6 Life satisfaction, unemployment and regional unemployment

	(1) 2013	(2) Men 2013	(3) Women 2013
Unemployed	−0.250^{+} (0.038)	−0.235^{+} (0.051)	−0.300^{+} (0.048)
Joblesshh	−0.048** (0.019)	−0.045** (0.020)	−0.053* (0.031)
Unmployed × joblesshh	0.035 (0.032)	0.043 (0.043)	0.020 (0.049)
Province unemployment rate	0.001 (0.002)	0.001 (0.002)	−0.002 (0.002)
Unemployed × province unemployment rate	−0.001 (0.004)	−0.006 (0.005)	0.010* (0.005)
Number of observations	73,144	51,513	21,631
R squared	0.221	0.214	0.239

OLS results from estimating Eq. (4). Robust standard errors clustered at the province level are in parentheses. The dependent variable is reported life satisfaction. Base categories are unmarried, male, illiterate, employed and no other unemployed in the same household. Regressions also include household income, year dummies, personality, and the province gross domestic product

$^{+}$ $p<0.01$; ** $p < 0.05$; * $p < 0.1$

4.3 Regional unemployment and life satisfaction

Table 6 presents the coefficients of interest from estimations when controlling for province unemployment. Column (1) presents the results from estimating Eq. (4) for the entire sample when province unemployment rate and its interaction with own unemployment are controlled for. Findings indicate that the coefficients of *Unemp* and *Joblesshh* remain robust, and that neither the province unemployment rate nor its interaction has a significant effect on well-being. Columns (2) and (3) present the results from separate estimations for men and women, respectively. Two interesting points emerge. First, the impact of own unemployment appears to be stronger for women compared to men. Second, while there is no significant effect of the province unemployment rate on the well-being of women, the interaction between own and province unemployment is positive. This implies that while women suffer from unemployment, they suffer less in provinces with higher unemployment. The interaction effect is negative but imprecisely estimated for men.

5 Conclusion

This paper aims to investigate the association between life satisfaction and joblessness at the individual and household level. Using individual level data from the LSS for the period 2004–2013, it examines how self-reported life satisfaction varies across employed and unemployed people living in households with different numbers of unemployed members. Self-assessed job prospects are also taken into consideration along with own and household unemployment.

The findings regarding own unemployment are consistent with the previous studies that unemployed individuals report, on average, lower levels of well-being controlling for household income; and results are similar for men and women. While analyses in this study provide no evidence for the differential effect of unemployment on well-being depending on household joblessness, findings underscore two channels through which unemployment affects well-being adversely. The first is the effect of own unemployment, and the second is the effect on the well-being of the employed individuals who live in the same household. By controlling for the self-assessed job prospects of individuals, this paper makes clear that the employed and unemployed are not homogenous groups. Hence, findings do provide preliminary evidence for the well-being inequality within the employed and unemployed. While the findings from 2013 provide some evidence of a social norm effect for women, an analysis of a broader sample period is needed to generalize this result.

These findings are relevant for policymaking on three levels. First, and most obviously, the detrimental effect of unemployment on well-being is of interest by itself. Second, job prospects appear to have sizeable effects on the well-being of the employed and unemployed. As such, there are differences in terms of life satisfaction within the employed and the unemployed. If, as suggested by these findings, the life satisfaction gap between the employed and the unemployed is not fixed, these differences may translate into differences in job search intensity and hence affect the chances of reemployment. Third, the detrimental effect of unemployment appears to be much stronger for women than for men when job prospects are controlled for. In addition, the impact of job prospects on the employed are similar across men and women. Altogether, the findings in this study imply that for the participating women the well-being effects of unemployment and job prospects are not very different from those for men. This suggests that women that do participate in the labor force value employment like men do. In this regard, examining the determinants of well-being of nonparticipating women would certainly provide valuable insights.

Finally, the current study has two major limitations due to the cross-sectional design of the LSS. First, with cross-section data, it is impossible to draw conclusions regarding causality. Hence, only the correlational associations in the data are captured. Second, any potential habituation effects, which suggest that individuals may get used to their situation if they remain unemployed for some time, are also not explored. Hence, these two issues remain important avenues for future research conditional on the availability of panel data.

Appendix

See Tables 7, 8, and 9.

Table 7 Descriptive statistics. *Source*: Author's calculations using LSS 2004–2013

Variable	All	Unemployed	Employed
Life satisfaction (%)			
Very unhappy	2.7	6.7	2.2
Unhappy	9.0	18.6	7.7
Average	31.6	34.3	31.3
Happy	47.5	34.9	49.3
Very happy	9.1	5.6	9.6
Age (Mean; SD)	(37.2; 10.7)	(33.1; 11.4)	(37.8; 10.5)
Gender (%)	28.8	36.4	27.7
Marital status (%)			
Never marrried	21.5	46.0	18.0
Married	74.8	48.9	78.5
Widowed	0.9	1.0	0.9
Divorced	2.8	4.1	2.6
Education (%)			
Illiterate	3.2	4.4	3.0
No schooling	3.7	5.1	3.5
Less than high school	48.5	51.2	48.1
High school or vocational high school	27.8	26.6	28.0
University or more	16.8	12.7	17.4
Unemployed (%)	12.5		
Joblesshh (%)	7.3	16.6	6.0
Other unemployed = 0 (%)	92.7	83.4	94.0
Other unemployed = 1 (%)	6.5	13.3	5.6
Other unemployed = 2 or more (%)	0.8	3.3	0.5
Monthly household income (%)			
Bracket 1	30.4	56.8	26.7
Bracket 2	17.0	16.6	17.0
Bracket 3	18.2	13.4	18.9
Bracket 4	17.2	9.2	18.4
Bracket 5	17.2	4.1	19.0
Observations	99,503	12,414	87,089
Job prospects (%)			
Same	39.4	40.4	39.3
Better	33.5	29.9	34.0
Worse	27.0	29.7	26.7
Regional variables			
Province unemployment rate (%) (mean; SD)	(8.7; 3.5)	(8.7; 3.4)	(8.7; 3.5)
Gross domestic product (00000TL) (mean; SD)	(20.5; 51.2)	(17.7; 42.6)	(21.0; 52.4)

Regional variables refer to the 2013 sample with N = 73,144; unemployed: N = 9766; employed: N = 63,378

Table 8 Ordered probit estimation: average marginal effects

	(1) V. unhappy	(2) Unhappy	(3) Average	(4) Happy	(5) V. happy
Age	0.001**	0.002**	0.003**	−0.004**	−0.003**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Marital status					
Married	−0.024**	−0.060**	−0.072**	0.101**	0.055**
	(0.002)	(0.003)	(0.003)	(0.005)	(0.003)
Widowed	0.018**	0.035**	0.021**	−0.057**	−0.016**
	(0.007)	(0.012)	(0.005)	(0.020)	(0.005)
Divorced	0.032**	0.056**	0.027**	−0.093**	−0.023**
	(0.005)	(0.008)	(0.003)	(0.013)	(0.003)
Female	−0.003**	−0.008**	−0.012**	0.014**	0.009**
	(0.001)	(0.002)	(0.003)	(0.003)	(0.002)
Education					
No schooling	0.005^{+}	0.012^{+}	0.015^{+}	−0.020^{+}	−0.011^{+}
	(0.003)	(0.007)	(0.008)	(0.011)	(0.006)
Less than high school	−0.001	−0.002	−0.003	0.003	0.002
	(0.002)	(0.005)	(0.007)	(0.009)	(0.005)
High school or vocational high school	−0.001	−0.003	−0.005	0.006	0.004
	(0.002)	(0.006)	(0.008)	(0.010)	(0.006)
University or more	−0.006**	−0.018**	−0.026**	0.029**	0.020**
	(0.002)	(0.006)	(0.008)	(0.010)	(0.006)
Unemployed	0.020**	0.051**	0.057**	−0.088**	−0.040**
	(0.002)	(0.004)	(0.004)	(0.007)	(0.002)
Joblesshh	0.004**	0.012**	0.016**	−0.020**	−0.012**
	(0.001)	(0.004)	(0.005)	(0.006)	(0.004)
cut1	−3.360				
cut2	−2.370				
cut3	−1.194				
cut4	0.578				
F(27, 99476)	174.992				
Prob > F	0.000				
Number of observations	99,503				

Ordered probit results from estimating the model using survey weights. The dependent variable is reported life satisfaction. Base categories are unmarried, male, illiterate, employed, and no other unemployed in the same household. Estimations also include household income, year dummies, and personality. Standard errors in parentheses

$^{+}$ $p<0.01$; ** $p < 0.05$; * $p < 0.1$

Table 9 Annual regression estimations

	2004	2005	2006	2007	2008
Unemployed	−0.254^{+}	−0.502^{+}	−0.355^{+}	−0.245^{+}	−0.257^{+}
	(0.067)	(0.073)	(0.089)	(0.075)	(0.072)
Joblesshh	−0.164*	−0.003	−0.061	−0.065	0.131*
	(0.096)	(0.065)	(0.079)	(0.086)	(0.077)
Unemployed × Joblesshh	0.068	−0.238	0.194	0.117	0.058
	(0.150)	(0.159)	(0.175)	(0.165)	(0.181)
Number of observations	2546	2875	2566	2503	2680
R^2	0.218	0.256	0.227	0.255	0.227
	2009	2010	2011	2012	2013
Unemployed	−0.297^{+}	−0.155**	−0.190^{+}	−0.265^{+}	−0.275^{+}
	(0.068)	(0.065)	(0.066)	(0.064)	(0.015)
Joblesshh	−0.187^{+}	−0.201^{+}	0.086	−0.069	−0.051^{+}
	(0.063)	(0.070)	(0.076)	(0.066)	(0.018)
Unemployed × Joblesshh	−0.132	0.272	−0.266	−0.121	−0.010
	(0.138)	(0.171)	(0.164)	(0.203)	(0.040)
Number of observations	3313	3027	3309	3540	73,144
R^2	0.257	0.250	0.251	0.240	0.226

OLS results from estimating Eq. (1) using survey weights. The dependent variable is reported life satisfaction. All estimations include the same set of control variables used in column (1) in Table 4. Standard errors in parentheses

$^{+}$ $p<0.01$; ** $p < 0.05$; * $p < 0.1$

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