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Quality of life

Societal change and trust in institutions

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Eurofound

European Foundation for the Improvement of Living and Working Conditions

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Executive summary

The decade since the Great Recession has been seen as signalling a 'crisis of trust' in European societies, involving a decline in trust in people and institutions. In the aftermath of the financial crisis, governments in all Member States struggled to curb unemployment, manage public debt, and return to economic growth. In many countries, this led to a feeling of distrust in national political institutions and in EU institutions.

In the European context, the erosion of trust in institutions has given rise to questions about the potential impact on political and social stability, as well as the implications for European integration. While some citizens and political interests blamed the EU for the problems caused by the economic crisis, a decline in trust in national governments was also apparent.

Based on analysis of data from the European Quality of Life Survey (EQLS) and Eurobarometer studies, this report seeks to broaden the understanding of trends in trust in institutions. The focus is on patterns of change since the turn of this century, and possible explanations for these patterns at national and EU level. The report also seeks to identify the societal groups for whom trust has declined the most, paying particular attention to the relationship between confidence in national institutions and in the EU. Finally, it examines the implications for policy of changes in trust.

Policy context

Declining trust in institutions is problematic for several reasons. Trust partly reflects good institutional performance; it is also an essential precondition for effective governance. Trust in governmental institutions can increase compliance with regulations. Trust in government authorities increases willingness to pay taxes, and may enable authorities to implement structural reforms with short-term costs, but long-term benefits. In countries where trust in institutions is limited, citizens might prioritise political candidates who promise immediate benefits, creating opportunities for populist and radical parties and politicians, whose promised quick fixes may not actually solve complex problems.

Key findings

Since 2001 there has been no uniform tendency of declining trust in national institutions in Member States. Data from the EQLS suggest that, in many countries, decline in trust in institutions was a temporary phenomenon during the recession. Meanwhile, trust in the EU remained generally greater than trust in national governments in most countries during the crisis period.

Trust in national institutions was generally more volatile in southern and eastern Europe, and more stable in western and northern Europe and in the Baltic States. In general, trust in national institutions had fully recovered for most of the EU by 2016; however, in a number of countries, such as some southern Member States, it has not returned to precrisis levels. Lower levels of trust still characterise a number of eastern European countries.

Trust in national political institutions was most affected by the crisis. Changes in trust in non-political institutions (legal system and police) as well as in media were smaller.

Between 2001 and 2016, trust in the EU institutions also declined but, in most countries, it is still greater than in trust in national governments. The relationship between trust in national institutions and trust in EU institutions is generally positive: an increase in trust in national institutions is linked with an increase in trusting in EU institutions. In some countries, however, trust in the EU declined more significantly during the crisis years than trust in national governments – a possible blame-shifting effect.

The uneven distribution of trust within countries (trust inequality) has generally not changed over time. However, during the crisis, people in low-status positions experienced a greater decline in trust in national institutions. And levels of trust recovered more among those who were positive about the quality of public services.

Decrease in trust may be less problematic if it is not a part of democratic disengagement and political cynicism. In eight Member States, political participation actually increased among those with low trust in political institutions. In the majority of countries, however, political participation either declined or remained at the same levels among those who tend not to trust political institutions.

There is increasing concern also about the potential rise in income inequalities, as well as the polarisation of society. This report examined how differences between upper- and lower-middle classes changed over time. Between 2007 and 2011, polarisation between the middle income quartiles in terms of overall trust in institutions occurred in six countries, with levels declining more among those in the lower-middle income quartile and less in the upper-middle income quartile. Between 2011 and 2016, there was a greater increase in trust among those in the upper-middle income quartile in four countries.

Policy pointers

- Despite worries over declining trust in public institutions, it seems that the erosion of public confidence is not irreversible. However, as trust dynamics differ considerably across countries, measures appropriate to specific contexts have to be sought.
- Understanding the drivers of trust is key to devising appropriate measures that can boost trust levels.
- Improving macroeconomic performance and increasing incomes are important ways of boosting trust; however, monetary improvements are not the only factor. Institutional integrity as evidenced by perception of low corruption helps to sustain trust, while failure to curtail corruption is associated with a decline in trust.
- Addressing the quality of public services is a key means of boosting overall trust in institutions. The public services in question include health and care services – a broader set of services to the public than the direct functions of national political institutions.
- Moderating societal tensions and reducing feelings of social exclusion can help prevent a decline in trust.
- Monitoring the extent of political participation and disengagement among groups who display limited trust can give policymakers useful information in creating opportunities for dialogue between citizens and institutions.
- At individual level, education is an important factor: people with higher levels of education generally have more confidence in public institutions, including EU institutions. Countries or groups in society with a lower level of education therefore are important priorities when designing and targeting public awareness programmes, nationally or with the EU institutions in mind.
- Trust in public institutions brings a number of positive practical consequences. The extent of tax evasion is lower in countries with greater trust in political institutions. Trust in institutions predicts a supportive attitude to policy reforms, including policies of EU-level relevance, such as the single currency, common foreign and defence policy, and enlargement.

Introduction

The decade since the Great Recession has been characterised by critics as a period of 'crisis of trust' in European societies (Hosking, 2017). Following the economic crisis that hit Europe in 2008, when governments struggled to curb unemployment, manage public debt and emerge from the economic downturn, trust in national political institutions fell in many countries. The crisis also had an effect on trust in EU institutions.

In the European context, the erosion of trust in institutions has given rise to questions about the potential impact on political and social stability, as well as implications for the development of European integration. Some blamed the EU for the problems created by the economic crisis that affected citizens. However, a decline in trust in national governments was considerable; in fact, trust in the EU generally remained greater than trust in national governments in most EU Member States during the crisis period.

The decline in trust in institutions was partly due to the economic crisis itself. The 2008 recession brought about higher levels of unemployment, increasing precariousness and declining real incomes in a majority of Member States. The consequences of this economic crisis have shaped the perceptions of institutional performance among the populations affected (Eurofound, 2013b). Young people and those living in southern European Member States were particularly affected during this period (Eurofound, 2017; Medgyesi, 2018). Controversies over the management of the economic crisis also had a negative impact on confidence in national and EU institutions. For instance, severe austerity measures introduced in several Member States greatly constrained the potential for governments to redress the negative social impacts of the crisis.

However, the economic crisis was not the only challenge national and EU institutions faced. They were also presented with other societal challenges such as the consequences of globalisation, increased income inequality, and changes in attitudes and values in society. In western European countries, globalisation and extensive immigration put pressure on the labour market position of the lower-middle class. Increasing inequality, in particular the growing incomes of the richest social strata, also deepened the social divide and increased tensions in many countries (Nolan and Whelan, 2014; Tóth et al, 2014). Changes in societal values may also have contributed to the decline in trust in institutions: it is possible that increasing individualisation resulted in a decline of collective engagement among citizens, as well as an increase in critical attitudes towards mainstream politics and 'business-as-usual'.

While much of the damage to trust in institutions could thus be attributed to the global economic crisis, it is important to consider whether there are longer-term trends or alternative explanations that could help understanding. Key stakeholders want to know how the institutional system is performing from the point of view of citizens, and how trust in this relationship can be built or restored. It is important to examine the extent to which trends in trust are nationally specific and to what extent there are overarching similarities related to the social changes that are occurring across countries; for example, changes in values and a decline in collective engagement, or, in contrast, the rise of a critical citizenry whose low trust does not necessarily infer disengagement.

Findings from research in social and political science indicate that in many countries at various points in time, people in disadvantaged situations (for instance, low income, unemployment or low education, sometimes combined with older age) have had less trust in institutions. There is also a growing body of research about quality of governance that highlights the importance of institutional performance generally as well as of perceptions of transparency and fairness more specifically. One of the major Eurofound findings in connection with trust in institutions relates to the large positive impact that the perceived quality of public services makes on trust in institutions (Eurofound, 2012, further corroborated in this report).

In the current report, Eurofound seeks to broaden the understanding of trends in trust in institutions in the EU and their relation to societal changes. The research also seeks to characterise the groups in society with greater or lesser trust in institutions and to consider why patterns of trust have changed over time.

Declining trust in institutions is problematic for several reasons. Although trust in institutions is partly a result of good institutional performance, it is also an essential precondition for good and efficient governance (OECD, 2013). Trust in government authorities can improve compliance with rules and regulations and reduce the cost of enforcement. People will comply with rules if they see regulations as fair and legitimate and trust the legal system and the authorities involved (Jackson et al, 2011). Trust increases willingness to pay taxes. Public trust in the government may also help authorities to implement structural reforms that have short-term costs but long-term benefits. In countries characterised

as having low trust in institutions, citizens prioritise political candidates who promise immediate benefits. This creates opportunities for populist and radical parties and politicians to rapidly gain popularity by criticising established policies and promising quick fixes to solve complex problems (Morales, 2017).

This report examines the dynamics of trust in institutions since the beginning of the 21st century. After reviewing the literature on trust in institutions in the next chapter, the key findings of the research are presented in the following chapter. Firstly, the report outlines the trends in trust in institutions in different Member States as well as in country groups. The analysis presents trends in trust at both the national and EU levels, including those in relation to specific institutions. Secondly, the report studies the differences between social groups in terms of trust dynamics. This focuses on social groups according to demographic and socioeconomic factors, but also based on factors related to social cohesion (such as perception of social tensions, social exclusion and political participation) as well as perceived quality of public services. After describing the dynamics of trust in institutions among various social groups, multivariate statistical methods are applied to find potential correlations between changes in trust in institutions considering both individual-level and macro-level factors. Finally, the report presents the findings on the consequences of changes in trust in institutions.

1 Policy context and literature review

This chapter provides an overview of the scholarly literature on the nature, the roots and policy consequences of trust in institutions. After clarifying the concept of trust, the chapter presents the most important findings on trust in institutions, which is generally understood to mean confidence in national political institutions (such as government or parliament), non-political institutions (such as the police and the courts) and other non-state institutions (such as the media). However, trust in the EU has been a subject of growing research interest, in particular since the UK's decision to leave the EU in 2016, commonly known as Brexit. This chapter reviews a number of recent studies on the origins and dynamics of trust in EU institutions.

Definitions of trust

Trust is a complex phenomenon, which makes it difficult to define. According to a generally accepted definition, trust is an expectation that the object of trust (for example, a person or an institution) will produce positive outcomes (Levi and Stoker, 2000). Trust or confidence is therefore viewed as an attitude (this report uses the terms 'trust' and 'confidence' interchangeably).

> *[Trust] is a more or less lasting view held about some object, event or person(s) in the outside world. It is a frame of mind, outlook or perspective which influences one's behaviour or one's disposition to act or think in certain ways. The same is true of distrust. Attitudes are not unchangeable, but they are also not momentary, as feelings may be. Viewed as an attitude, it makes sense to ask questions about trust in opinion polls.*
>
> (Hosking, 2017)

Over the past two decades, the study of trust in institutions has received increasing attention, catching up with the extensive research on social (or interpersonal) trust that took off in the early 1990s. Social or interpersonal trust concerns trust between individuals, while trust in institutions is defined as confidence in state organisations (e.g. parliament, government, the police or the courts) or non-state organisations (e.g. media, non-governmental organisations (NGOs), churches or corporations).

The interest in researching trust is driven by an acknowledgement that it is a powerful indicator of well-being, both at the individual and the societal level, as well as a fundamental condition of collective action and cooperation (Kahan, 2001; Tyler, 2011; Eurofound, 2013a; OECD, 2013).

The trust of citizens in public institutions is regarded as a measure of support for, or legitimacy of, the political sphere (Levi and Stoker, 2000). However, the kind of support that trusting attitudes express is an issue of debate. Some scholars argue that public trust as measured by survey questions means the specific support given to the incumbent government, and therefore bears no relation to the general legitimacy of the political system (Citrin, 1974; Citrin and Green, 1986). Trust can decrease and then increase again, and even a long-term decline in public confidence (as has been observed in the US in the past decades) need not necessarily be a concern because it does not threaten to undermine the legitimacy of democratic polity.

However, others have found empirical evidence that trust is related to both specific and diffuse support (Miller, 1974; Miller and Listhaug, 1990). The notions of specific and diffuse support were developed by David Easton (Easton, 1965). Diffuse support is the acceptance or general legitimacy of a system as such, while specific support relates to the incumbent and individual-level satisfaction with the performance of the government. The general support for a system might be high even if people are dissatisfied with governmental performance or leading politicians lose their legitimacy, for instance, because of political scandals. Conversely, the system might be illegitimate, while some politicians or public institutions may enjoy widespread popularity and support. Easton himself associated public trust with the notion of diffuse support, although he also acknowledged that elements of specific and diffuse support are difficult to discern in practice (Easton, 1975). However, using empirically based arguments, Hetherington (1998) argues that trust actually affects both specific and diffuse support. Trust has been shown to be a dynamic phenomenon (Hetherington, 2005), so there is a risk that a vicious circle may develop in which low trust and poor governmental performance mutually reinforce each other, leading to overall dissatisfaction with the political system.

The above considerations illustrate the point that trust in institutions should be regarded as a phenomenon that is

- complex
- differentiated
- context-dependent
- dynamic

This is also the approach endorsed by the present report.

Complexity of the phenomenon

Trust is a complex phenomenon: hence, it is difficult to define precisely what the display of trust in institutions may be expressing. Trust is linked to expectations about the future – that a given actor (institution, person etc.) will produce positive outcomes (Levi and Stoker, 2000). However, trust depends on a number of factors:

- rational (for example, based on previous experience)
- emotional (rooted in the character of the trusting person or the appealing features of the person or entity who is trusted, etc.)
- moral (for example, evaluating the fairness of the situation)
- individual (stemming from the given person's socialisation or community membership, etc.)
- macro-level (involving the pervasiveness of norm compliance in a society)

Trust attitudes may reflect satisfaction, optimism, legitimacy perceptions, and so on. For more on the factors affecting trust, see Campbell (2004), Tyler (2006b), Levi et al (2009), Marien and Hooghe (2011), Newton and Zmerli (2011), Eurofound (2013b), Medve-Bálint and Boda (2014) and Becker et al (2016).

The complexity of the phenomenon has a number of implications. First, while in general it is assumed that a greater level of trust is preferable, this is not necessarily the case in all situations, just as low trust is not always a concern. A high level of trust in institutions may imply uncritical attitudes towards politics and even reduce the political interest and activity of citizens, while a diminishing level of trust may be a warning signal of eroding legitimacy (Butler et al, 2016). Second, given the complexity inherent in trust attitudes and the tendency for trust to create positive feedback loops, establishing causal relationships between trust and other factors is especially challenging. Regardless of the difficulty in distinguishing causes and effects, there is evidence of positive association between trust in institutions and other measures of institutional quality, as well as quality of life. In this context, quality of life includes the quality of public services, the quality of democracy, control of corruption, income, satisfaction with life, and income equality. These correlations present a good reason for policy actors to take account of developments in trust in society.

Differentiation of trust relations

Given the complexity of the phenomenon of trust, it is advisable to differentiate among specific trust relations. Aggregated trust indicators and average values may hide meaningful differences among the trusting attitudes of social groups whose compositional logic extends beyond the usual demographic variables (like age, gender or education level) as well as confidence in different institutions with different sociopolitical functions. Some institutions, like the government, are held responsible for the challenges faced by society, while others, like the courts, are judged more in the light of normative values (Grosskopf, 2008). Trust in some institutions may be more politicised and express general legitimacy attitudes, while confidence in other institutions may stem from personal experience and be more outcome-oriented. These differences may have practical policy implications when it comes to measures for increasing trust. Trust research so far has focused mainly on a few institutions, for instance, political institutions, courts and police, and tax authorities (see Chanley et al, 2000; Murphy, 2004; Rudolph, 2009; Hawdon, 2008; Jackson et al, 2011; Győrffy, 2012), but there is still a lack of systematic comparisons between different types of institutions. Similarly, little attention has been devoted so far to examining the different trust patterns of specific social groups.

Importance of context dependency

As implied in the previous section, trust in institutions is highly context dependent. Patterns of trust vary across different social, institutional, political or cultural contexts. This fact has been acknowledged in the literature (see Zmerli and Hooghe, 2011); however, a deeper understanding could and should be developed in this respect. As Bradford et al (2014) note (specifically concerning trust in police), most existing research applies to a limited context because the bulk of scholarly work has been conducted in Anglo-Saxon and western European countries. This observation is also true on a more general scale, and is therefore applicable to other fields of research on trust in institutions. For instance, there is surprisingly little literature providing comparisons of the patterns of trust in institutions of the newer democracies of eastern and central Europe to those of older Member States, especially in terms of more recent developments.

Dynamic nature of trust

The complexity and context dependence of trust in institutions makes it a dynamic phenomenon. Again, although this has been acknowledged in the literature (see Hetherington, 2005), most researchers still conduct

cross-sectional analyses without making comparisons over time, even though it has been demonstrated that trust dynamics may differ significantly depending on the context (Boda and Medve-Bálint, 2014). Within the obvious limitations of the data that are available, this report focuses on the dynamics of trust indicators.

Trust in national institutions

This section reviews the literature on trust in institutions. It gives an account of the factors affecting trust at both the macro and the micro levels, including perceptions of the characteristics of institutional operation. It then provides a short overview of the possible practical consequences of trust in institutions. Following the organisation of the scholarly literature, this section then focuses on national institutions. Trust in the EU is covered in the next section, 'Trust in EU institutions' (p. 9).

Trust at the macro level

Trust is determined by a number of factors, both macro and micro-level. At the macro level, income (GDP) is considered to be a strong predictor, at least in Europe, with high-income countries usually having higher public confidence in institutions (Delhey and Newton, 2005; Anderson and Singer, 2008; Medve-Bálint and Boda, 2014). However, after conducting a multilevel analysis on the data of 65 countries, Wang and Gordon (2011) found no statistically significant association between national income and the level of trust in institutions. A possible explanation is that, from a global perspective, the European development model is a peculiar one in which different dimensions of social well-being (including trust), institutional quality and material welfare are all positively associated with each other.

It is particularly interesting that, against the background of economic crisis and growing inequality (OECD, 2015), there are surprisingly few studies on income inequality and trust in institutions. Several studies have however revealed a negative association between income inequality and social (interpersonal) trust (Uslaner, 2000; Wang and Gordon, 2011). Given the strong association between interpersonal trust and institutional confidence, one would assume a similar pattern between income inequality and trust in institutions. Indeed, the multilevel study of inequality and trust in institutions conducted by Anderson and Singer (2008), using a sample of 20 European countries, found that higher income inequality was associated with lower trust in institutions. However, while income inequality generally has a negative effect on trust, countries in central and eastern Europe seem to be an exception to this. In these countries, trust in institutions is not associated with inequality (Medve-Bálint and Boda, 2014); instead, relatively low trust levels co-exist with relatively low income inequality. The explanation for this might lie in the characteristics of the political culture and people's attitudes: in the central and eastern European countries, people generally overestimate the level of income inequality and express high expectations for government involvement in solving social problems (Medve-Bálint and Boda, 2014).

Trust in institutions is also influenced by the general culture of trust of the given society. Fukuyama (1995) argued that societies can be characterised either as high-trust or low-trust cultures, and that this feature is somehow rooted in history. Approaches that emphasise the role of political culture argue that 'institutional trust is exogenous to the political sphere, originating in long-standing and deeply seeded cultural norms and is an emergent property of interpersonal trust which is projected onto political institutions' (Campbell, 2004, p. 402). These approaches hold that trust in institutions is part of a larger belief system that influences how and how much people trust each other and impersonal organisations. To put it simply, the level of trust in institutions is greater in societies where, because of specific historical and cultural factors, general social trust is greater (Kunioka and Woller, 1999). Indeed, Keele (2007) found that there is a remarkably strong association between interpersonal trust and trust in institutions at the country level – this strong association suggests that a common cultural background variable may determine both. However, the greater volatility of trust in institutions compared to interpersonal confidence suggests that the former is influenced by factors outside the general cultural background; for instance, by perceptions of institutional performance (Boda and Medve-Bálint, 2014).

Trust at the individual level

Trust can be influenced by individual-level factors: generally speaking, wealthier, more educated, more religious and more optimistic people tend to have greater trust in institutions (Newton and Zmerli, 2011; Boda and Medve-Bálint, 2014).

However, the results of different studies are not conclusive in terms of individual-level determinants. The role of personal income has received particular attention, with contradictory results. For instance, Kaasa and Parts (2008) analysed trust in 31 European countries, relying on data from the World Values Survey (WVS, 1999–2002) and found that income, operationalised as household income decile, did not have a significant relationship with trust in institutions. However, Catterberg and Moreno (2006) found that well-being, defined as financial satisfaction and satisfaction with one's life, was positively and significantly associated with trust in institutions in their sample of 26 countries. Catterberg and Moreno also included an income variable into their model, and the results suggested that higher individual income decreased trust in established democracies, while it boosted trust in eastern Europe and in Latin America.

These results contradict the findings of Kaasa and Parts (2008), even though both pieces of research relied on the same WVS datasets.

From an analysis of patterns of trust in institutions in 10 central and eastern European countries, Mishler and Rose (2001) found that individual-level income had virtually no effect on trust in institutions. However, using data from the European Social Survey, Medve-Bálint and Boda (2014) reported that the marginal effect of household income is positive in western European countries but negative in central and eastern Europe. The positive association between trust and income implies that the 'winner hypothesis' holds (that is, successful people have more trust in institutions). On the other hand, the lack of this phenomenon in east central Europe suggests the plausibility of a 'dependency hypothesis', where economically disadvantaged citizens who depend on the state's welfare services trust institutions more, or a 'frustration hypothesis', where economically advantaged citizens are dissatisfied with the institutional performance of their country.

At the individual level, at least one more consideration merits attention. Research has highlighted the importance of collective identity in promoting trust and cooperative behaviour (Kramer et al, 2001; Tyler, 2011). That is, identification with a group or a supra-individual entity (like the nation state) increases both trusting and cooperative attitudes. For instance, after studying the roots of tax compliance, Bartha and Boda (2016) found that, in Hungary, beyond any other sociodemographic or attitudinal variables, the strongest predictor of both trust in the tax authority and voluntary tax compliance is the degree of identification with the nation (measured through agreement with the statement 'I am proud to be Hungarian').

Trust as a function of institutional operation

An important body of literature argues that trust in institutions is largely shaped by perceptions of the fairness and the (outcome-based) performance of those institutions (Murtin et al, 2018). This has important policy implications: increasing trust and legitimacy requires improving normative rightness as well as the performance of state institutions.

One important question concerns the relative importance of fairness and outcome-based performance in shaping trust and the extent to which this interaction is affected by contextual variables. It comes as no surprise that people need to believe that institutions are effective (e.g. that the police and courts are professional and able to fulfil their roles) in order to trust them (see Jackson et al, 2011; Tyler, 2011). However, many studies argue that normative considerations are just as, or even more, important than instrumental ones in shaping trust in institutions. This has been demonstrated in the case of a number of different institutional settings: government (Levi et al, 2009), the law (Tyler, 1990; Jackson et al, 2011), the police (Tyler, 2006b; Hawdon, 2008), tax authorities (Murphy, 2004) and municipalities (Tyler, 2011). By analysing European data, Grönlund and Setälä also showed that trust in institutions at the individual level depends both on interpersonal trust and on certain normative expectations posed towards those institutions: 'the more people trust other people and the more honest they find the civil servants of their country, the more they trust public institutions' (Grönlund and Setälä, 2012, p. 538).

Among the normative concerns considered in the literature, the role of procedural fairness has been particularly emphasised. In his ground-breaking study, Tyler (1990) argued that procedural fairness is the main root of both trust and compliance behaviour. Murphy (2004) found that in Australia, tax evasion was linked to the perceived unfairness of the tax authority. This explains why, seemingly paradoxically, imposing strict sanctions did not have a positive effect on willingness to pay tax. Instead, these measures triggered further tax evasion. Similarly, Gangl (2003) argues that people's perceptions of the legitimacy of the US Congress are more influenced by considerations of procedural fairness concerning its functioning than by any distributive effects (outcomes) of decisions. According to Tyler (2011), procedural fairness may refer to norms of both decision-making (for instance, lack of bias, transparency, stakeholder inclusion, participation) and treatment (respect, benevolence, reliability). In other words, people trust an institution based on their perceptions of how it treats them and whether it makes fair decisions. Consequently, perceptions of corruption, discrimination and undemocratic functioning are likely to decrease confidence.

Practical consequences of trust

Trust is important because it is a powerful indicator of quality of life and social well-being (Eurofound, 2013b). However, it is also important because it is believed to foster economic development as well as the efficiency of governance through three basic mechanisms: stabilising social interactions; providing support for difficult political decisions; and helping with the implementation of policies and the effective operation of state institutions.

Since trust essentially involves expectations concerning the future, it stabilises social interactions as it lowers transaction costs and increases predictability. The existence of stable, reliable and trustworthy state institutions are an important condition of the development of the private sector (Brunetti et al, 1997; Acemoglu and Robinson, 2012).

Also, trust in institutions is believed to be a measure of the support citizens give to the government, and support is a precious resource for the effective use of power (Easton, 1965). The lack of trust may signal legitimacy problems and make it difficult for the government to initiate long-term (albeit much-needed or beneficial) policies. Unfortunately, there are few practical studies around this subject. Győrffy (2012) demonstrated that trust in institutions was a key factor in successful fiscal adjustment programmes across Europe, as in high-trust countries citizens believed in and accepted the necessity of austerity measures. In the US, Hetherington (2005) showed that trust in the government is the strongest predictor of passing 'liberal' (that is, welfare) policies, irrespective of the political leaning of the government. Welfare policies are politically risky in the US context and greater trust provides the necessary support for policy action. Of course, it is not true that all risky or painful decisions are necessarily beneficial in the long run; therefore, the trust of citizens can also be abused by decision-makers. However, given the dynamic nature of trust, one would expect public confidence to fall in such a case.

Finally, it is also believed that trust in institutions makes governance more efficient and policy implementation easier, as people who have confidence in institutions are more willing to comply with state authorities and the law, pay taxes and generally take part in collective action (Tyler, 2006b; Tyler, 2011; OECD, 2013). Trust reduces the transaction costs of governmental operations and therefore makes the functioning of public administration more efficient (Van de Walle, 2017). Research shows that the legitimacy of, and trust in, the legal system are the strongest predictors of the willingness of people to obey the law and to cooperate with authorities across countries (Jackson et al, 2014). Citizens who are not trusting, on the other hand, are more likely to calculate the costs and benefits of compliance, and this might lead to freeriding practices (Tyler, 2006b). Using data from the 1998 International Social Survey Programme, Dalton (2004) found a strong positive association between variables measuring the degree of disagreement with misreporting income in order to avoid tax and falsely claim government benefits on the one hand and trust in parliament and in the courts on the other. However, both trust measurements proved to be strongly related to upholding norms with regard to taxes and social benefits. Other studies also found that trust in the government and trust in the tax authority predicts voluntary tax compliance attitudes (Murphy, 2004; Bird et al, 2008).

The erosion of trust may also have political consequences. Morales (2017) argues that there is a positive association between trust in political institutions and voting behaviour, implying that eroding trust may lead to political disengagement and cynicism. A similar pattern is observable concerning party membership. In contrast, the association between confidence in political institutions and protest behaviour is much weaker, and sometimes this relationship is even marginally positive (that is, those who express confidence are more likely to protest), sometimes not significant (levels of political confidence are unrelated to protest behaviour) and sometimes negative (those who express less confidence are more likely to protest). The nature of this relationship varies across countries and over time. Finally, there are some indications that decreasing trust may lead to growing support for populist and radical parties (Morales, 2017).

Trust in EU institutions

The extent of trust in EU institutions is of as much interest as trust in national ones, especially in the wake of the result of the UK referendum supporting the country's exit from the EU. It is particularly informative to review trust in the EU in comparison with trust in national institutions. When trust in the EU is comparatively lower, this might signal the growth or spread of anti-EU sentiment. The close relationship between the two might reveal the potential of spill-over effects from one to the other: for example, if distrust in national institutions decreases trust in EU institutions. This might reflect a tendency among citizens not to be able to distinguish clearly between one and the other.

The crisis provides an interesting example of changes in European citizens' perceptions of EU institutions. Roth et al (2013) analysed the effects of the crisis on trust in national and EU institutions at the beginning of the crisis (within an EU27 country sample during the period 1999 to 2012). Results showed that the overall negative trend of declining trust was mostly accounted for by the decrease in trust in countries in the euro zone – in particular, in Ireland, Greece, Portugal and Spain. Econometric analysis revealed that the significant increase in unemployment rates in those four countries, especially in Spain, largely contributed to this pronounced fall in trust. Papaioannou (2013) also confirmed that attitudes towards European institutions have deteriorated in crisis-hit countries, but highlighted that this effect was less pronounced than the fall in trust in local political parties and politicians.

Factors affecting trust and distrust

Individual factors

Various studies have focused on the origins of trust in the EU, testing theories about the role of identification with Europe, national political culture, education levels and media consumption (Gabel and Whitten, 1997; Gabel, 1998; Hooghe, 2007; Arnold et al, 2012). Identity and emotional attachment to Europe indeed seem to play a role for instance, Manzi et al (2016) argue that there is an attachment to the EU, even in countries with increasing unemployment and poor living standards.

People tend to care about the EU's democratic procedures and institutions; however, their perceived importance has changed over time due to increased public awareness of the consequences of the EU integration process (Torcal et al, 2012). The growth in higher education in itself might lead to more awareness of the shortcomings of EU institutions and make citizens more hesitant, or even unwilling, to trust them (Arnold et al, 2012). As citizens learn more, they may also become more critical and set higher standards for their representatives. This suggests that as more powers are transferred to the EU level, people may become more critical and demanding of EU institutions (Hobolt, 2012). In addition, those with high levels of political knowledge rely more heavily on evaluations of EU institutions when assessing democracy in the EU (Karp et al, 2003).

A recent study (Conti and Memoli, 2017) highlighted the role of the media in trust towards the EU. Those who are most exposed to traditional media are more favourably disposed towards the EU process and are more likely to trust EU institutions.

On the other hand, the more divided the national leaders are, the more people are prone to oppose European integration, and this effect is particularly pronounced among people who see themselves as exclusively national citizens (Hooghe and Marks, 2005).

Macro-level conditions

Trust in the European Commission and the European Parliament seems to be strongly associated with the situation in the real economy (unemployment and growth of GDP per capita), but only in times of crisis (Roth et al, 2011). Similarly, Gomez (2015) showed that support for the EU is indeed correlated with macroeconomic conditions after the crisis, which is unsurprising given the unpopularity of EU-backed austerity measures in many crisis-hit countries.

Income inequality negatively affects trust in the European Commission and the European Parliament in normal times, while in times of crisis this relationship is strengthened and extended to the European Central Bank (ECB). In addition, inflation and unemployment seem to have considerably affected trust in all European institutions in a negative way after the crisis (Bonasia et al, 2016).

Institutional performance: European and national

Harteveld et al (2013), as well as Armingeon and Ceka (2014), argue that attitudes towards the EU are primarily derived from public opinion about national-level politics and policy: that is, the institutional performance of the EU has little, if any, effect on public confidence. However, others argue that public trust in the EU is responsive to the performance of European institutions, and the existence of trust (or mistrust) in 'distant' institutions suggests that people are not indifferent to what happens in supranational institutions (Hudson, 2006).

Different explanations for the decline of trust in the EU are provided by studies on the consequences of the economic crisis (see for instance, Kumlin, 2009; Armingeon and Ceka, 2014). The loss of trust in the EU after 2008 was explained both by poor economic performance and by the quality of governance (via subjective assessments of how governments dealt with corruption) according to Mungiu-Pippidi et al (2015). Numerous studies further argue that support for European integration derives from the ability of EU institutions to deliver economic benefits, either for individual households or for the nation as a whole (Gabel, 1998; Christin, 2005; Gomez, 2015).

People from countries with relatively extensive welfare states are more likely to trust the EU institutions, possibly because of an already developed confidence that institutional bodies will provide them with satisfactory services (Arnold et al, 2012). Furthermore, according to Freitag and Bühlmann (2009), people living in countries where authorities are seen as incorruptible, where the institutions of the welfare state reduce income disparities, and where political interests are represented in a manner proportional to their weight are more likely to have higher levels of trust.

On the other hand, dissatisfaction with national public services seems to have direct negative effects on trust in the EU in most of the EU15 countries. The effect is stronger in larger welfare states where the limitations on welfare policies are perceived as stemming from the EU and where the most euro-sceptic parties are the most likely to support the welfare state (Kumlin, 2009).

Across Europe, the public evaluates institutions not only in terms of efficiency, but also in terms of integrity (Eurofound, 2012). Corruption erodes trust in the national political system, lowers the perceived costs of ceding sovereignty to supranational bodies, and increases citizens' willingness to turn to the EU for alternatives (Sánchez-Cuenca, 2000; Arnold et al, 2012). Moreover, people living in Member States with a higher level of national corruption seem to have more trust in international institutions, such as the EU. However, this relationship appears to have dissipated after 2008 (Obydenkova and Arpino, 2017). Despite this narrowing gap, trust in national institutions remains lower than trust in the EU (EPRS, 2016). This is confirmed in the case of Romania where euro-enthusiasm has national, rather than European, roots (Radu, 2016). By contrast, living in a country with highly trusted and well-performing institutions appears to reduce trust in the European Parliament (Muñoz et al, 2011). In other words, national proxies seem to play a leading role in shaping EU-related opinions and attitudes.

In light of the empirical findings, several authors have put forward policy proposals to suggest how to improve public confidence in the EU. According to Mungiu-Pippidi et al (2015), since the current crisis in trust was, to a certain extent, brought about by the contrast between the harsh austerity measures laid upon citizens and the self-serving behaviour and flouting of rules indulged in by politicians, a change in the behaviour of EU politicians would help restore trust. Hobolt (2012) argues that as people attribute more power to the EU level and become more knowledgeable about how it operates, they become more demanding of the quality of democratic institutions beyond the nation state. Introducing a sense of public ownership is therefore essential, irrespective of the level and location of decision-making.

Papaioannou (2016) argues the need for institutional reform at the EU level and institutional convergence towards best practices. He proposes the establishment of a European-level body to monitor institutional performance and state capacity across the EU and the euro zone. To tackle the rise of populism and restore confidence in the EU, Algan et al (2017) further propose the implementation of countercyclical macroeconomic policies to prevent high levels of unemployment and to preserve the trust of people facing economic insecurity by providing better social security nets for the unemployed.

Some argue that improvements in the economic situation alone would not necessarily restore support for the European project. The EU needs to deliver global public goods and provide security, while respecting the national identities of EU citizens (Dustmann et al, 2017).

2 Key findings on trust in institutions

Patterns of trust dynamics

Long-term trends in trust

The assessment of longer-term trends of trust in institutions during the 21st century is based on data from the Eurobarometer study. This study uses dichotomous questions to measure trust (where 1 means 'tend to trust' and 0 means 'tend not to trust'), therefore trust in a given country at a given time can be characterised by the percentage of respondents who tend to trust the specific institution. Unfortunately, not all items are present in every wave of the study, which makes it difficult to construct a consistent series of composite indicators of different types of trust. Thus, instead of building composite indicators, the evolution of trust is described here in terms of trust in selected national institutions (government, police, the press) and the EU.

As Figures 1 and 2 show, there are important differences in trends of trust in institutions between the regions of Europe, but variation can also be found between countries in the same region. In general, the northern European Member States are characterised by relatively high levels of trust in their national governments and trust in the EU. While trust in national governments declined during the crisis years in Denmark and increased after 2014, in the case of Finland and Sweden only smaller fluctuations occurred during the same period. In the case of Sweden and Denmark there is also a sub-period where trust in the EU declined, but both countries had greater trust in the EU in 2017 than in 2001.

There are also differences in the patterns of change in national trust in institutions among countries in western Europe. Trust in the national governments and the EU seems to be slightly declining in Austria, Belgium and France, although in the case of France there was some recovery of trust in government at the end of the period. The most significant decline in trust in government and the EU can be seen in Ireland, which was probably the country hit most hard by the crisis in this region. Although there was a notable recovery at the end of the period, trust levels did not return to their pre-crisis levels. In the cases of Germany, Luxembourg, the Netherlands and the UK, trust in the government and in the EU fluctuates during this period, but levels were similar at the beginning and the end of the period.

Most of the countries in Figure 2 had greater trust in the EU than the national government (with the exception of Cyprus) throughout the period. In southern European countries such as Cyprus, Greece, Italy and Spain, which were severely hit by the economic crisis, a clear decline in trust in the national government and the EU can be detected. In Portugal, there was some recovery of trust levels by the end of the period, although trust in the EU was still lower in 2017 than at the beginning of the period.

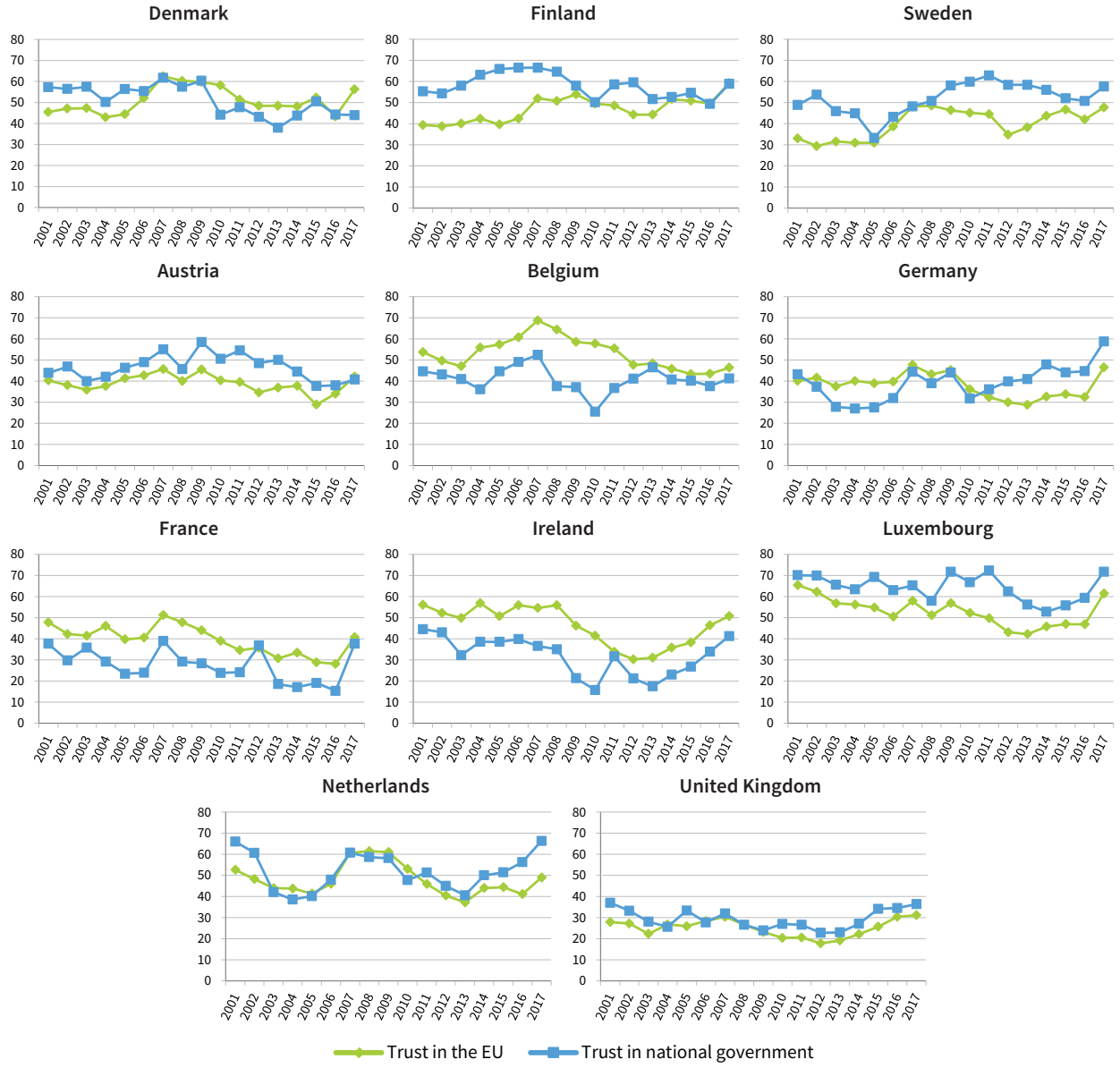
Among the eastern European countries, only Slovenia showed a decline in both trust in the EU and in the government during the period. In the Visegrad countries (the Czech Republic, Hungary, Poland and Slovakia), as well as Bulgaria and Romania, trust in the EU declined over the period, while trust in the national government fluctuated or slightly increased, as is the case of Poland. As a result, trust in the EU and trust in the national government have converged. In the Baltic countries, trust in both the EU and the government broadly stagnated, while in Croatia trust in the EU increased.

Overall, these results suggest that there is no uniform trend of declining trust in national institutions in EU countries. Many countries saw declining trust in political institutions (national government or the EU) during the years of the economic crisis. However, even during these years there were countries where political trust did not decline, for instance, Poland. On the other hand, before and after the crisis years political trust even increased in several countries.

Trust in non-political state institutions (such as the police) did not closely follow the trends of political trust and did not fall during the crisis years. Trust in the press also showed less volatility over the same period than trust in national governments. Comparing the first and last observation of the period under analysis, trust in national government was lower in 2017 than in 2001 in roughly half of EU28 countries (15 out of 28). The same is true for 13 countries in the case of the press, but only in five countries for trust in police. On the other hand, trust in the EU declined in a majority of countries (20 out of 28), and only a minority of eight countries saw either no further decline or an increase of trust in the EU over the period.

These longer-term trends in trust in institutions also shed light on the volatility of trust. The business cycle and political changes affect changes, especially in trust in political institutions. For instance, the sudden rise of trust in the government in Portugal in recent years, or the rise in trust in institutions in Hungary around 2010 was linked to the election of a new government. The unpredictability and variation in the case of specific institutions is one of the arguments in favour of

Figure 1: Long-term trends for trust in national government and in EU institutions – northern and western Member States (%)



Note: *Trust in institutions is measured with a dichotomous item where 1 = 'tend to trust' and 0 = 'tend not to trust'.*
Source: *Authors' calculations based on Eurobarometer 2001–2017*

monitoring a range of institutions, as has been undertaken by the European Quality of Life Survey (EQLS).

Mapping changes in trust in national institutions

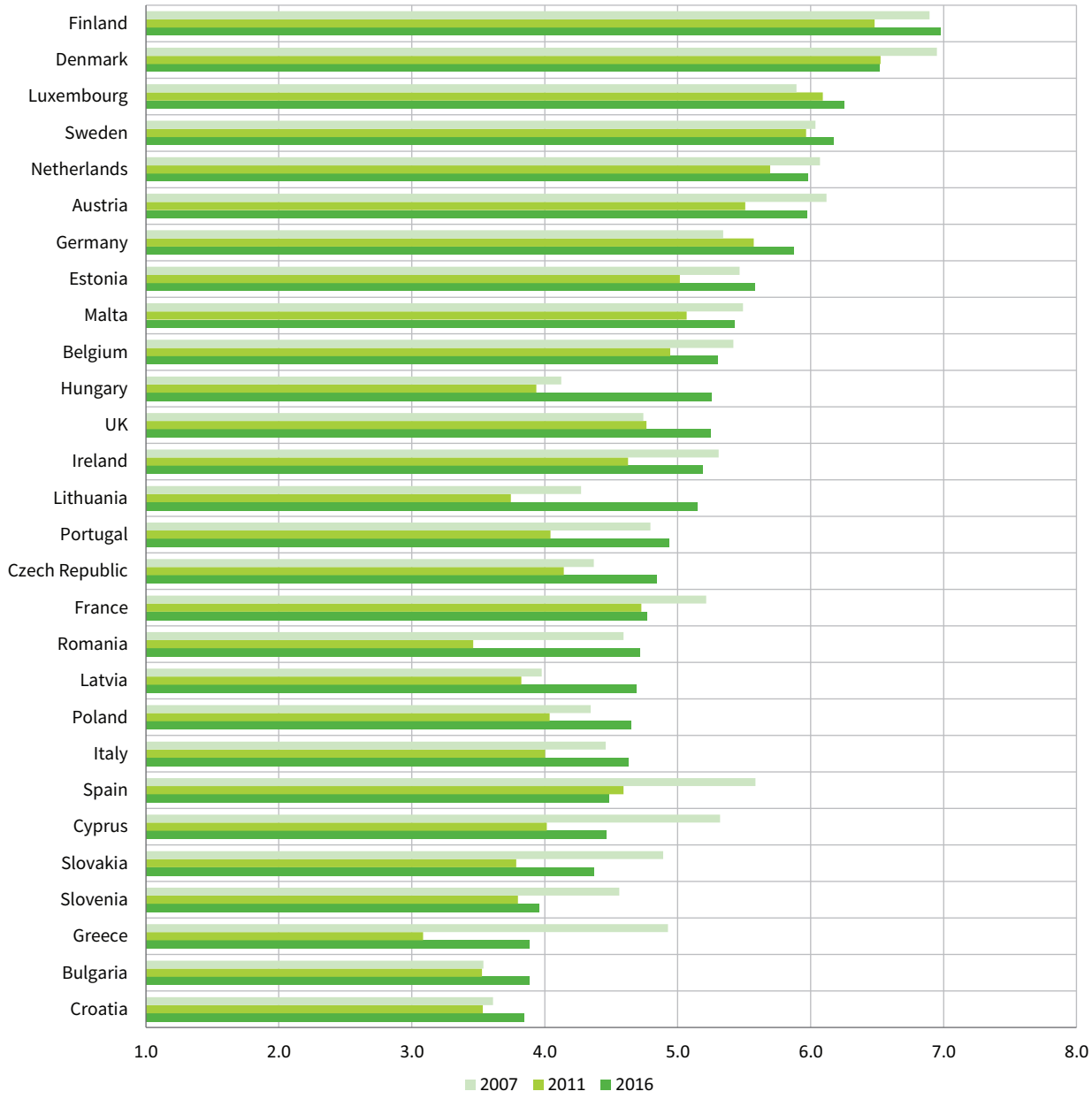
This section takes a different perspective on changes in trust in institutions using the EQLS. Here, trust in institutions is measured on a 10-point scale (where 1 means 'do not trust at all' and 10 means 'trust completely'), which allows the finer measurement of trust attitudes. This is important as this finer measurement scale makes the construction of composite indicators easier and allows for the investigation of tendencies to polarisation.

Despite differences in the measurement scales for trust variables and other methodological details of the Eurobarometer and the EQLS, survey results regarding the direction of changes in trust in institutions are similar, especially in the case of the crisis period (see in the separate technical report published alongside this report – *Societal change and trust in institutions: Analysis of results*). In the case of trust in national government, both surveys show declining trust between 2007 and 2011 in most countries. For the period between 2011 and 2016, the number of countries with increasing and declining trust is roughly equal based on the Eurobarometer, while the EQLS suggests that trust in institutions has increased in a majority of countries.

Figure 2: Long-term trends for trust in national government and in EU institutions – eastern, central and southern Member States (%)

Note: *Trust in institutions is measured with a dichotomous item, where 1 = 'tend to trust' and 0 = 'tend not to trust'.*
Source: *Authors' calculations based on Eurobarometer 2001–2017*

Figure 3: Trust in national institutions, 2007, 2011 and 2016, by country (%)



Notes: *Countries are sorted according to data in 2016. Overall trust in institutions is constructed from trust in national government, parliament, legal system, police and the news (1 = 'does not trust at all' and 10 = 'trusts completely').*
Source: *Authors' calculations based on EQLS.*

One measure of overall trust in institutions is based on the five items that are present in the second, third and fourth waves of the EQLS (hereafter termed EQLS 2007, EQLS 2011 and EQLS 2016): namely, trust in the national parliament, trust in the national government, trust in the legal system, trust in the police and trust in the news (media). Respondents' overall trust in national institutions is characterised by averaging responses to these questions. Analysis of the reliability of this measure of overall trust in institutions shows that this scale is internally consistent in every Member State in the EQLS 2007, EQLS 2011 and EQLS 2016.[1] Figure 3 shows the value of this indicator of trust in national institutions in different countries in the years 2007, 2011 and 2016.

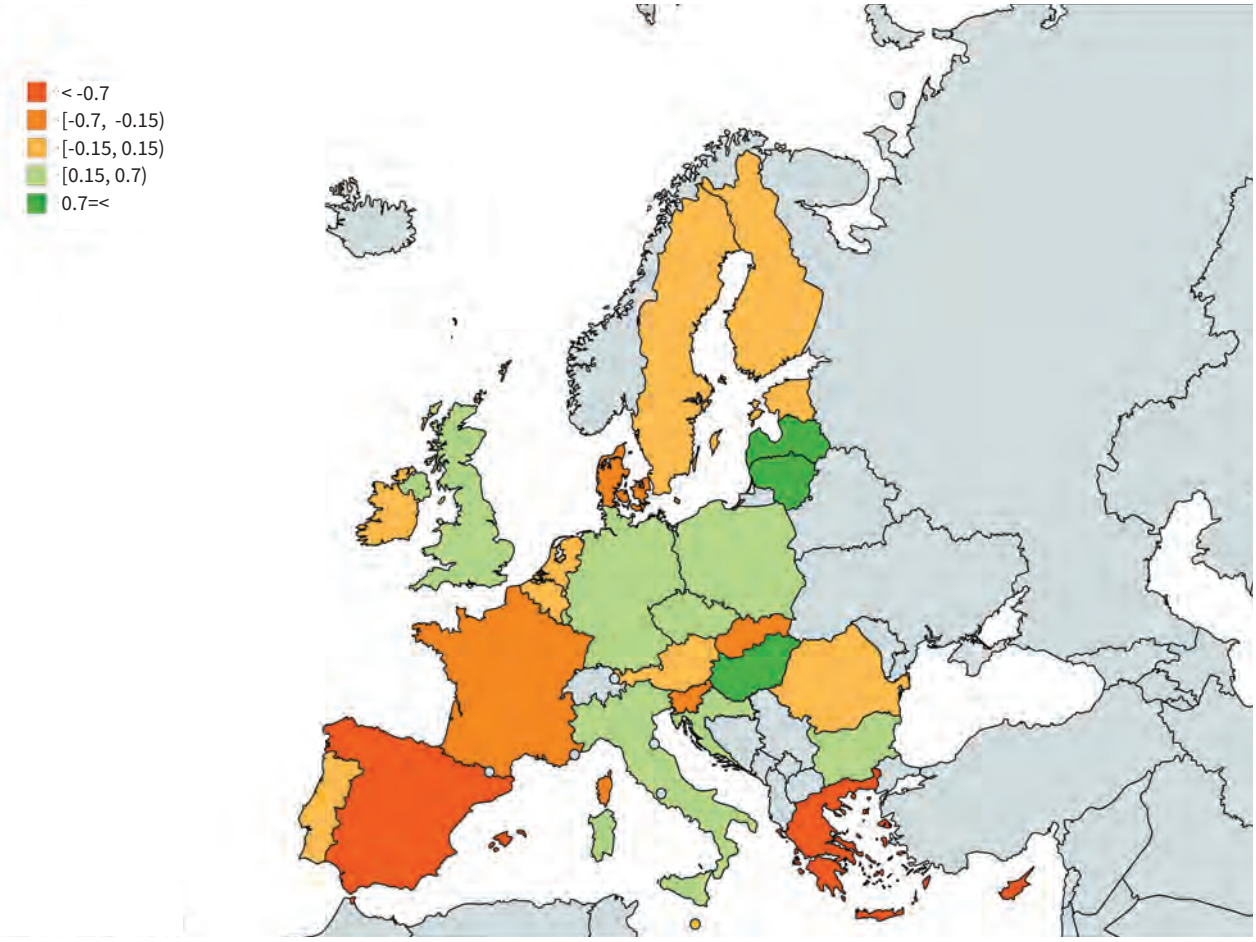
1 Internal consistency of the overall trust measure has been assessed by Cronbach α- statistic (see in the separate technical report). The value of this statistic is close to or higher than 0.80 in all countries in all waves of the survey. The only exception is Denmark in 2011, but the Cronbach α is higher than 0.70 in this case as well. A reliability coefficient of 0.70 or higher is considered acceptable in most social science research situations.

Overall trust in institutions was lowest in 2007 in Bulgaria, Croatia and Latvia, where the average trust rating was below 4. Values between 4 and 4.5 were also found in other central and eastern European countries as well as in Italy. The highest levels of trust in institutions were in the northern European countries Denmark and Finland, where the overall score was close to 7. Values over 6 were also found in Austria, the Netherlands and Sweden. The Member States with mid-level trust in institutions included western European countries and the southern European countries, together with Estonia. Between 2007 and 2011, trust in institutions declined in most EU Member States. Countries heavily affected by the economic downturn – such as Greece and Spain – showed the biggest decline in trust in institutions, but Romania, Slovakia and Cyprus also saw a significant decline in trust. Although trust in institutions declined at all levels, countries with relatively low levels of trust at the beginning saw the greatest fall in trust. In several other countries trust either increased or did not change – Germany, Luxembourg, the UK, Bulgaria, Croatia, and Sweden.

The most recent data suggest that the decline in trust in institutions during the crisis years was a temporary phenomenon, as between 2011 and 2016 trust in institutions increased in most EU countries. The biggest increases were seen in Lithuania, Hungary and Romania, where the trust score increased by more than one point. Trust in institutions also grew substantially in Portugal, Latvia and Greece. Again, the greatest changes were seen among countries with relatively low levels of trust in institutions in 2011, which means that these countries were able to close the gap with countries characterised by higher trust levels. Trust levels remained unchanged in Denmark, France and Spain.

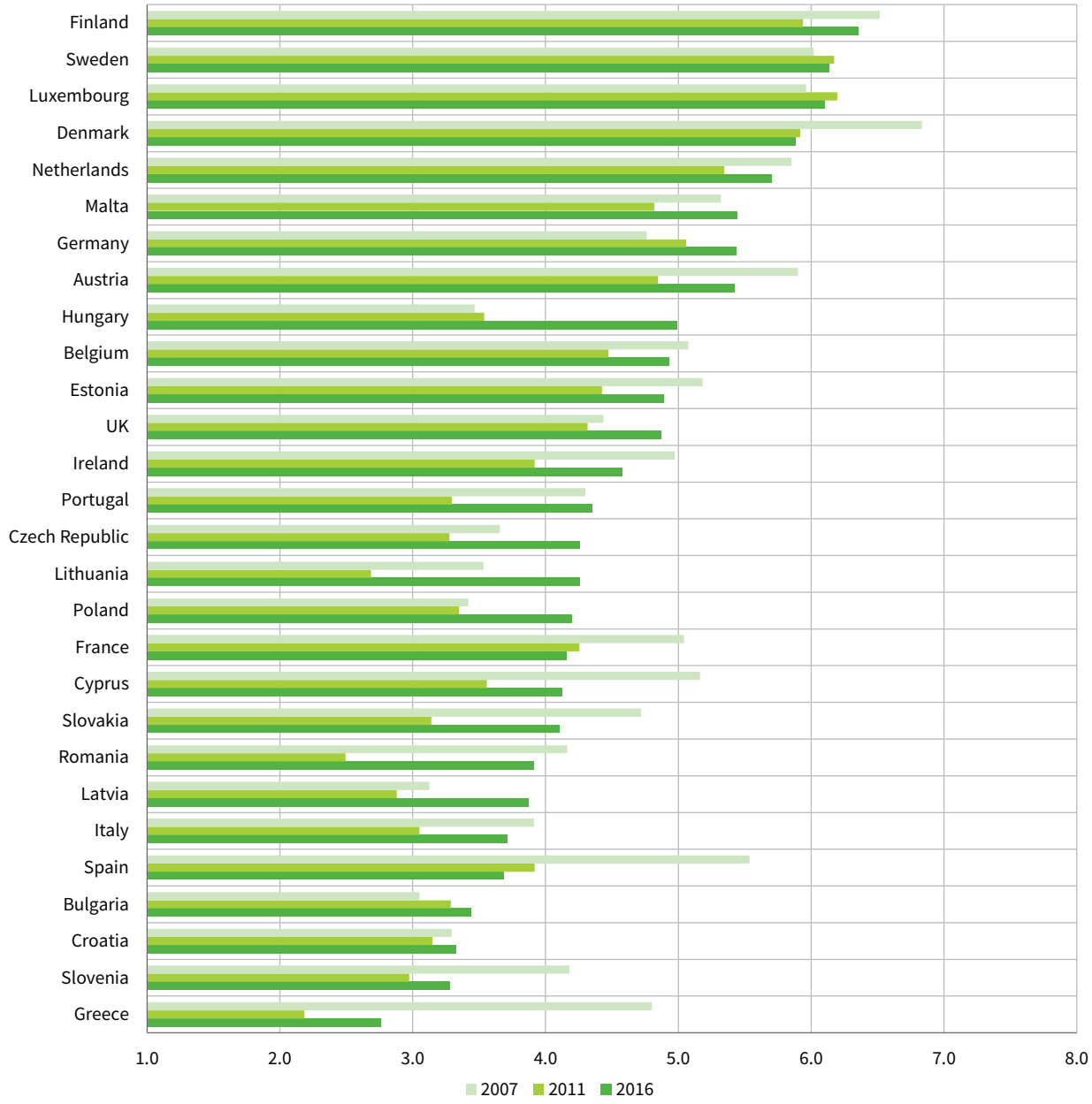
As shown by Figure 4, during the entire period from 2007 to 2016, seven countries recorded a statistically significant decline in trust in institutions. The most significant decline in trust was recorded in Spain, with confidence decreasing considerably during the crisis years and no improvement reported in the subsequent period. Trust in institutions also saw a major decline in Greece over the entire period, despite the significant improvement between 2011 and 2016. During the entire

Figure 4: Change in overall trust in national institutions, EU28, 2007–2016 (percentage point change)



Notes: *Overall trust in institutions is constructed from trust in national government, parliament, legal system, police and the media (1 = 'do not trust at all', 10 = 'trust completely').*

Figure 5: Trust in national political institutions, 2007, 2011 and 2016



Notes: *Countries are sorted according to data in 2016. Trust in institutions measured on 10-point scale, where 1 = 'do not trust at all' and 10 = 'trust completely'.*
Source: *Authors' calculations based on EQLS.*

period, 11 countries recorded a statistically significant increase in trust in institutions. Between 2007 and 2016, Hungary, Lithuania and Latvia saw the most significant increase in trust in institutions. In 10 countries (including Austria, Portugal, Sweden, and Romania), the increase in trust in institutions over the 2011–2016 period compensated for the decline during the crisis years, so comparison of 2007 and 2016 reveals no significant change.

Changes in trust – different national institutions

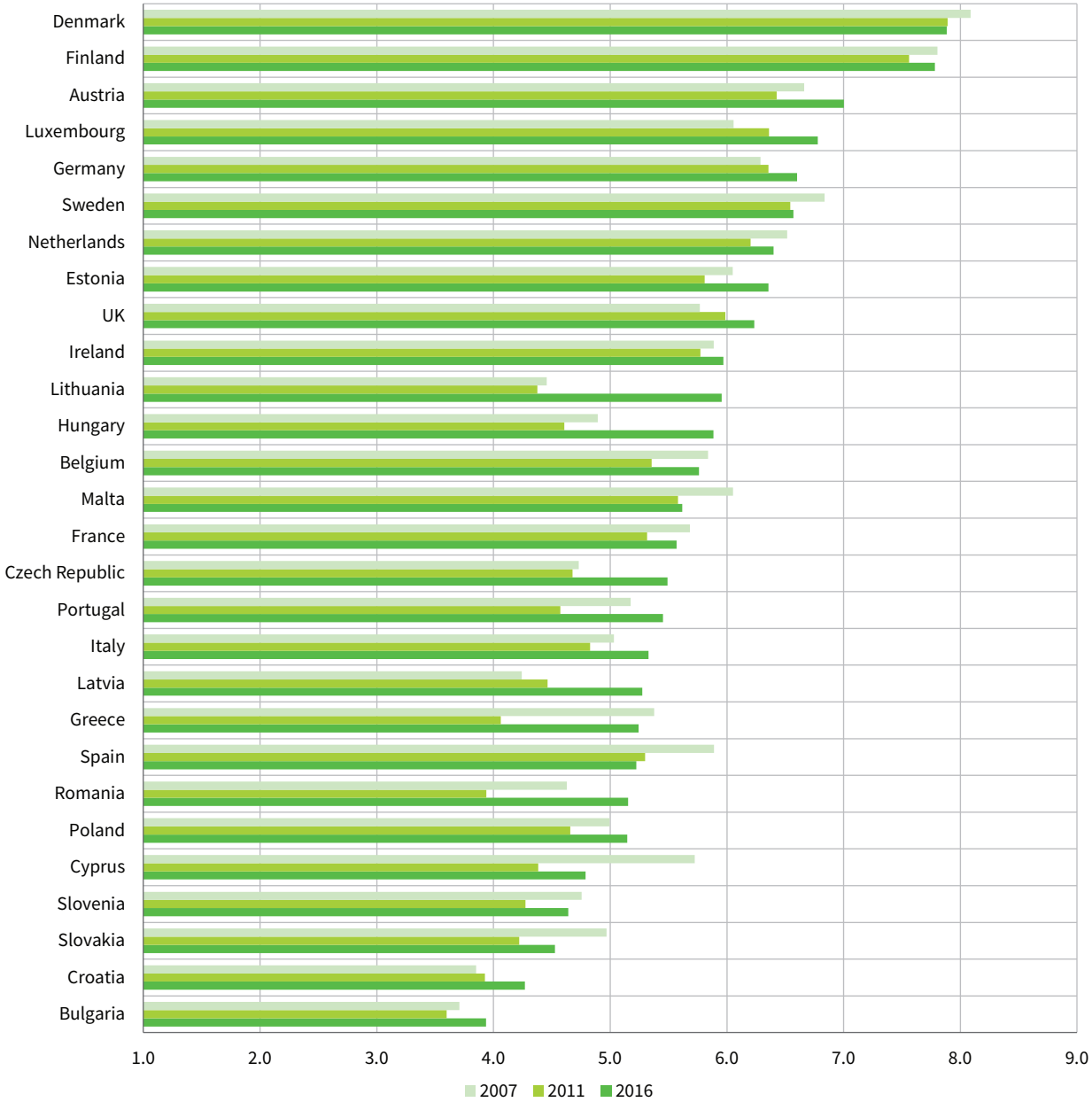
The analysis of overall trust in institutions might mask differences between trust towards different institutions. There might be a difference between attitudes towards political institutions like the government, which are held responsible for the problems people face, while other institutions, like the courts, could be judged more in the light of normative values (Grosskopf, 2008). Trust in some institutions may be more politicised and express an attitude of general legitimacy, while in other cases, trust in institutions may stem from personal experience and be more outcome-oriented. Trust in

non-state institutions like NGOs and the media could therefore be quite different from trust in state institutions. Based on EQLS data, variables reflecting trust in three types of institution were created:[2]

- trust in political institutions, measured by the average score for trust in national parliament and trust in national government
- trust in non-political state institutions, measured by the average score for trust in the legal system and trust in the police
- trust in non-state institutions, measured by trust in the news (media)

Figures 5, 6 and 7 show how trust in different types of institution changed during the analysed period. As Figure 5 shows, trust in national political institutions (parliament and government) declined significantly between 2007 and 2011. Although Member States with the most significant decline (Greece, Romania, Slovakia, Cyprus and Spain) were among the countries with low or mid-level political trust at the beginning of the

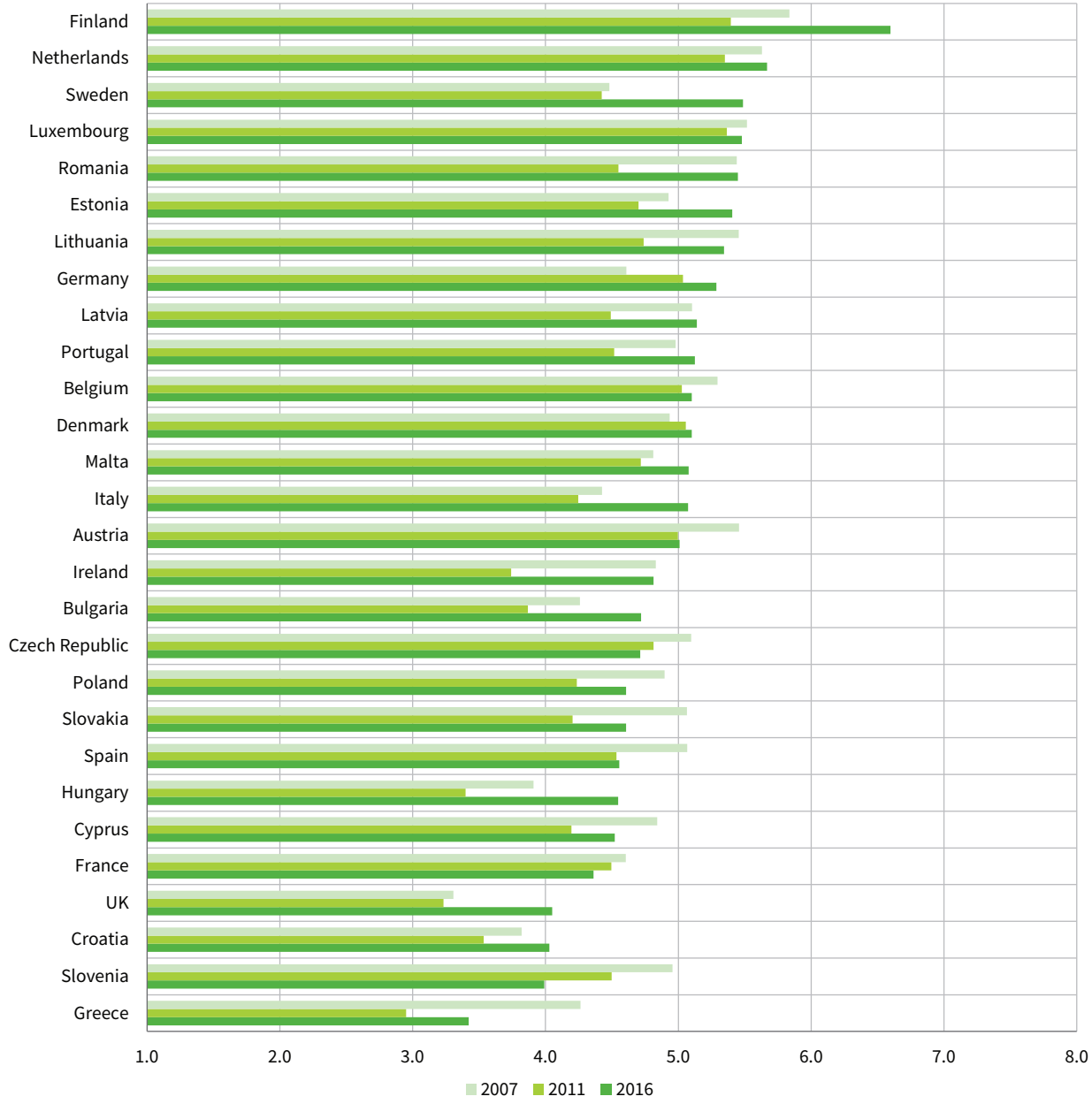
Figure 6: Trust in national non-political institutions, 2007, 2011 and 2016



Notes: *Countries are sorted according to data in 2016. Trust in institutions measured on 10-point scale, where 1 = 'do not trust at all' and 10 = 'trust completely'.*
Source: *Authors' calculations based on EQLS.*

2 Internal consistency of these variables has also been checked. For political institutions, values of the Cronbach α are above 0.80 in most cases (see separate technical document). The value of the statistic falls below 0.70 only in one case, for Cyprus in 2011. Internal consistency is lower for the variable of trust in the legal system and the police. Despite this, this report considers these items as a separate category as principal component analysis reveals that these items are different from the two items related to political institutions.

Figure 7: Trust in the media, 2007, 2011 and 2016



Notes: *Countries are sorted according to data in 2016. Trust in institutions measured on 10-point scale where 1 = 'do not trust at all' and 10 = 'trust completely'.*
Source: *Authors' calculations based on EQLS.*

period, the decline affected countries at all initial levels of trust. Even countries with high levels of political trust such as Denmark and Finland saw declining trust in this period. On the other hand, some countries – Sweden, Luxembourg, Germany, the UK, Hungary, Poland, and Bulgaria saw no decline or only a minimal decline in trust in political institutions during the crisis years. During the period 2011–2016, trust in political institutions increased, although the increase was more moderate than the decline in the previous period.

As Figure 6 shows, trust in the legal system and the police is somewhat greater in EU countries than trust in political institutions, and changes in trust were more moderate for these institutions. During the crisis years (2007–2011), the fall in trust in non-political state institutions was smaller than the fall in trust in political institutions, but during the second sub-period (2011–2016) the rise in trust was also more moderate. Figure 7 indicates that trust in the media has also been less volatile than trust in political institutions.

Changes in trust – EU institutions

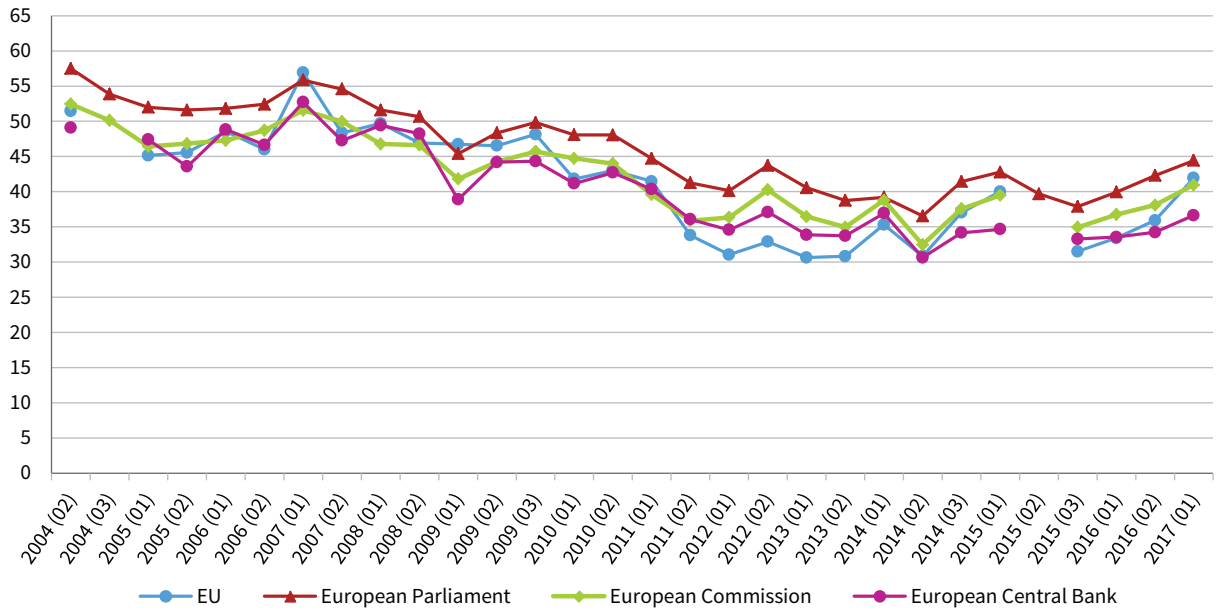
Trust in EU institutions, measured for the EU as a whole, had a declining trend from 2007 to 2011, some stabilisation between 2011 and 2015 and a slight

increase from 2015 onwards (Figure 8). In particular, trust in the EU started declining after the onset of the economic crisis and reached its lowest level in 2012 when less than a third of EU citizens surveyed reported that they had trust in the EU. After a period when it remained stable, it started increasing again. At the beginning of 2017, nearly 42% of EU citizens reported having confidence in the EU. Part of this late recovery may be related to the difference in the sequence of questions in the last survey compared with the previous Standard Eurobarometer. This may have put respondents in a more positive frame of mind when answering (European Commission, 2017a). Moreover, the proportion of non-responses was higher in 2004 and 2007 than in 2011 and 2016 in the EU as a whole, which may reflect greater indecision among EU citizens before the crisis started (for details on the treatment of 'don't know' answers, see separate technical report [3]). This suggests that EU citizens adopted a more definite point of view on the EU as a result of the economic crisis, particularly in a number of countries where the proportion of non-responses declined sharply, for instance, the Czech Republic, Bulgaria, Ireland, Spain, Italy, Austria and the UK. On the other hand, indecision seemed to increase (that is, the proportion of non-responses went up) between 2007 and 2016 in a few countries, for instance, Denmark, Estonia and Malta.

The level of trust is not the same for all EU institutions, though it tends to change over time in a similar way to trust in the EU overall. Citizens tend to have more trust in the European Parliament (even if trust in this institution has declined since 2004) than, for instance, in the European Commission or in the ECB.[4] Between 2004 and 2017, the proportion of EU citizens who had trust in the European Parliament fell by 12 percentage points, from just over 56% to slightly under 44%, while trust in the European Commission fell from 50% to 41% over the same period of time. For both institutions, the sharpest reduction was in crisis-hit countries; this will be elaborated in a later section.

Trust in the ECB declined by even more over this period, from 53% of people expressing trust at the beginning of 2007 to 37% at the beginning of 2017 with a low of 31% in mid-2014. This reduction is noted in the literature. Trust in the ECB was scarcely affected by business cycle variables such as growth and inflation before 2008, but with the recession, a closer correlation between variations in country economic indicators (such as GDP growth, inflation and unemployment rate) and trust in the ECB developed (Gros and Roth, 2010). However, the recovery which began in mid-2009 was not able to restore trust in the ECB to previous levels. This finding seems to imply that EU citizens put a significant share of the blame for the economic downturn on the ECB

Figure 8: Trust in EU institutions, EU28, 2004–2017 (%)

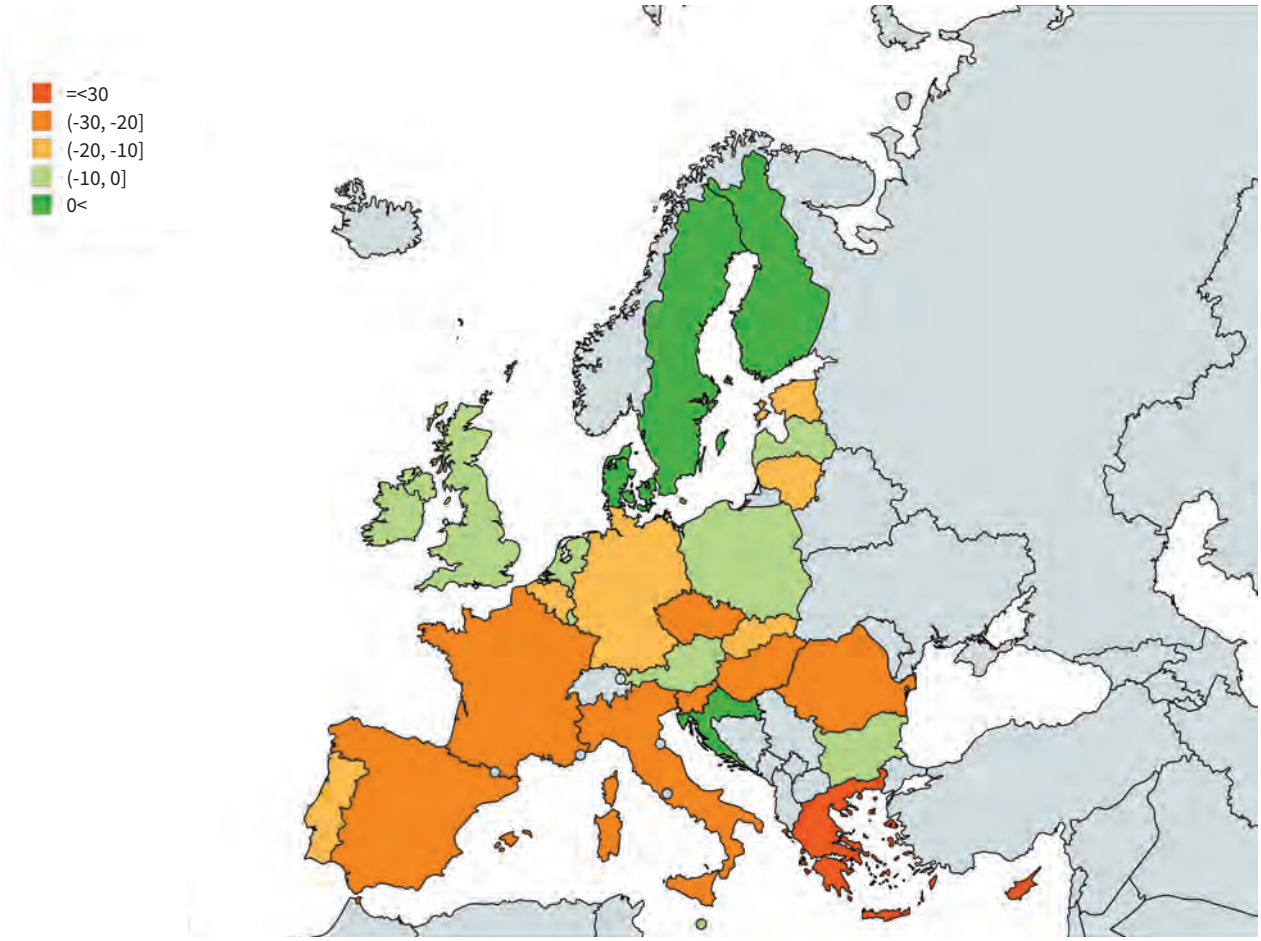


Note: *Percentages are of the population aged 15 and over. The numbers after each year refer to the Eurobarometer edition.*
Source: *Authors' calculations based on Eurobarometer*

3 More detailed results of analysis are presented in a technical report that accompanies this report and is available in the form of a working paper at eurofound.link/ef18036.

4 EU citizens also tend to have more trust in the European Court of Justice than other EU institutions.

Figure 9 Change in trust in EU institutions, EU28, 2004–2016 (percentage point change)



Source: *Authors' calculations based on Eurobarometer.*

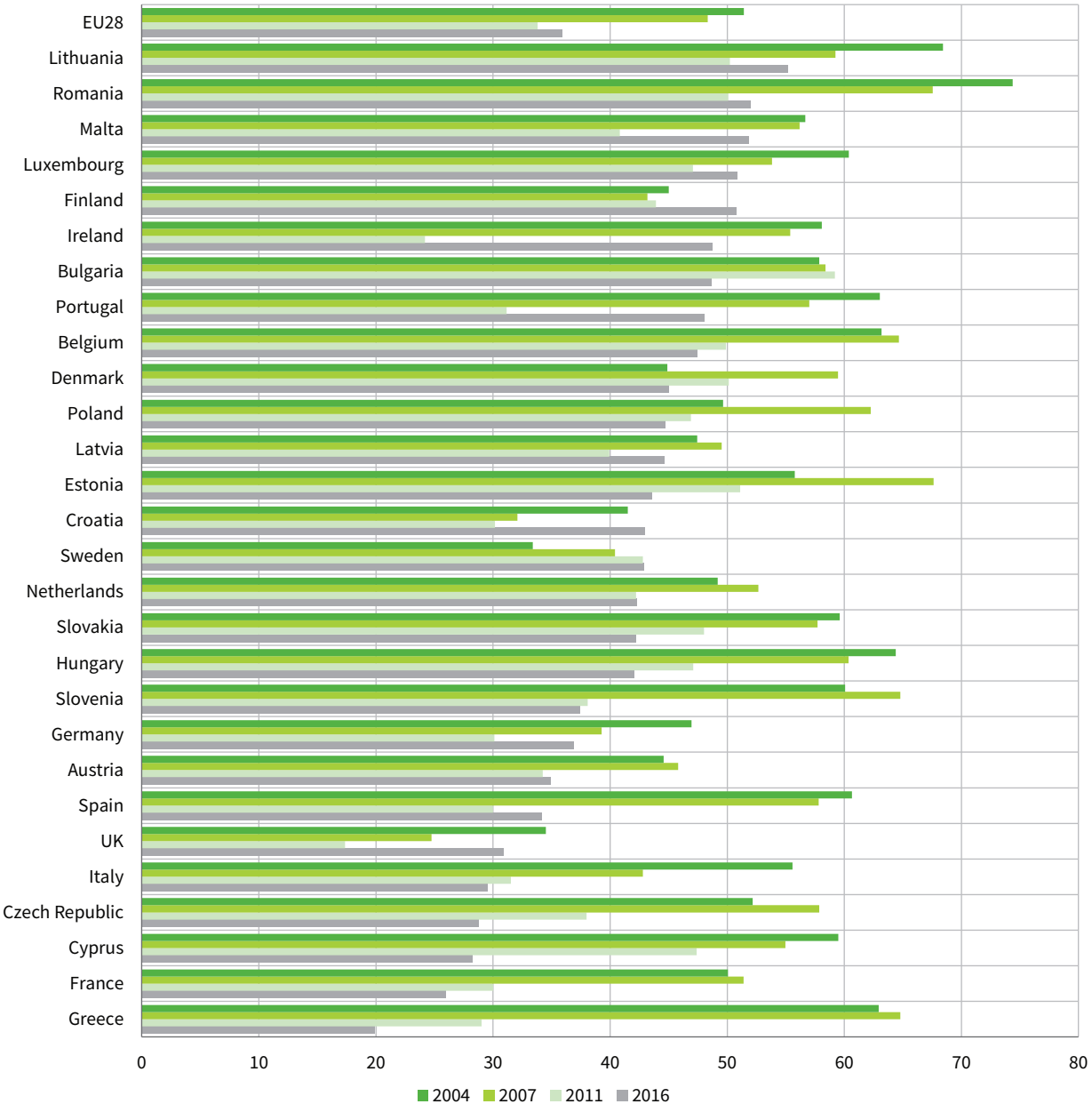
following the financial crisis. Some sources argue that the deterioration in the economy, the crisis and the problems in the banking sector resulted not only in a lessening of confidence in the ECB, but also in a general fall in trust in EU institutions (Ehrmann et al, 2013).

The sharpest reductions in trust in the EU between 2004 and 2016 occurred in countries most severely affected by the economic downturn: Greece (-43 percentage points), Cyprus (-31 percentage points) and Spain (-26.5 percentage points) (Figure 9). In Ireland, trust in the EU declined dramatically when the country was hit by the crisis (-34 percentage points between 2004 and 2011; with just one person in four having confidence in the EU in 2011), but confidence was restored as the country recovered, with almost half (49%) of the population expressing trust in the EU in 2016.

In these countries, trust in the EU declined in parallel to the decline in trust in national institutions. In Spain for instance, trust in political parties dropped abruptly following corruption scandals and poor management of the crisis: in 2017, only 7% of people reported having confidence in political parties compared with 40% in 2008. In Greece, the figure was only 4% in 2017 compared to 17% in 2008. Moreover, the government crises in France and Italy might have resulted in a loss of confidence in national government policy and in the capacity of governments to cope with the economic crisis and to support the European project (trust in the EU dropped by 24 percentage points in France and 26 percentage points in Italy between 2004 and 2016).

In contrast, in two countries (Finland and Sweden) trust in the EU increased over the period despite GDP in real terms being 3% lower in 2016 than in 2008 when the crisis hit, but in these countries it seems that the economic decline was perceived as being more a result of domestic factors than of external ones. In Lithuania and Romania, the level of trust remained high despite a slight decrease. Both of these countries have always had a higher level of trust in the EU than other countries in the region, which suggests that their populations are more optimistic about the EU in general or value the positive changes that occurred after EU accession more. On the other hand, in the case of Romania, it may be that perceived issues in the national government by some part of the population put the EU in a favourable light.

Figure 10: Trust in EU institutions, 2004–2016 (%)



Note: *Countries are sorted according to data in 2016.*
Source: *Authors' calculations based on Eurobarometer.*

Despite the increase in trust in the EU in some countries after 2011, by 2016 it had not returned to the levels reported for 2004 and 2007 in the majority of Member States (see Figures 9 and 10). There were just five Member States where over half of the population had confidence in the EU (Lithuania, Malta, Luxembourg and Finland) compared with six Member States where less than a third had confidence in the EU (Greece, France, Cyprus, the Czech Republic, Italy and the UK) in 2016.

Relationship between trust in national institutions and trust in the EU

This section aims to provide a better understanding of the nature of the relationship between trust in national institutions and trust in the EU. This has important policy implications because it gives an insight into whether trust in the EU can be achieved independently of changes in trust in national institutions.

Table 1: Relationship between trust in EU institutions and trust in national institutions, 2004–2017

	Trust in the EU	Trust in European Parliament	Trust in European Commission	Trust in European Central Bank	Trust in Council of the Ministers of the EU	Trust in Court of Justice of the EU
Trust in national government	0.805***	0.659***	0.675***	0.632***	0.828***	0.620
Trust in national parliament	0.891***	0.798***	0.800***	0.778***	0.854***	0.706*
Trust in political parties	0.577**	0.501*	0.518**	0.582**	0.537*	0.216

Note: **** signifies that the correlation coefficient is significant at the 0.1% level, ** significant at the 1% level and * significant at the 5% level.*
Source: *Authors' calculations based on Eurobarometer.*

Changes in trust in EU institutions tend to be closely related to changes in trust in national institutions. According to the literature, trust at national and EU levels might move in parallel ('congruence'), because people might extrapolate their experience of national institutions to the supranational level (see Muñoz et al, 2011). An alternative hypothesis is that trust in national institutions and the EU might be inversely related (a 'compensation' or 'substitution' effect). People living in countries with well-performing institutions might be less willing to support transferring sovereignty to a supranational institution, while those living in countries with low-performing institutions may have reason to place greater trust in EU institutions.

Table 1 shows the correlation (that is, the linear relationship) at EU level between the proportion of people who trust in national institutions and the proportion of those who trust in EU institutions over the period 2004–2017. Trust in the EU has a strong and significant positive correlation with trust in national governments and national parliaments. When the share of people with confidence in national governments or parliaments increases, the share of those who trust in the EU also increases, and conversely, when trust in national governments or parliaments decreases, trust in the EU also decreases. In addition, there is a strong positive relationship between trust in national parliaments and trust in the European Parliament, the European Commission, the ECB and the European Court of Justice.[5] Accordingly, a decline in trust in national parliaments will tend to be associated with a parallel reduction in respect of EU institutions. Attitudes towards national political institutions seem to play an important role in shaping attitudes towards EU institutions, as underlined in the literature (Muñoz et al, 2011; Radu, 2016; Obydenkova and Arpino, 2017).

Analysis at country level for the period 2004–2017 (see technical report) confirms the results presented above. When statistically significant,[6] the relationship between the proportion of people trusting national institutions and the proportion of people trusting EU institutions is positive in the majority of cases. This implies that an increase in the proportion of people who trust in national institutions is linked to an increase in the share of people with confidence in EU institutions, and conversely, a decrease in trust in national institutions is linked to a decrease in trust in EU institutions.

It is then important to determine whether the changes concerned are similar in scale or not. For the EU as a whole, while the proportion of those who had confidence in national government declined by 2.5 percentage points between 2004 and 2016, the proportion that had confidence in the EU fell by 15.5 percentage points, which may point to a blame-shifting effect to a certain extent. This effect is also evident in many countries where the correlation is significant, for instance, France and Italy, where trust in the national government declined by around 13 percentage points in both cases and trust in the EU fell by around 25 percentage points. In Greece, on the other hand, the reduction over the same period in the proportion of people with confidence in the national government and the proportion with confidence in the EU was much the same, at just over 40 percentage points each.

Although trust in national institutions and trust in EU institutions tend to be positively correlated, in some countries, for instance, the Czech Republic, Finland Hungary, or Estonia, the correlation tends to be low and statistically insignificant. In a small number of countries, a negative correlation between trust in national institutions and EU institutions has been found. One example is Poland, where a significant

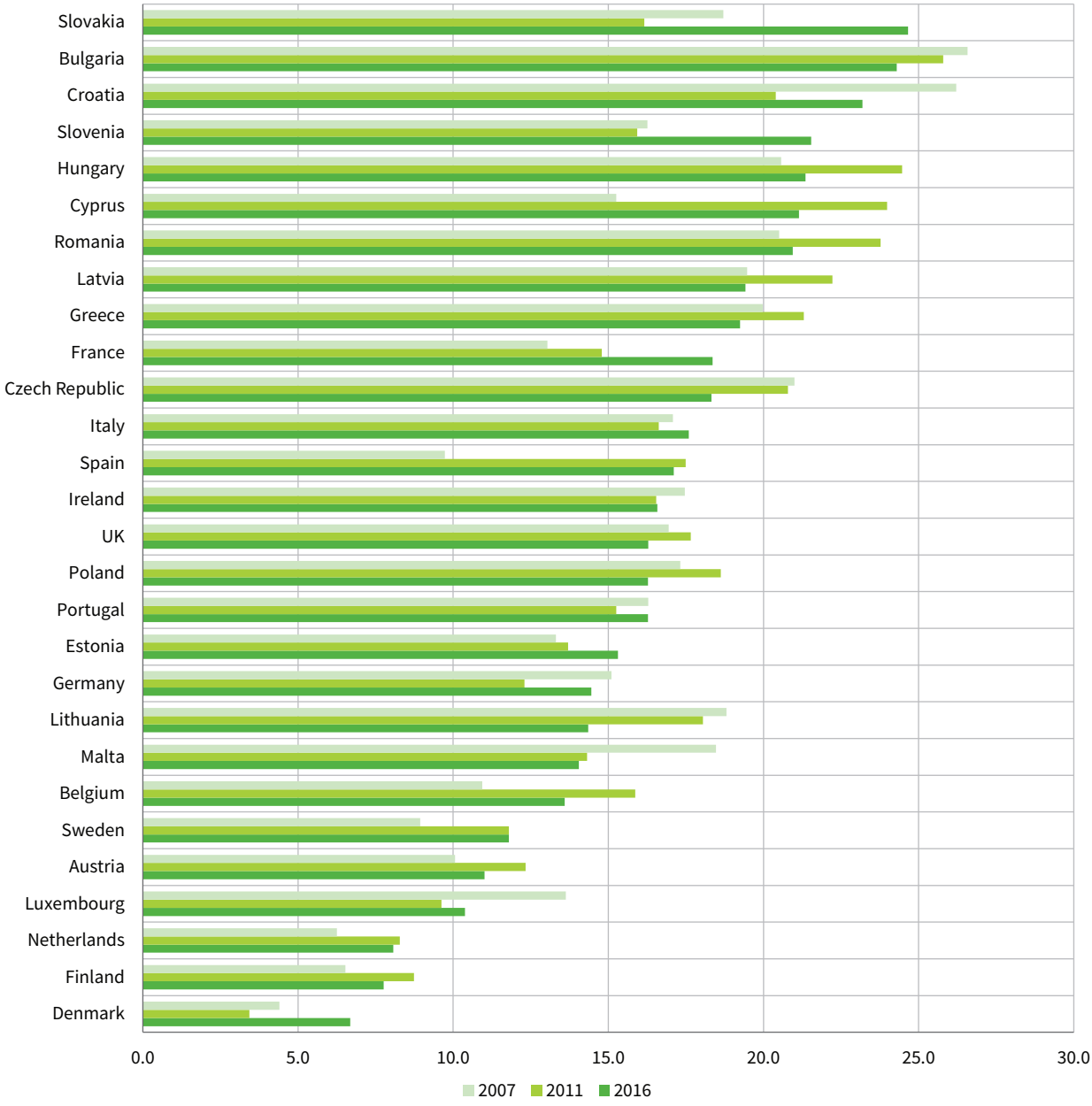
5 However, the findings for the correlation coefficients between the proportion of people trusting the Court of Justice of the EU and the proportion of people trusting the selected national institutions have limited reliability because of the relatively small number of observations (i.e. Eurobarometer waves) available for the analysis.

6 The relationship is statistically significant for all Member States, with the exception of Germany, Hungary and Finland.

negative correlation exists between trust in political parties and trust in the EU.[7] In addition, over the 2004–2017 period, when the proportion of people trusting national institutions declined, the proportion trusting the ECB increased in Germany, which might also be interpreted as a substitution effect.

One possible mechanism through which an inverse correlation between trust in national institutions and trust in the EU could arise is when people perceive increasing corruption in national institutions and this leads them to trust the EU more. The data shows, however, that there is no simple relationship between the proportion of people trusting the EU and the perception of corruption at national level. The change in the proportion of people having confidence in the EU over the 2007–2016 period does not seem to be related to changes in the perception of corruption at national level (see the analysis in the technical report).

Figure 11: Evolution of trust in institutions (under 60% of median) (%)



Note: *Countries are sorted according to data in 2016.*
Source: *EQLS, own calculations.*

7 This means that over the period 2004–2017, while the share of people with confidence in political parties diminished, the share of those with confidence in the EU increased.

To conclude, a positive relationship between the proportion of people trusting national institutions and the proportion of people trusting EU institutions exists in the majority of countries. In some countries, such as France and Italy, trust in the EU declined much more than trust in national institutions, suggesting a blame-shifting effect. A negative relationship between trust only seems to apply in a few countries (for instance, Poland) or in the case of some institutions (for instance, trust in Germany in the ECB).

Inequalities in trust levels

Distribution of trust in institutions accross the EU

Behind the averages of trust in institutions, there is of course a more complex distribution of trust in the societies studied. One possibility to establish the dispersion of trust is to describe how the proportion of those with low trust evolved during the period. In the following analysis, those with low trust have been defined as people who have a trust level lower than 60% of the median trust level in the country in a given year. Using this relative definition of low trust is useful in focusing on the dispersion of trust responses rather than changes in average levels of trust. Figure 11 shows the changes in the proportion of those with low trust in Member States.

In 2007, the proportion of those with low trust was lowest in the northern European countries, where fewer than 9% of the respondents had low levels of trust relative to the median trust level. The highest levels of low trust were found in Bulgaria and Croatia, where more than 25% of the respondents had low levels of trust. In many countries the proportion of those with low trust increased by 2011 (some 14 countries), while those experiencing a decline were less numerous (five countries). Between 2011 and 2016, 10 countries recorded a declining percentage of those with low trust, while in other countries such as Slovenia, Slovakia, France, Croatia, Denmark, Germany and Estonia the proportion of those with low trust was higher in 2016 than in 2011. Overall, during the entire period, 12 countries recorded an increasing occurrence of low trust, while this percentage declined in 6 countries. Even if the percentage with low trust increased over the period in the northern European countries, these remain the countries with the lowest occurrence of low trust. In 2016, Slovakia had the highest percentage of respondents with low trust.

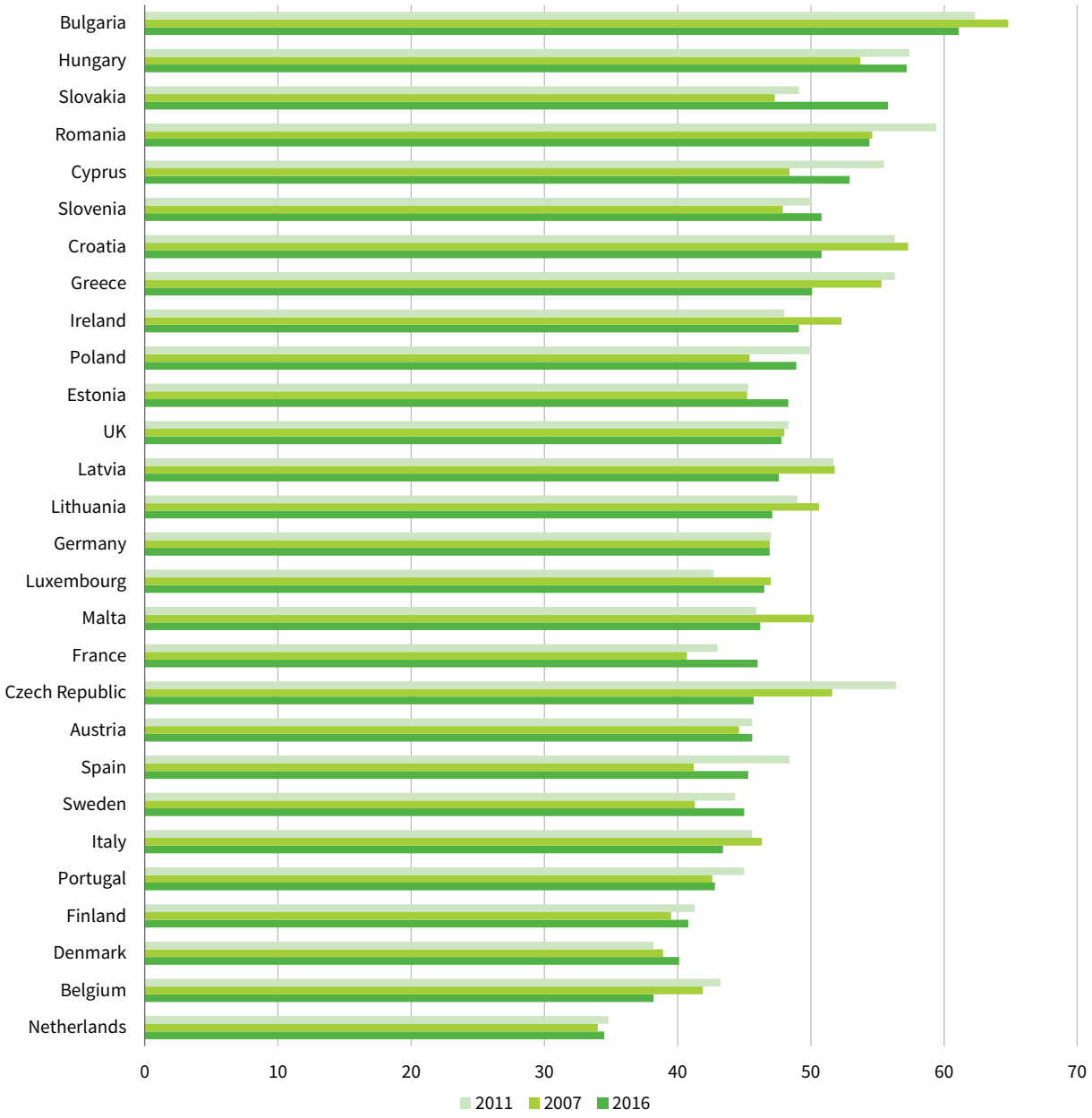
The dispersion of trust can also be described by using aggregate dispersion or inequality indices such as the standard deviation or the Gini index. Although the original trust variables are measured on an ordinal scale, the composite variables of trust in this analysis are not ordinal as they were calculated by averaging several items related to trust in institutions. These variables are based on the assumption that the numbers used for coding trust levels are cardinal numbers. On the other hand, they are still bounded, with 1 being the lowest possible value and 10 being the highest possible value. The literature indicates that this poses a problem for inequality measurement: thus, a normalised version of the Gini index based on Wagstaff's approach (as per O'Donnell et al, 2016), was employed for this report. This index is suitable for use with bounded variables. These normalised Gini indices can take values of between 0 and 1, with higher values indicating a greater inequality of trust (where 0 means an equal distribution of trust and 1 corresponds to a situation of maximal inequality).

As Figure 12 (and Table A1 of the Annex) shows, between 2007 and 2011 the inequality of overall trust in institutions increased the most in Spain and Cyprus (+7 points, referring to a range of Gini coefficient expressed as 0–100). In Poland, Romania and the Czech Republic inequality was also greater in 2011 than in 2007 by close to 5 points. Overall, 14 countries recorded increasing inequality between 2007 and 2016. In the same period, a few countries recorded falling inequality in trust in institutions. Inequality declined the most in Malta, Luxembourg and Ireland (-4 points), but also in Bulgaria and Lithuania. Between 2011 and 2016, when average trust in institutions increased in most countries, inequality declined in 13 countries. In the Czech Republic inequality declined by 11 points, and in Croatia and Greece by 6 points. During this period, the inequality of trust in institutions increased in six countries, most significantly in Slovakia (+7 points) and France (+4 points).

Polarisation of trust across social groups

This section describes the differences in dynamics of trust in national institutions between different societal groups. Previous research suggests that differences in trust levels might be larger between groups than between countries (Zmerli and Hooghe, 2011). However, the question investigated here is not which groups have higher or lower levels of trust in institutions, but which groups exhibited the largest change in trust in institutions in the period of the economic crisis and the years that followed the recession. First, changes in trust in institutions will be analysed according to basic socioeconomic variables, such as gender, age, education, employment status and income. In addition, it is also assumed that people with declining trust are not necessarily those whose trust level (and social status) is generally low, but those who perceive threats to their social status. The analysis will also give specific attention to the situation of the middle class, assuming that some economic and political problems have created growing anxieties among middle-class people, while, on the other hand, it is generally assumed that a strong middle class is a condition of stable democracy.

Figure 12: Inequality of overall trust in institutions, 2007, 2011 and 2016



Note: *A measured by the normalised Gini index. Countries are sorted according to data in 2016.*
Source: *Authors' calculations based on EQLS.*

As perceptions about the quality of public services have been demonstrated to affect trust in institutions, the analysis also investigates whether changes in trust in institutions are similarly correlated with this factor. Making use of the concept of social cohesion (Acket et al, 2011) it is also assessed if people who perceive growing social tensions and feel isolated experience a greater loss of confidence in institutions.[8] The following section discusses the most important results of this analysis, while additional figures can be found in the technical report.

The two periods, 2007–2011 and 2011–2016, are reviewed separately, as drivers of change in trust in institutions might be different during the crisis period and during the period of economic recovery that followed.

8 For every individual-level variable of interest, tests were carried out to explore whether the change in trust in institutions in a given country was statistically different for the two extreme categories of that variable. For example, in the case of education, tests were conducted to see if the change in trust in institutions between 2007 and 2011 was different between those with a low level of education and those with a high level of education. To test whether the difference between subgroups is statistically significant, separate linear regression models were run, with the grouping variable interacted with the time dummy. The coefficient of the interaction term shows the difference between the changes of trust in institutions in the categories of the grouping variable.

2007–2011: Income and educational differences

First, the results are summarised for the overall trust variable in the period of the economic crisis, between 2007 and 2011. Differences between genders in terms of change in level of trust were only statistically significant in three countries: in Poland and Slovenia, trust in institutions declined more among men and less among women, while in Austria trust declined more strongly among women. Statistically significant differences between age groups were found in six countries. Although the economic crisis hit the young hard while the elderly were less affected, there were only three countries (Italy, Finland and Sweden) where trust in institutions declined more among the young (aged 18–34) and declined less for the oldest age group (65+), while in other countries (Estonia, France, Cyprus) the pattern was reversed.

With regard to labour market status and position in social stratification, trust generally declined most among those in low-status positions (for instance, low education or low income). In a number of countries (France, Denmark, Estonia and the Czech Republic) statistically significant differences in terms of trust between the less well educated (those with lower secondary education or below) and those with tertiary education were found; in most cases, there was a greater decline in trust in institutions among the less well educated. The only exception was Austria, where trust in institutions declined more for those with tertiary education.

In the case of income, respondents were grouped in four equal sized groups: those with low incomes (defined as being in the lowest quartile of the income distribution), the lower-middle quartile, the upper-middle and the upper quartile of the distribution. Here, the focus is on differences between the low income and the high income quartile, while differences between the middle-income groups will be analysed in a separate section. Results show a more significant drop in trust in institutions among those with low incomes in five countries (Estonia, Spain, Slovakia, Latvia, Cyprus), while only one country (Austria) shows an inverted pattern where trust declined more among those with a high income. In other countries such as Portugal and Romania, the largest decline in trust in institutions is observed among the middle class. In Greece, Cyprus, Slovenia and Slovakia the middle class show similar results to those with low income, with a more significant decline of trust in the middle class than in those with high income. Likewise, in Austria, the middle class is more similar to those with low income, although in this case both show a more moderate decline in trust compared to those with high income.

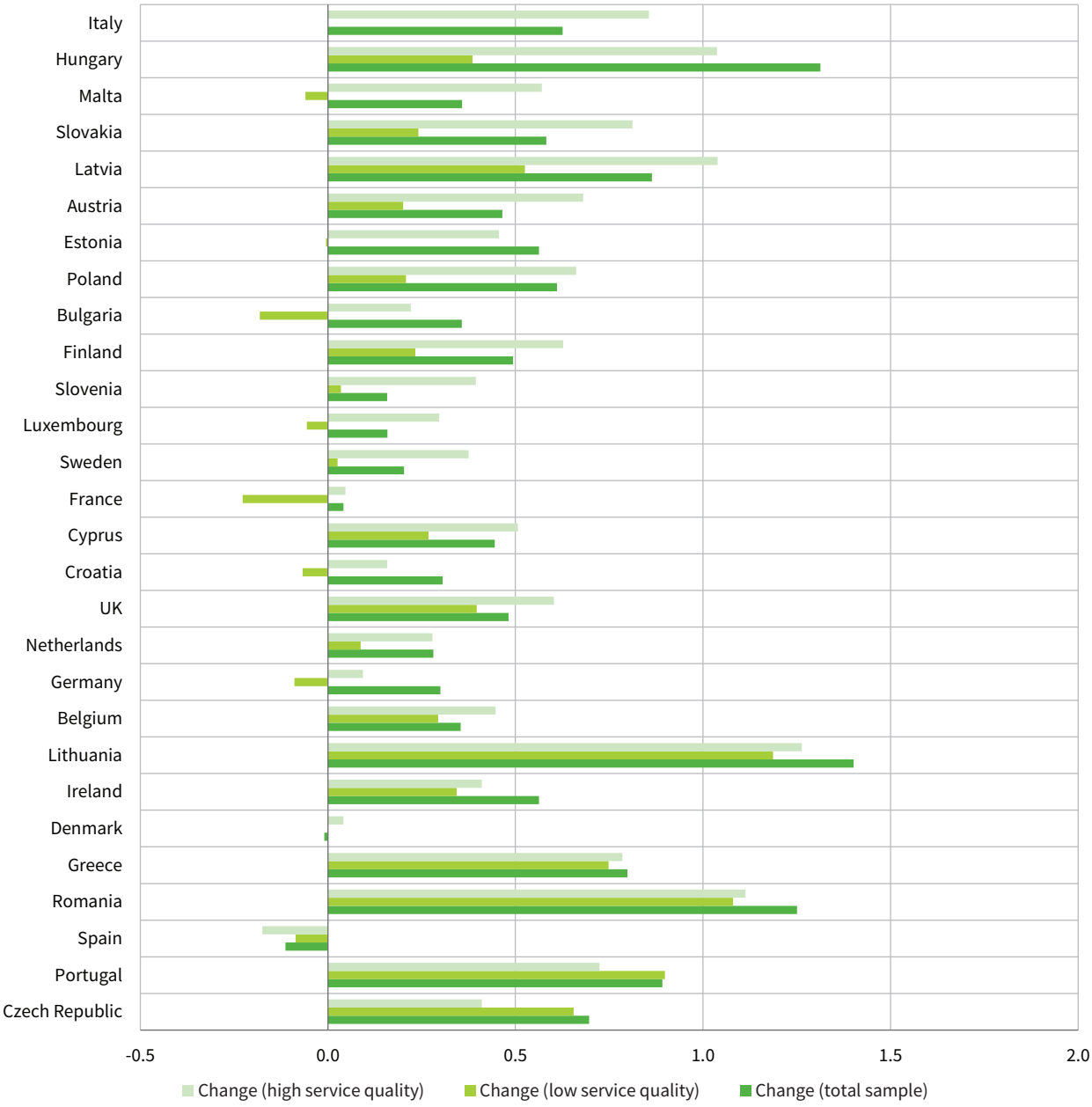
To sum up the results for the overall trust variable, in the first sub-period (2007–2011) the most important grouping variables proved to be education and income status. The picture is similar when the trust in each different type of institution is analysed separately. In the case of trust in political institutions, education appears to be the variable where the highest number of countries with statistically significant differences are found. In the case of trust in non-political state institutions and in the media, the most important grouping variables are education and income.

2011–2016: Perceived social exclusion and differences in quality of public services

During the second, post-crisis sub-period (2011–2016), the most important grouping variable is perceived quality of public services and perceived social exclusion. Although significant differences can be found between educational and income groups, as well as between groups based on social tensions in 5–6 countries, perception of service quality and social exclusion is important in twice as many cases (in 11 countries).

Perception of quality of public services was earlier identified as an important predictor of trust in institutions as it represents a measure of the outcome of the functioning of institutions. To investigate the impact of this factor, three categories of respondents were created, based on the EQLS items related to perceptions of service quality. The EQLS asks respondents about their evaluation of the quality of healthcare, education, public transport, childcare and state pension services in the EQLS 2007, EQLS 2011 and the EQLS 2016, with responses coded on a 10-item scale. Respondents were categorised based on their average perception of service quality regarding these items: those perceiving low service quality are defined as people who scored lower than the 33rd percentile in EQLS 2007, while those perceiving high service quality are those who had a higher score than the 66th percentile in the EQLS 2007. Between 2011 and 2016, differences in the dynamics of trust in institutions between groups based on perceptions of quality of public services were found in almost half of all countries (see Figure 13). Countries with a significant difference were Sweden, Luxembourg, Slovenia, Finland, Poland, Estonia, Austria, Latvia, Slovakia, Malta, Hungary and Italy. In every country where a significant difference was found, the increase in trust was significantly greater among those who perceived high public service quality than among those who perceived low service quality.

Figure 13: Change in trust in institutions by perception of public service quality, 2011–2016

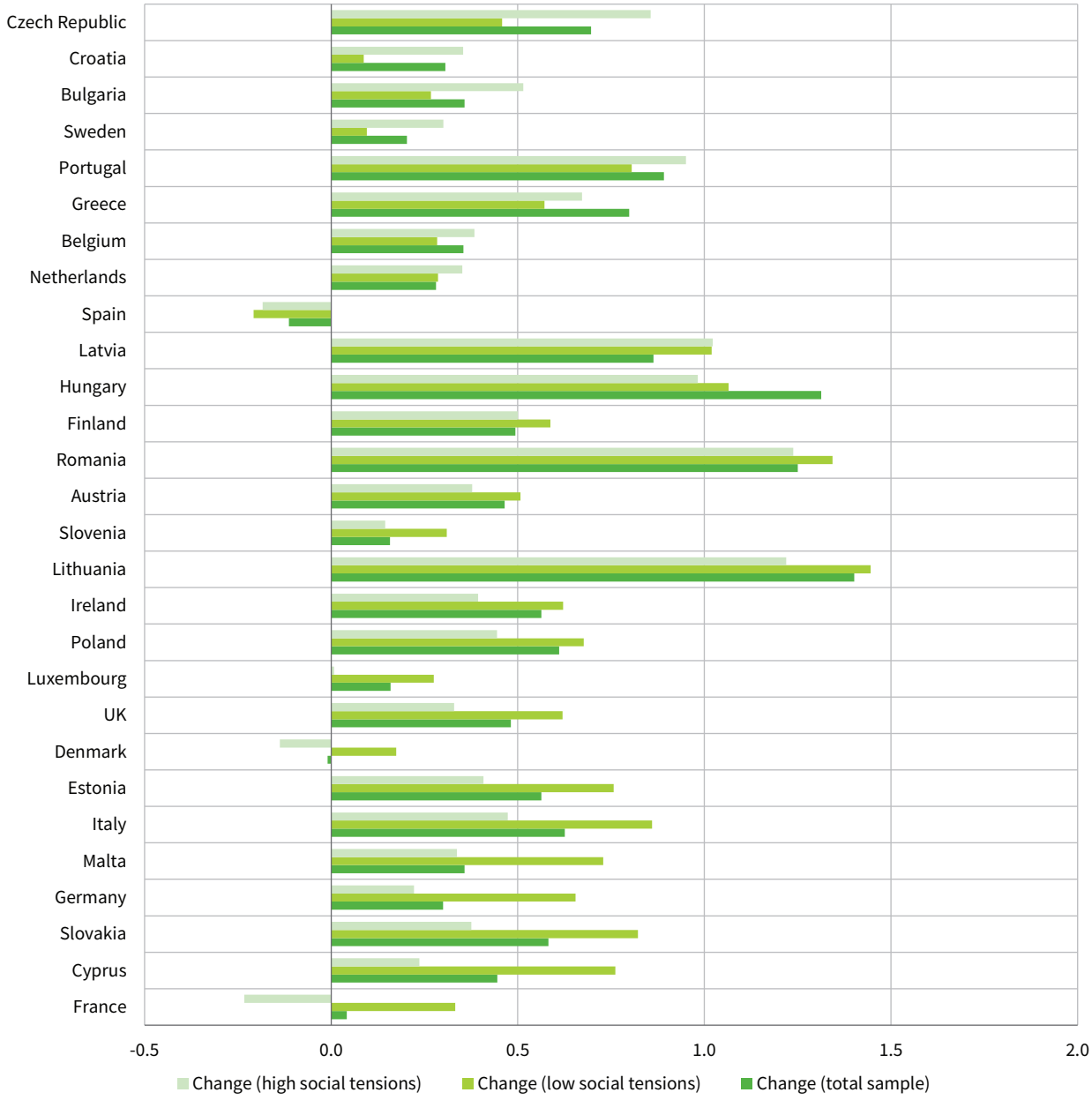


Notes: *Countries are sorted according to the difference in trust between groups perceiving service quality as high and those perceiving it as low. Trust measured on 10-point scale where 1 = 'do not trust at all' and 10 = 'trust completely'.*
Source: *Authors' calculations based on EQLS*

Feeling oneself to be socially excluded is likely to be associated with diminished trust in institutions. The perceived social exclusion index refers to the overall average score from responses to four statements. These are: 'I feel left out of society', 'Life has become so complicated today that I almost can't find my way', 'I don't feel that the value of what I do is recognised by others' and 'Some people look down on me because of my job situation or income'. These are coded on a 5-item scale (where 1 means 'strongly disagree' and 5 means 'strongly agree'). Between 2011 and 2016, the change in trust in institutions differed by perceptions of social exclusion in 11 countries. In nine of these countries, trust increased less among those who felt socially isolated compared to those who perceived less social exclusion.

Perceiving tensions between different groups in society is also associated with diminished trust in institutions. The grouping based on the perception of social tensions is based on a set of items which asks respondents whether they perceive tensions ('no tension', 'some tension' or 'a lot of tension') in society between the poor and the rich, workers and employers, men and women, old and young, different racial and ethnic groups, and different religious groups. Respondents were categorised based on the average perceived tension

Figure 14: Change in trust in institutions by perception of social tensions, 2011–2016



Notes: *Countries are sorted according to the difference in trust between groups perceiving tensions as high and perceiving low tensions. Trust measured on 10-point scale where 1 = 'do not trust at all' and 10 = 'trust completely'.*
Source: *Authors' calculations based on EQLS*

according to the items. Those perceiving low social tension are those who had a lower score than the 33rd percentile in the EQLS 2007, while those perceiving high social tension are those who had a higher score than the 66th percentile in the EQLS 2007.

Figure 14 shows the differences between groups based on their perception of social tensions. A statistically significant difference between those perceiving low and high social tensions can be found in six countries: France, Cyprus, Slovakia, Germany, Italy and Denmark (in Malta and Estonia the difference is not statistically significant). In all of these cases, the increase in trust in institutions is greater among those who perceive a low level of social tension.

The divergences between the categories of the grouping variables were also studied separately for different types of institutions. In the case of trust in political institutions and trust in non-political state institutions, perception of social tensions and of public service quality were the most important grouping variables. These are the variables according to which changes in institutional trust differ significantly in the largest

number of countries. In the case of trust in the media, perception of service quality is by far the most important grouping variable within countries. Changes in trust in the media differ by levels of perceived public service quality in 17 countries.

Differences in trust – income groups

This section presents differences in trust in institutions between income groups over time, covering both periods discussed above. In particular, the results concentrate on the differences in overall trust between two middle income quartiles with a view to determining whether or not there is any polarisation between them in this respect. This focus is driven by a growing interest in social inequalities and, in particular, the situation of the middle class in Europe, including their perceptions and views on society as well as on institutions.

As Figure 15 illustrates, trust dynamics for all income quartiles in most countries followed the general pattern discussed previously: a decrease of trust in institutions during the years of economic crisis (2007–2011), and a certain recovery afterwards in 2016. There are notable exceptions, such as an overall trend of declining trust in Spain, with differences between income groups remaining relatively small. The opposite trend has been captured in the UK, with overall trust going up over the period discussed. Similarly, there has been a rise in trust in institutions for all income groups in Germany, but in particular for the third income quartile.

In an earlier section, differences between those with low incomes and high incomes have already been discussed, but there is increasing concern also about the polarisation of the middle groups, which means increasing distance between upper- and low-middle classes. Here the focus is whether polarisation of the middle groups has taken place in terms of overall institutional trust. Between 2007 and 2011, a statistically significant difference in the change in trust between the middle income quartiles can be seen in seven countries. In Belgium, Sweden, Estonia, Greece, Ireland and Slovenia, polarisation of trust was identified, since trust declined more among those in the lower-middle income quartile and the decline was less pronounced in the upper-middle quartile. The reverse pattern was only found in the case of Italy. Between 2011 and 2016, four countries – Bulgaria, Austria, Portugal and Italy – had the most important tendencies towards polarisation. In these countries, institutional trust increased more among the upper middle class compared to the lower middle. France and to some extent Greece and Slovenia are counter-examples, since institutional trust increased more among the lower-middle groups.

As a result of these polarisation tendencies, in 2016 for more countries than previously the differences in overall trust between the two middle income groups (higher middle or third income quartile, and lower middle or second income quartile) are statistically significant, and the differences between third quartile and the second quartile have grown larger – see Table 2. Even though there are nominal differences between the middle income groups at any point in time, there were only five countries in 2007 and four countries in 2011 where these differences in overall trust were statistically significant, and in some of those cases it was the lower middle income group that had a higher trust than the higher middle one. By 2016, there were eight countries in which the trust in institutions by Q3 was higher than trust by Q2 in a statistically significant way.

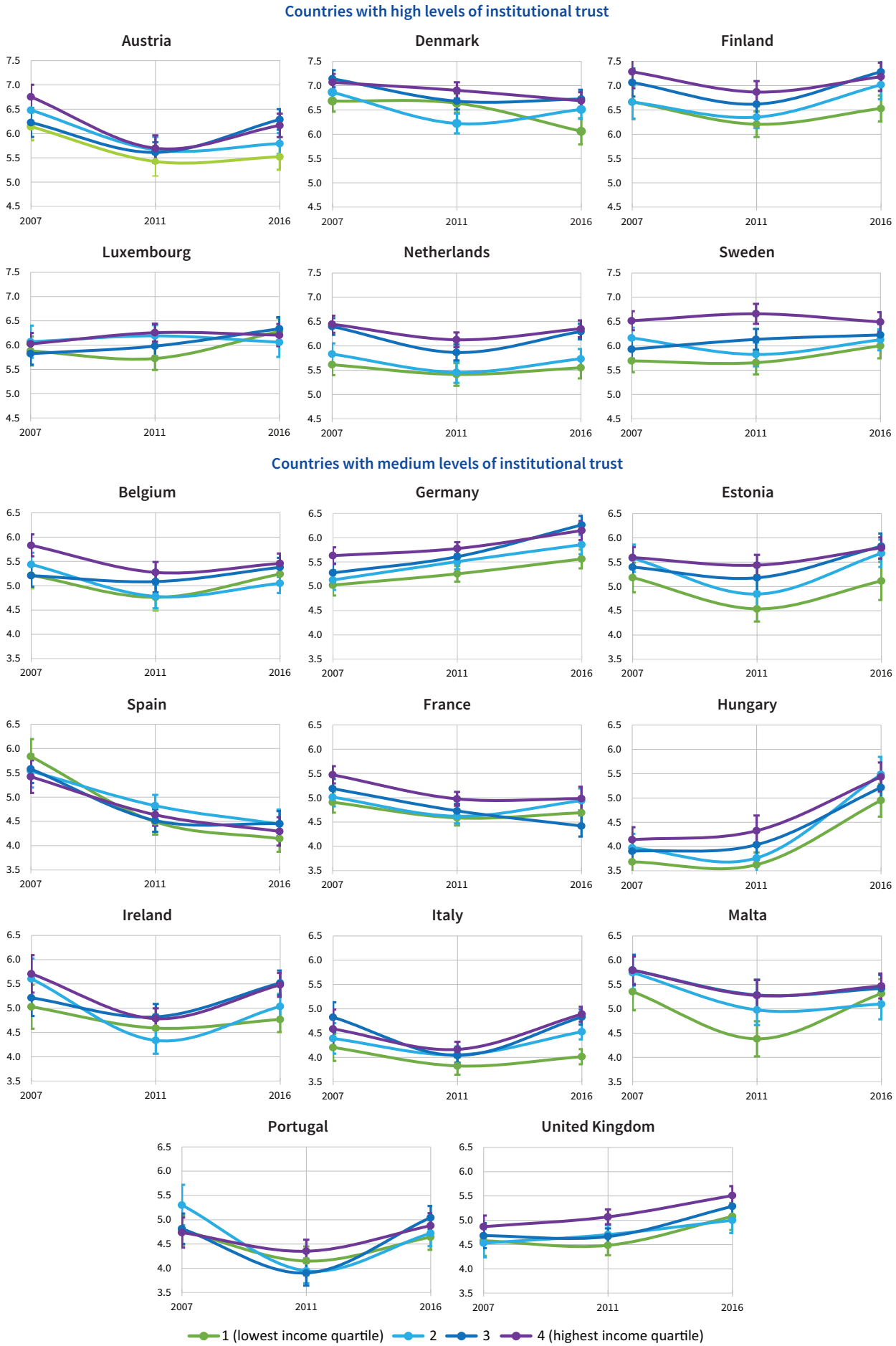
It may appear as a paradox that in some countries where the overall income inequality, as measured by the Gini coefficient, is relatively low, the gap between the middle income groups in terms of their trust in institutions in 2016 was among the largest, such as in the Netherlands, Czech Republic, Austria and Germany. On the other hand, some of the literature argues (see Wilkinson and Pickett, 2009) that being at the lower level of the ranking creates feelings of inferiority, which has a negative social effect even if the distance between the ranks is not particularly large. In certain countries, this gap in trust levels between the middle income groups has persisted over time: at all three points in time in the case of the Netherlands; in 2011 and 2016 in the case of Ireland.

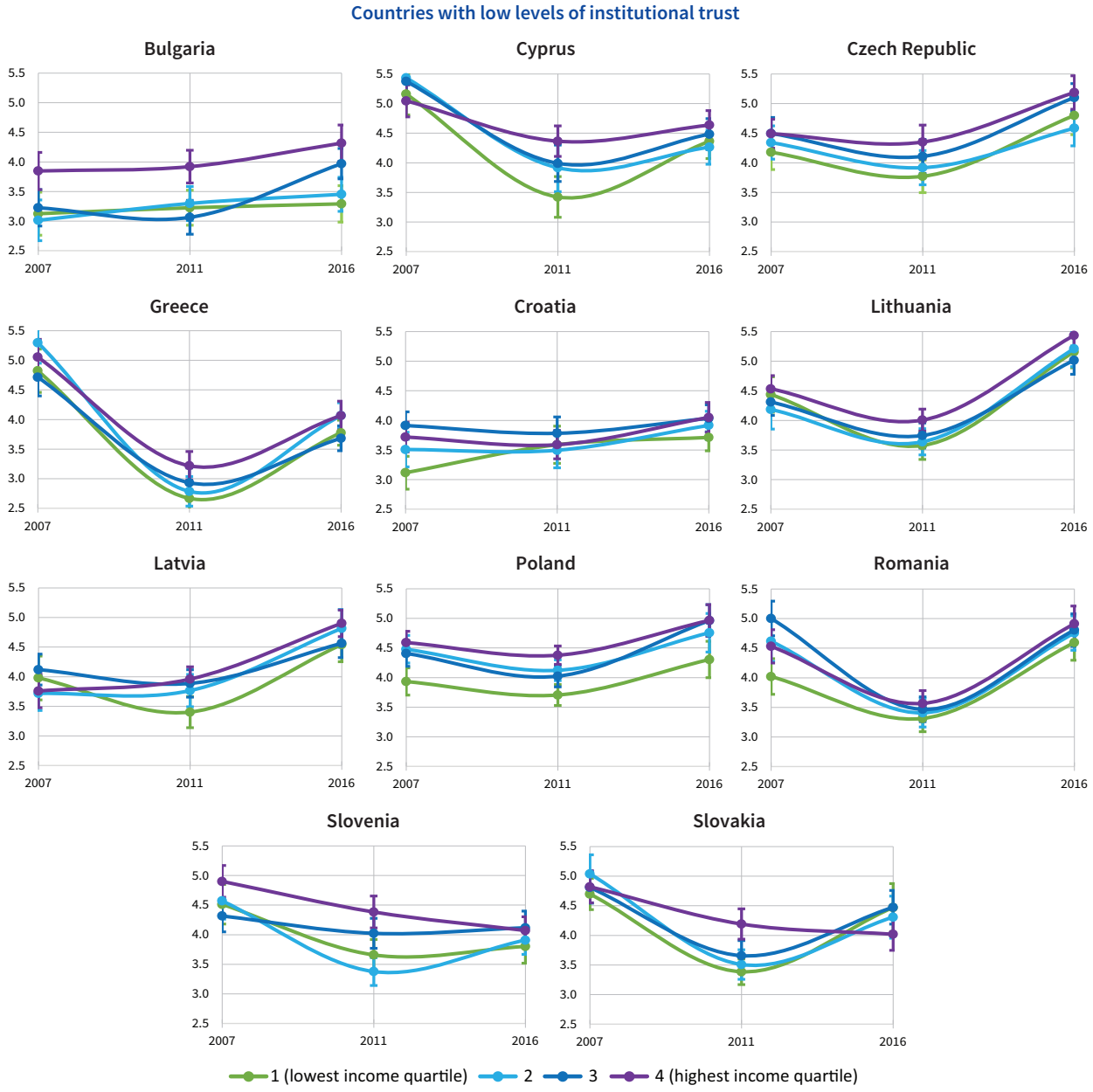
An exception to the above pattern is the situation captured in 2016 in France and Greece, where trust in institutions by the higher middle income group (Q3) was lower than that by the lower middle income group (Q2). In France, trust by the higher middle income group (Q3) declined most during 2007–2016 compared to change for other income quartiles, and was lower than that of any other income group.

The future exploration of differences in trust levels between the middle income groups would benefit from observation over a longer time period, and from a more systematic assessment of how far the higher middle income groups approximate with the top income groups and whether the lower income groups drift towards the bottom income group – in this case, in their trust levels. However, the current results seem to point to the emergence of a potential trend of polarisation within the middle. While this may be country specific, it would seem to call for the general need to monitor more closely not only the inequalities between the extreme ends of the distribution (rich and poor, such as the S80/S20 measure [9]) but also those that play out in the middle.

9 The S80/S20 ratio measures the relative disparity in the distribution of a given order of magnitude (wage, income, standard of living, etc.). For an income distribution, S80/S20 compares the mass of income held by 20% of the richest persons to that held by 20% of the poorest persons.

Figure 15: Overall trust in institutions, by income quartile, 2007, 2011 and 2016





Notes: *Trust measured on 10-point scale where 1 = 'do not trust at all' and 10 = 'trust completely'. For comparing the quartiles within each survey year, vertical lines around each estimate show 95% confidence intervals. Estimates with overlapping confidence intervals can be considered as not differing significantly from each other.*
Source: *Authors' calculations based on EQLS*

Table 2: Differences in overall trust between middle income quartiles

Country	Difference in overall trust between Q3 and Q2			Difference between change in trust of Q3 and change in trust of Q2 over respective time periods		
	2007	2011	2016	2011–2007	2016–2011	2016–2007
Netherlands	0.6**	0.4**	0.6**	-0.2	0.2	0
Czech Republic	0.2	0.2	0.5**	0.0	0.3	0.4
Bulgaria	0.2	-0.2	0.5**	-0.4	0.8**	0.3
Austria	-0.3	-0.1	0.5**	0.2	0.6**	0.7**
Ireland	-0.4	0.5**	0.5**	0.9**	0.0	0.9**
Germany	0.1	0.1	0.4**	0.0	0.3*	0.3
Belgium	-0.2	0.3*	0.3**	0.5**	0.0	0.6**
Portugal	-0.5**	0.0	0.3*	0.4	0.4	0.8**
Malta	0.1	0.3	0.3	0.3	0.0	0.3
Italy	0.4*	0.0	0.3**	-0.5*	0.3**	-0.1
United Kingdom	0.2	0.0	0.3	-0.2	0.3	0.1
Luxembourg	-0.2	-0.2	0.3	0.0	0.5**	0.5
Finland	0.4**	0.3*	0.3*	-0.1	0.0	-0.1
Cyprus	-0.1	0.1	0.2	0.1	0.1	0.3
Denmark	0.3*	0.5**	0.2	0.2	-0.2	-0.1
Slovenia	-0.3	0.6**	0.2	0.9**	-0.4*	0.5*
Poland	-0.1	-0.1	0.2	0.0	0.3	0.3
Slovakia	-0.2	0.1	0.2	0.4	0.0	0.4
EU28	0.1*	0.1*	0.1**	0.0	0.1*	0.0
Estonia	-0.2	0.3*	0.1	0.5*	-0.2	0.3
Croatia	0.4**	0.3	0.1	-0.1	-0.2	-0.3
Sweden	-0.2	0.3*	0.1	0.5**	-0.2	0.3
Romania	0.4*	0.1	0.1	-0.3	0.0	-0.3
Spain	0.0	-0.3*	0.0	-0.3	0.3	0.0
Lithuania	0.1	0.1	-0.2	0.0	-0.3	-0.3
Latvia	0.4*	0.1	-0.3	-0.3	-0.4	-0.7**
Hungary	-0.1	0.3	-0.3	0.3	-0.5*	-0.2
Greece	-0.6**	0.1	-0.4**	0.7**	-0.5**	0.2
France	0.2	0.1	-0.5**	-0.1	-0.6**	-0.7**

Notes: *Table shows overall trust in five institutions, measured on a 10-point scale. Colour coding indicates the magnitude of difference between Q3 and Q2 in a given point of time: red means that Q3 exhibits (much) higher trust than Q2, green means that Q3 has lower trust than Q2. The statistical significance of difference between Q3 and Q2 in a given year is assessed by comparison of means, with two-sided tests assuming equal variances. For assessing whether a change in trust over time for Q3 and Q2 was different in a statistically significant way, a linear regression model was used, by applying an interaction of income quartiles with the time dummy. The statistical significance of the coefficient of the interaction is reported.*
Source: *Authors' calculations based on EQLS*

Understanding the drivers of trust: key correlations

Multivariate analysis of trust in national institutions

Although establishing causality is especially challenging when using cross-sectional survey data, regression analysis is used here to demonstrate the relative weight of individual and macro-level factors as predictors of trust and change in trust over time. The analysis is based on EQLS 2007, 2011 and 2016.

The independent variables used in the regression models are presented in Tables 3 and 4. The dependent variable is one of the trust variables defined previously: overall trust in institutions and the variables regarding trust in different types of institution (trust in political institutions, trust in non-political state institutions and trust in the media). As the purpose of the analysis is to study determinants of changes in trust in institutions, all relevant individual-level and macro-level explanatory variables are included in the model that were measured by the survey on more than one occasion.

Table 3: Individual-level independent variables

Variables	Details
Demographic	Gender, age, urbanisation (countryside; village; medium town; city or suburb), health problems (self-rated health: bad or very bad), living alone in the household
Socioeconomic	Education (lower secondary or below, upper secondary, tertiary), labour market status (employed, retired, unemployed/inactive), income (quartiles of equivalised household income)
Perception of the quality of public services	Average of five EQLS items (see p. 28)
Perception of social exclusion	Average of four EQLS items (see p. 29)
Perception of social tension	Average of six EQLS items (see p. 29)
Three additional variables for the second sub-period (2011–2016)	
Perception of change in own financial situation	Those reporting that their financial situation had become worse in response to the following question: 'When you compare the financial situation of your household 12 months ago and now, would you say it has become better, worse or remained the same?' (Q98)
Satisfaction with economic situation of the country	Similar questions were asked in the EQLS in 2011 and 2016, albeit with slightly different wording (Q32 in 2016: satisfaction with the present state of the economy in country; Q40h in 2011: satisfaction with the economic situation in country) and as part of a series of different satisfaction items. The scale is the same in the two cases, with 1 meaning 'very dissatisfied' and 10 meaning 'very satisfied'.
Religious observance	Respondents who attended religious services once a month or more were defined as being religious.

Table 4: Macro-level independent variables

Variables	Details
Macroeconomic conditions	GDP per capita in Purchasing Power Standards (PPS) (Eurostat database table *nama_10_pc*, accessed on 14/04/2018)
Measures of income inequality	Quintile share ratio (S80/S20) of equivalised household disposable income (Eurostat database table *ilc_di11*, accessed on 14/04/2018).
Government integrity	Corruption Perceptions Index of Transparency International (Transparency International 2016), as an indicator of government integrity (the higher the index value, the less the perception of corruption)
Austerity	Decline in cyclically adjusted government expenditure, as a measure of austerity (% of GDP) compared to the previous year (European Commission, 2017b)
Election effect	Whether there was an election during the year prior to the survey

In the following analysis, multilevel random intercept regression models are used to study the effect of independent variables. Multilevel models are suitable for analysis of the data at hand because they take into account the correlation between individuals from the same country. These models allow for the introduction of group-level explanatory variables. They also allow for the estimation of correct standard errors for these variables (Snijders and Bosker, 2012). As the data used for the purpose of this report include individual respondents from different countries and there are surveys from multiple years for each country, three-level multilevel models are used.[10]

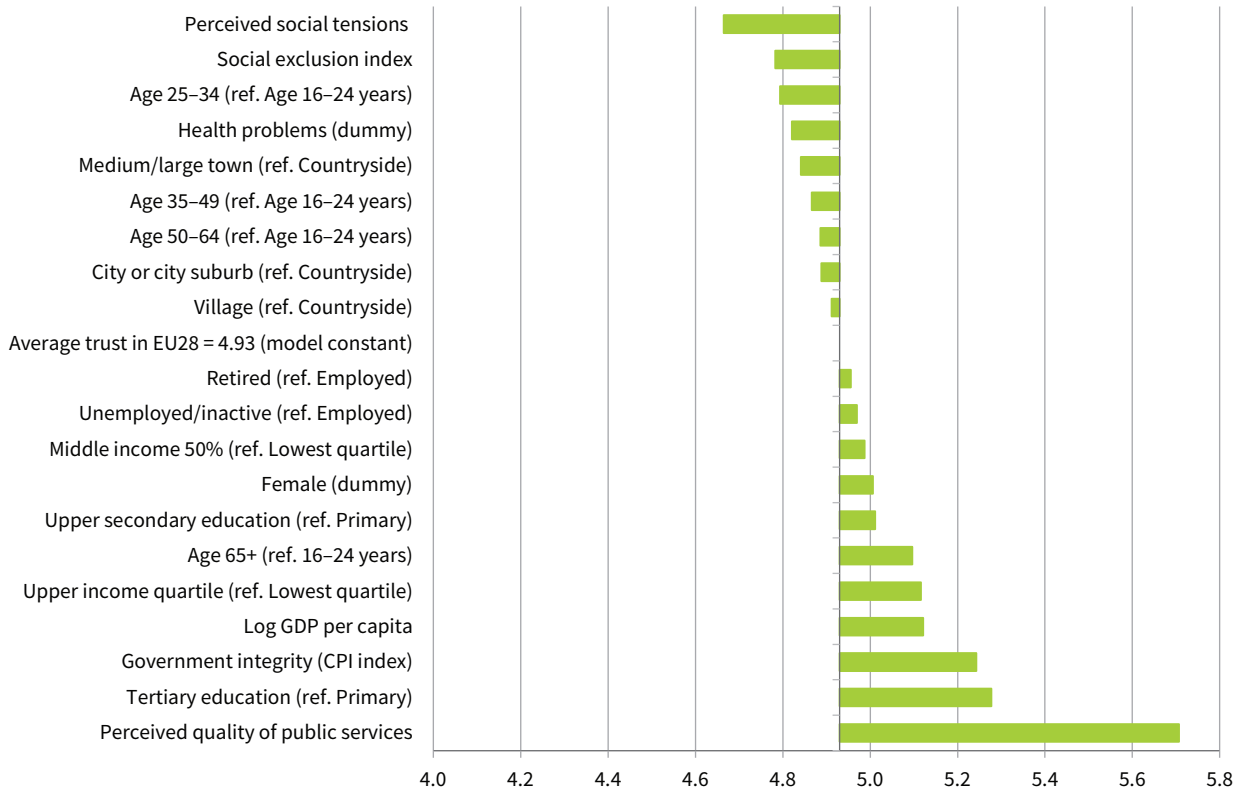
In the following model, all variables (dependent and independent) are centred to the grand mean (in other words, the EU average of the given variable).

Figure 16 shows what effect various factors have on overall trust in institutions. The effect size shown is based on standardised coefficients of explanatory variables; standardisation is important since variables with different measurement scales are being compared, and in this way of presenting, the effect sizes are comparable to each other.[11]

10 With suitable modification of the models, the effects of variation between countries and variation over time can be separately measured (see Snijders and Bosker, 2012; Fairbrother and Martin, 2013; Fairbrother, 2014).

11 In order to have the results presented in a comparative manner, 'an increase by one standard deviation' is used as a way of having the same means to express how a change of an independent variable impacts a change in a dependent variable (trust). Standard deviation measures the average distance of individual values of a given variable from the mean of its distribution.

Figure 16: Effects of individual-level and macro-level variables on trust in institutions



Notes: *Bar values show predicted institutional trust, fixing all other independent variables at their means. For continuous variables (e.g. quality of public services), the difference of the predicted value and the EU average of trust shows the change in trust in institutions when the variable is increased by one standard deviation. For dummy or categorical variables (these have a reference category identified in parentheses), the difference shows how trust by a given category of people differs from the reference category. Only those factors are displayed whose effect on overall trust is statistically significant; for a full set of variables examined, see Table A2 in the Annex. Effects of independent variables were estimated using random intercept models on pooled data from EQLS 2007, 2011 and 2016. N=87,075. Full details of the estimation can be seen in Table A2 in the Annex.*
Source: *Authors' calculations based on EQLS*

Results show that individual characteristics such as gender, age, education, income, health and urbanisation level affect trust. More specifically, women have more trust in institutions in general than men. Age has a non-linear effect on overall trust in institutions: the middle-aged have less confidence than the youngest age group (16–24 years old), while among the elderly trust in institutions is greater than among the young and the middle-aged. Health problems and living in large cities or towns have a negative effect on trust in institutions. Trust in institutions is also related to social status: those with a lower education level or low income have significantly less confidence in institutions than those with high education or income levels. For example, all else being equal, having been through tertiary education increases trust in institutions by 0.35 points (on scale 1-10) compared to those with primary education.

However, the other individual-level predictors that have biggest impact on overall trust in institutions are the perception of quality of public services and social tensions perceived. Perception of quality of public services is strongly associated with trust in institutions: a one standard deviation increase in the perceived quality of public services increases trust in institutions by 0.78 points. It is also clear from the regression results that lack of social cohesion is associated with low trust in institutions. When there is one standard deviation increase in perceived social tensions in society, overall trust in institutions declines by 0.27 points.

Among the macro-level variables, government integrity, as measured by the Corruption Perceptions Index, and GDP per capita has a significant positive effect on trust in institutions, while income inequality and austerity has no effect. If the Corruption Perceptions Index were to increase by one standard deviation (meaning that corruption is seen as getting lower), the overall trust in institutions would become higher by 0.3 points (on a scale of 1–10).

A further advanced analysis was carried out to examine in what way the country-level factors, such as corruption and GDP, affect trust: whether it is absolute levels (in other words, what is the effect of between-country variation) or the within-country

progress over time that counts. The results show that in the case of perceived corruption, the effect on institutional trust is mostly related to the differences between countries: institutional trust tends to be higher in countries with higher average levels of CPI (that is, lower perceived corruption). An increase in government integrity (increase of CPI) over time also has a positive coefficient on institutional trust, but it is not statistically significant. However, with regard to drawing conclusions, one should consider that perhaps the within-country changes in CPI over the period examined were not large enough or that longer periods are needed for CPI to change in order to have an impact on trust levels.

In contrast, in the case of GDP per capita, the changes within countries over time have a significant effect on trust in institutions: in years when the GDP is higher institutional trust also tends to be higher. On the other hand, the advanced analysis confirms that income inequality and austerity do not seem to significantly affect trust in institutions [12].

The importance of independent variables was also investigated separately for two sub-periods: the crisis years (2007–2011) and the following years (2011–2016). Among the macro-level variables, the level of the Corruption Perceptions Index significantly affects trust in institutions during the crisis years, while within-country differences in corruption over time seem to be important in the second sub-period that followed the economic crisis. During the crisis years, changes in GDP per capita also have an effect on trust in institutions, but this was not the case during the 2011-2016 period.

Results show that individual-level variables have similar effects in the two periods (see more details in technical report). The data available from EQLS 2011 and 2016 also allowed us to include additional control variables in the model for the second sub-period. Among these, satisfaction with the economy of the country significantly increases trust in institutions. Those who saw their financial situation worsening during the year tend to have lower levels of trust in institutions. The analysis also found that religious observance is associated with trust in institutions, with those defined as being religious tending to have greater trust in institutions.

Patterns of correlations detected in the case of trust in political institutions and trust in non-political state institutions are similar to those described above in the case of overall institutional trust (based on analysis of the pooled data of EQLS 2007, 2011 and 2016; see Table A3 in Annex). An important difference is that corruption seems to be important in the case of trust in political institutions, but in the case of trust in non-political state institutions and trust in the media, corruption perception does not appear to have any effect.

Multivariate analysis of trust in the EU

Based on Eurobarometer data, this section analyses changes in trust in the EU by taking into account individual-level and macro-level factors. It also examines how far the results are in line with those obtained for trust in national institutions from the EQLS data.

The first set of analysis looks at the effect of individual-level variables for four different years: 2004, 2007, 2011 and 2016. The variables described below are included in logistic regression models of trust in the EU.

The Eurobarometer data do not include income or the highest education level attained by individuals but they do include employment status and occupation. Accordingly, these two variables – employment status and occupation – are used as the proxy for the level of educational attainment and income. It is assumed that the higher the level of the occupation of the person (in terms of the skills and qualifications needed), the higher their level of education and income. Those out of work are assumed to have a lower level of education and income than those in work.

Recent literature on trust in EU institutions includes a discussion of other socioeconomic and political factors that are likely to influence a person's level of trust in these institutions. Some of these factors include: the person's assessment of the economic situation; their perception of whether or not the EU is doing something for people; whether or not they are interested in EU political affairs; and their awareness and knowledge of the EU. Questions on each of these aspects are regularly included in the Eurobarometer surveys.

Table A4 in the Annex shows two sets of logistic regression models where the dependent variable is the binary indicator of 'trust in the EU' and the independent variables are individual characteristics, described above, as well as country dummies. It should be noted that the variable 'trust in the national government' is included in the second set of models but not in the first set.

The results obtained for trust in national institutions indicate that women are more inclined to trust national institutions than men. However, this does not appear to apply to trust in the EU: only for the 2016 findings do women have a statistically significant greater level of

12 The same conclusions are obtained as a result of both the regression analysis based on a random intercept multilevel model and the OLS regression model with country-fixed effects.

trust in the EU than men. And the relationship between trust in the EU and age differs from that observed for trust in national institutions. Those aged 15–24 tend to trust in the EU more than both the other age groups, a finding in line with the literature. This might be explained by the fact that people under 25 are generally more optimistic about the future and that they benefit from, and appreciate, more European programmes (such as the Erasmus programme). In 2007, 64% of this age group trusted the EU compared with 47% in 2016. By contrast, the majority of those aged 55+ tend not to trust the EU (European Commission, 2017a). It is likely that these people do not necessarily see the advantages of EU integration, are more sceptical about the EU or are generally more pessimistic about the future. In particular, those aged 65+ have always had the lowest levels of trust in the EU compared to other age groups, and have shown a large decline in trust since the onset of the crisis: just 28% had confidence in the EU at the beginning of 2016 compared with 50% at the beginning of 2007. However, the largest decline in trust was among those aged 25–49 and 50–54 (-24 percentage points in each case). This is relevant because both age groups had high levels of trust in the EU in 2007 (59% and 54% respectively).

Moreover, also in line with the results published previously (European Commission, 2017a), men, those with higher levels of education, students and managers are more likely to trust the EU than other groups. This is also in line with the results obtained for trust in national institutions: the lower the level of education, the lower the level of trust.

Results also show that EU citizens are less likely to trust in the EU when they perceive that the economic situation in their country might get worse or is unlikely to improve, or when they do not understand how the EU works. On the other hand, they are more likely to trust in the EU when they do not consider the EU to impair their cultural identity.

As discussed previously, trust in the national government seems to influence the level of trust people have in the EU. Those who do not have confidence in their national government are significantly less likely to trust the EU; and this was particularly the case during the crisis period.

While it seems that trust in the EU has increased in the UK since the Brexit referendum (Batsaikhan and Darvas, 2017), after accounting for all individual variables, figures show that the UK has almost always been the Member State with the lowest level of trust in the EU. The only exceptions were in 2004, when levels of trust were lower in Finland and Sweden, and in 2007, when they were lower in Austria.

The second analysis also takes into account macro-level variables that might influence trust in the EU. To fully profit from the rich data at hand, a pseudo-panel dataset was constructed from the waves of the Eurobarometer study. The study does not follow the same individuals over time, so it is not possible to conduct an individual-level panel analysis. However, the data do allow the creation of groups (cohorts), which can be followed across specific periods. The method adopted combines pseudo-panel data with fixed effect models, which allows to adjust for all omitted but fixed differences between cohorts that affect trust in the EU. (For more details about the methodology of the analysis, see the technical report).

Four models have been tested, in all of which the dependent variable is the level of trust in the EU. Models 1 and 1' do not include the micro-level variable 'trust in national government', whereas Models 2 and 2' do. In addition, Models 1' and 2' take into account the years following the onset of the economic crisis to see whether this has an impact on the level of trust in the EU. Table 5 presents the findings of the analysis, which indicate that trust in the EU is positively and significantly influenced by people's understanding of how the EU works and a belief that EU membership does not impair cultural identity. The fact that people believe that the economic situation in their country will improve is only a significant factor when trust in national government is not included in the model. Otherwise, trust in national government seems to be the main explanatory micro-level variable.

Among the country level variables, the level of perceived corruption, as measured by the Corruption Perceptions Index, does not seem to affect the level of trust in the EU. This is confirmed for the Member States that joined after 2004, when 'number of years spent in EU membership' is included in the two models (see technical report for details). In this case, however, the relationship between the number of years of EU membership and the proportion of people trusting the EU is negative (but it is difficult to make a distinction between the impact of EU accession and that of the economic crisis as they overlap in time).

In addition, the proportion of non-nationals in the country seems to play a significant role, particularly in Models 2 and 2' where trust in the national government is taken into account. This suggests that the relative number of non-nationals in a country does not necessarily affect the level of trust in the EU.

Figures also confirm that the level of trust in the EU declined significantly in the years following the onset of the crisis (as indicated in the sections above). However, economic growth does not seem to have a significant influence on the level of trust in the EU, which might be explained by growth after the crisis not being high enough or sustained enough to restore such trust or by other factors that come into play. On the other hand, high unemployment in a country is associated with fewer people having confidence in the EU.

Table 5: Pseudo-panel fixed effects analysis coefficients for trends in trust in the EU, 2004–2016

	Model 1	Model 1'	Model 2	Model 2'
Micro-level variables				
% understanding how EU works	0.107***	0.215***	0.074**	0.156***
% believing the economy will be better	0.148***	0.142***	0.040	0.050*
% trusting the national government			0.487***	0.426***
% believing EU does not mean loss of cultural identity	0.603***	0.626***	0.464***	0.498***
Macro-level variables				
GDP PPS (per head)	-0.001***	-0.001***	-0.001***	-0.001***
15–64 unemployment rate	-1.961***	-1.369***	-1.134***	-0.813***
Corruption Perceptions Index	-0.039	-0.058	-0.111	-0.115*
% non-nationals	0.283	0.637***	0.498***	0.725***
Year is after 2008		-9.021***		-6.481***
Constant	40.536***	16.754*	30.433***	14.611*
sigma_u	13.261	7.896	9.241	7.730
sigma_e	8.915	8.325	7.787	7.462
rho	0.689	0.474	0.585	0.518

Note: **** significant at the 0.1% level, ** significant at the 1% level and * significant at the 5% level.*
Source: *Authors' calculations based on Eurobarometer*

Consequences of changes in trust levels

This section examines some possible consequences of trust. As the literature review mentions, previous studies suggest that trust in institutions may: provide the necessary political support for policy reforms; make policy implementation, including tax enforcement, more effective; and spur political engagement. This section provides some preliminary empirical analysis concerning these claims.

Trust and EU policy reforms

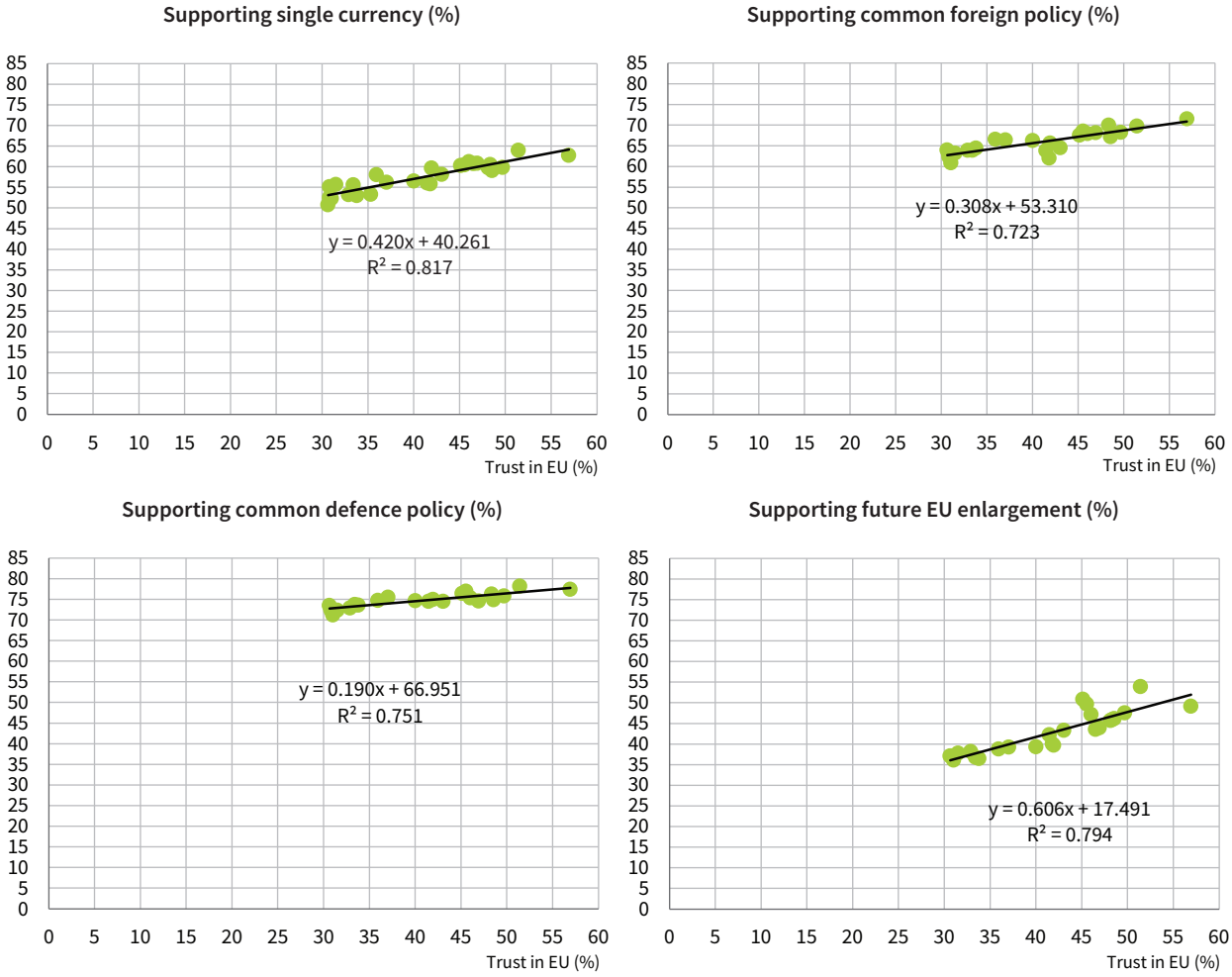
The relationship between the level of support for EU reforms and the degree of trust in EU institutions is examined based on Eurobarometer data analysis in Table 6. Figures for the EU overall show a strong positive and significant relationship over the period 2004–2017 between trust in EU institutions and support for reforms, specifically the single currency, a common foreign policy, a common defence policy and future EU enlargement. When trust in the EU increases, support for the proposed reforms increases as well, and conversely when trust declines, support for the proposed reforms decreases. This is particularly true for EU enlargement, and to a lesser extent with regard to a common defence policy (Figure 17). The consequences of an increase in trust in the EU therefore vary according to the areas of reform concerned.

Table 6: Correlation between trust in EU institutions and support for reforms in different policy areas, EU28, 2004–2017

	Trust in the EU	Trust in European Parliament	Trust in European Commission	Trust in European Central Bank
EU Proposal: Single currency	0.909***	0.855***	0.865***	0.822***
EU Proposal: Common foreign policy	0.850***	0.826***	0.816***	0.781***
EU Proposal: Common defence policy	0.866***	0.856***	0.842***	0.755***
EU Proposal: Future EU enlargement	0.891***	0.934***	0.914***	0.900***

Note: **** signifies that the correlation coefficient is significant at the 0.1% level, ** significant at the 1% level and * significant at the 5% level.*
Source: *Authors' calculations based on Eurobarometer*

Figure 17: Relationship between trust in the EU and support for reforms in different policy areas, EU28, 2004–2017



Note: *The data-points represent different surveys over the period 2004–2017.*
Source: *Authors' calculations based on Eurobarometer*

In addition, the individual-level analysis shows that a person is more likely to support reforms if they also have confidence in the EU. For example, in 2016, someone expressing trust in the EU was 2.7 times more likely to support the single currency than someone who does not have such trust and three times more likely to support a common foreign policy (see separate technical report). In all countries, those who have confidence in the EU are more likely to support reforms than those with limited confidence, but the scale of the likelihood differs markedly between countries, as well as between the reforms in question. For example, in 2016, those with confidence in the EU in Greece were almost nine times more likely to support the single currency than those with low trust, whereas in Denmark and Sweden (countries which do not belong to the euro zone), those expressing trust in the EU were only around twice as likely to support a single currency than others. In addition, in Greece, those with confidence in the EU were only just over twice as likely to support EU enlargement than others, considerably less than the likelihood in respect of the single currency or common foreign and defence policies (around eight times more likely and ten times more likely than others, respectively).

Between 2004 and 2016, however, these odds ratios declined in the EU as a whole, meaning that the likelihood of those having confidence in the EU also supporting reforms was less in 2016 than 12 years earlier. This was particularly for the single currency: the odds ratio declined from 3.7 to 2.7. On the other hand, although the odds ratio declined in most countries, it increased in a significant minority of countries. There was, therefore, no common tendency for those with confidence in the EU to become less supportive of reforms than other people across the EU. In 2016, in the Czech Republic, Estonia, Greece, Italy and Lithuania, the likelihood that those who had confidence in the EU would also support a single currency and common foreign and defence policies was greater than in 2004. Accordingly, in these countries, it was increasingly the case that those supporting these three policies were people with confidence in the EU. The same, however, is

not true for EU enlargement, for which the likelihood of those having confidence in the EU also supporting enlargement declined in all but five Member States over the period.

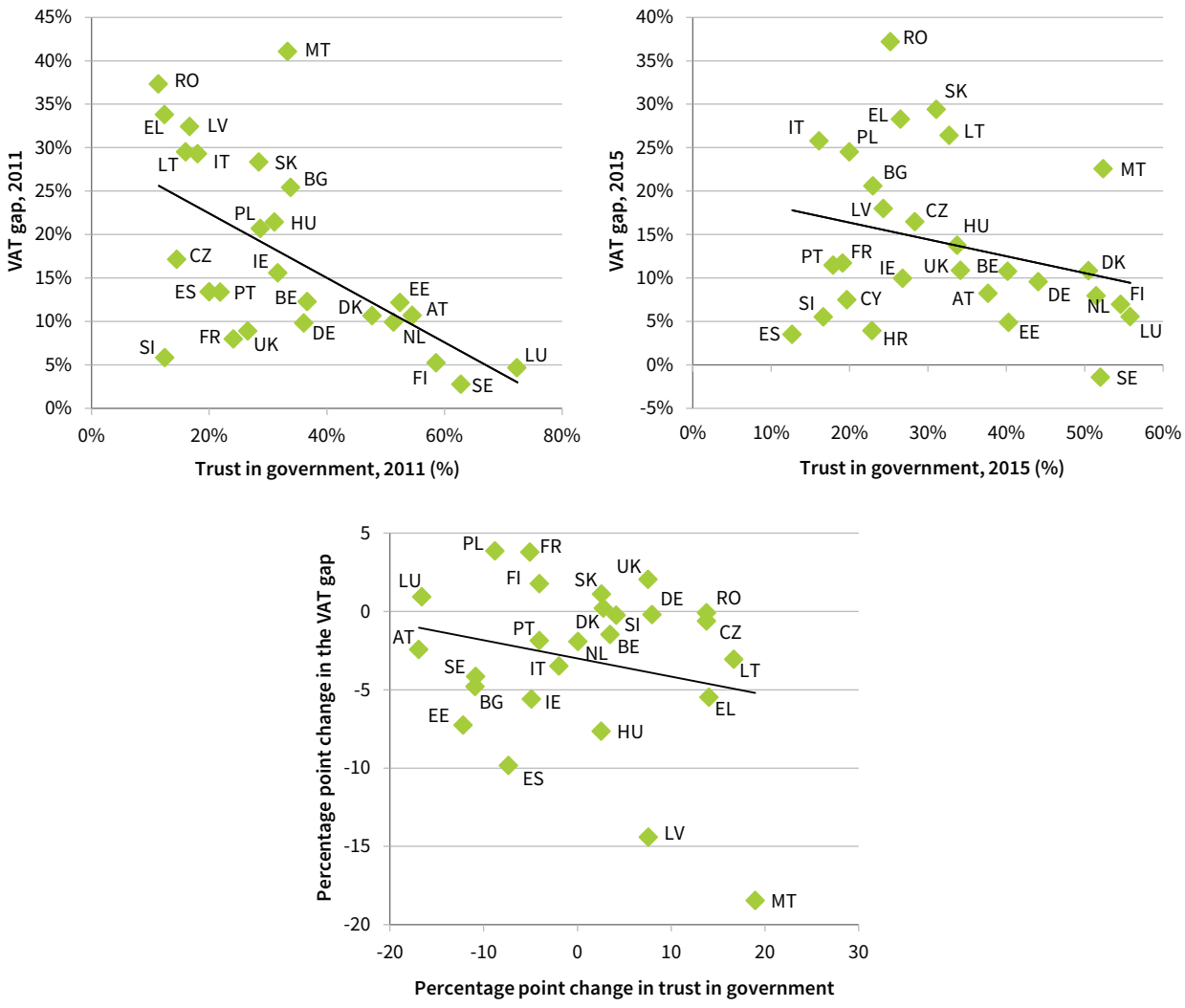
In the Visegrad countries, there is evidence of disparate views over support for reforms. In these countries, euro-scepticism is relatively widespread, at least at government level (especially in Poland and Slovakia), but an above average proportion of the population trust the EU. Between 2004 and 2016, the likelihood that those trusting the EU also support the single currency increased significantly in three of the countries, Hungary being the exception, while the proportion supporting a common foreign policy rose significantly in the Czech Republic, Hungary and Slovakia, but remained unchanged in Poland. Those with confidence in the EU were also more likely to support a common defence policy in 2016 than in 2004 in all four countries, but less likely to support future enlargement in three of them, the exception in this case being Slovakia, where the proportion of those expressing support increased during the period 2004–2016. Overall, it can be concluded that there was a widespread, though by no means common, tendency for the link between trust in the EU and support for reforms to weaken over the period.

Trust and tax compliance

Studies of trust and tax compliance generally use attitudinal data to explore the association between trust and tax compliance motives. Instead, Figure 18 shows the association between trust attitudes and an 'objective' measure of tax avoidance: the value-added tax (VAT) gap, defined as the difference between expected VAT and VAT revenues collected in a given country. Note that factors other than fraud and tax evasion (like bankruptcies, financial insolvencies and miscalculations) also affect the size of the VAT gap.

As shown by Figure 18, there is a strong negative association between levels of trust in institutions and

Figure 18: Trust in institutions and the VAT gap: association between levels and changes, 2011–2015



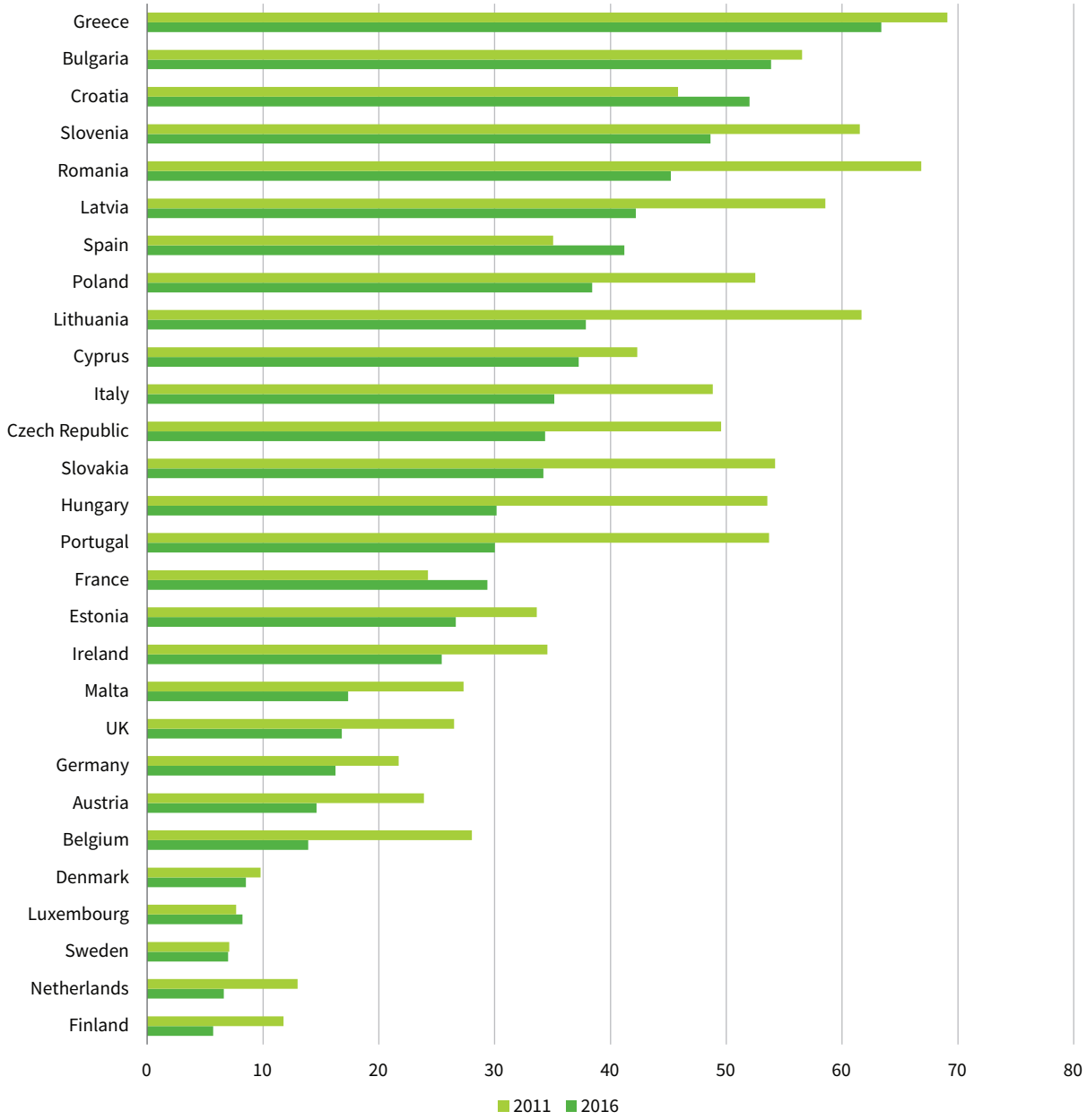
Note: *VAT gap expressed as percentage of VAT total theoretical liability (see CASE and IHS, 2017).*
Source: *Authors' calculations based on EQLS*

the size of VAT gaps in 2011. The same pattern is observable in 2015, although the strength of the association is weaker and the deviation from the trend line is larger. The association between changes in both trust in institutions and VAT gap indicators is also negative, although quite weak. However, a few outliers might have a considerable effect on the weakness of the association. Overall, it can be said that trust in institutions and the VAT gap show the expected association, both in terms of the cross-sectional and the longitudinal analysis.

Trust and political activity

Political science literature underlines the complex relationship between trust in political institutions and political participation (see for instance, Gabriel, 2017). According to the culturalist approach to democracy, political trust and participation are both part of the civic culture that supports democracy, while another strand of research examines political trust as the predictor of political participation. The understanding of trust as a predictor of political participation suggests that those who have low trust in political institutions or leaders

Figure 19: Proportion of those with low trust in political institutions and no political participation, 2011 and 2016 (%)



Note: *Countries are sorted according to data in 2016. For more details, see Table A5 of the Annex.*
Source: *Authors' calculations based on EQLS*

would engage less in conventional forms of political action but could be more willing to participate in other forms of participation (such as political protests). Without intending to analyse the causal connection between political trust and participation, the association of the two will be described in this section. The motivation for this is that the decline in trust in institutions could be considered as less problematic if it does not go together with a decline of political participation. If the erosion of trust is accompanied by an increase in political engagement, this may be an indication of the rise of critical citizens who give voice to their discontent. On the other hand, if falling trust in institutions is coupled with decreasing political participation, then one may assume that political cynicism prevails.

For the purpose of this analysis, political participation is based on four items that are present in both EQLS 2011 and 2016: 'attended a meeting of a trade union, political party or political action group'; 'attended a protest or demonstration'; 'contacted a politician or public official'; and 'signed a petition, including online petition'. If the respondent had participated in any of these activities they were coded as politically active, otherwise they were considered politically inactive.

Figure 19 shows the percentage of those who did not trust the political institutions and did not participate in politics in 2011 and 2016. There is a huge difference between the Member States in the percentage of people who are characterised by low trust (who score 4 or lower on the 10-point trust in institutions scale) and do not participate in politics. In the Member States in south-eastern Europe, the percentage is above 50%, while in the Nordic countries, the Netherlands and Luxembourg it is below 10%. The percentage of those with low levels of trust and no political participation declined in an overwhelming majority of the countries (22 out of 28 countries) between 2011 and 2016. The most important exceptions are France, Spain and Croatia. The main driver of this decline has been increasing political trust during this period, however in a smaller number of countries increasing participation among those with low trust also contributed (see more details in Table A5 in the Annex). In Austria, Belgium, Finland, Malta, the Netherlands, Portugal, Slovakia and the UK, political participation actually increased among those with low levels of political trust. In this group of countries, there is thus a sign of a rising critical citizen phenomenon. In another group of countries however, consisting of Greece, Cyprus, Spain, the Czech Republic, Croatia and Romania, political participation declined among those with low levels of political trust.

3 Conclusions

This report presents the findings of an analysis of the dynamics of trust in institutions in EU countries during the past 15 years. The study uses rich repeated cross-sectional data from the EQLS and Eurobarometer survey to observe changes of trust in institutions during this period. There are, of course, limitations of the study, one of which is the lack of individual panel data to study the dynamics of trust in institutions. Furthermore, although the data allow to take into account important determinants of trust in institutions (like perceptions of the quality of public services or social tensions), some other determinants identified in the literature (for instance, Murtin et al, 2018) have not been measured or, at least, not at different time points in the data used. These include potential determinants such as a migrant background or political preferences. This has limited the authors' capacity to explore issues like the effect of migration or political polarisation on changes of trust in institutions.

The results validate the initial assumptions about the complex, context-dependent and dynamic nature of trust in institutions. Despite the generalisations that occur sometimes in the scholarly literature and, more often, in the media about the crisis of trust, data show a more differentiated picture. Still, the following points present an overview of the most important and, in several respects, novel results of this research.

Decline in trust is temporary and variable
The review of the trends in trust in institutions since the beginning of the century does not reveal a uniform tendency of declining trust in national institutions in Member States. Looking at three waves of EQLS data also suggests that the decline in trust in institutions during the crisis years has been a temporary phenomenon in many countries: between 2011 and 2016 trust in institutions increased (although it did not often return to pre-crisis levels). The dynamics of trust in EU countries since the beginning of the century can vary by type of institution, by sub-period and by country.

National political institutions most affected
Trust in national political institutions (parliament and government institutions) was most affected by the crisis: it declined significantly during the crisis years but bounced back afterwards in many countries. Trust in the legal system and the police is somewhat greater in EU countries compared to trust in political institutions, and changes in trust in these institutions have been more moderate. During the crisis years, the fall in trust in non-political state institutions was smaller than the fall in trust in political institutions, but during the second sub-period (2011–2016) the increase in trust was also more moderate.

Patterns of trust differ across EU
Trust dynamics and itineraries differ considerably across Europe. Overall, trust in institutions has been **more volatile in southern and eastern European countries** as well as in Ireland, but has remained more stable in western and northern European countries and the Baltic states. Most countries experienced some decline around the time of the economic crisis, but trust then more or less bounced back in most cases. However, some eastern and southern European countries have experienced a slow and continuous decline in trust levels.

Trust in the EU **declined in a majority of countries** (20 out of 28), and only a minority of countries saw a flat-lining or an increase of trust in the EU over the period. Trust in the EU also followed different trajectories across countries. On average it declined over the period, as the deterioration in trust was followed by a more modest recovery, although there have been some recent improvements. This is largely due to the dynamic in eastern European countries, where generally greater trust in the EU has moved closer to the levels of confidence in national institutions, although trust in the EU still remains higher than trust in national institutions across the eastern Member States.

Role of key factors
Another aim of the present report is to uncover the factors driving change in trust in institutions. The investigation of differences in trust dynamics between social groups shows that in the crisis sub-period (2007–2011), the most important differences were attributable to **education level and income status**. The decline in trust was more significant among those in low-status positions (for instance, low education or low income). During the post-crisis sub-period (2011–2016), the most important grouping variable was **perceived quality of public services**. In every country where significant differences were found, there was a noticeably greater increase in trust among those who perceived the quality of public services to be high compared to those who perceived low service quality.

The multivariate analysis of drivers of **trust in national institutions** confirms the effect of perceptions of public service quality on trust in institutions. The analysis highlights that trust in institutions also relates to indicators of **social cohesion**. The perception of tension in society and the feeling of social exclusion decreases trust in institutions. Among the macro-level variables, the **impact of corruption** on trust is the most robust result. Respondents living in countries with higher levels of perceived corruption have less trust in institutions, and increases in perceived corruption are associated with a decline in trust in institutions. During the crisis

period, within-country **changes in GDP per capita** also proved to have an effect on trust in institutions. The effect of **income inequality** on trust features only in cross-sectional analysis of the years following the crisis, and not in later years.

In the case of drivers of trust in the EU, the report reveals that EU citizens are less likely to trust in the EU if they think that the **economic situation** in their country may get worse or if they think it is unlikely to improve, or if they do not **understand how the EU works**. On the other hand, they are more likely to have confidence in the EU if they do not consider it to impair their **cultural identity**. However, the level of perceived corruption does not seem to affect the level of trust in the EU.

The relationship between the proportion of people with confidence in national institutions and the proportion with confidence in EU institutions is positive in the majority of countries for the period 2004–2017. Therefore, an increase in the proportion of people that trust national institutions is linked with an increase in the share of people that trust EU institutions and, conversely, a decline in **trust in national institutions** is linked with a decline in **trust in EU institutions**. In addition, substitution effects are evident in a few countries in the case of specific EU institutions. The data also suggests that there may be a blame-shifting effect in some countries to a certain extent, with trust in the EU declining more considerably than trust in the national government.

Policy pointers

There are a number of positive practical consequences of public trust in institutions, some of which are examined in this report. First, since trust essentially involves expectations concerning the future, it **stabilises social interactions** as it lowers transaction costs and increases predictability. Stable and trustworthy state institutions are an important condition for the development of the private sector. Second, if people have confidence in institutions, they are more likely to be **amenable to policy reforms**, even costly or risky ones. This report demonstrates that the association between trust and support for reforms also holds in the case of the EU institutions. Third, **trust makes policy implementation easier** as people are more willing to obey state authorities and the law, pay taxes or take part in collective action. This report finds that in countries with more confidence in institutions, tax evasion is lower. Additionally, a decrease in trust may lead to increased support for populist and radical parties.

Despite the recent worries expressed publicly about the decline of trust in institutions and spreading discontent and cynicism, data show that the **erosion of public confidence is not irreversible**. This is an important policy message. However, it is also apparent that patterns of trust dynamics differ considerably across countries and the factors behind this vary. In other words, there is no 'quick fix' nor a 'one-size-fits-all' solution to the problem of trust. Politicians and policymakers should **design targeted programmes** to cope with the specific challenges in the given country or in a given context.

Despite the complex and context-bound nature of trust in institutions, some general recommendations can be drawn from this analysis. Improving macroeconomic conditions and increasing incomes are certainly important ways of improving trust; however, in contrast to some widespread opinions, **economic conditions are not the only factor** at play. Some Member States that underwent austerity measures during the crisis managed to do so without much decline in trust in institutions. Focusing on the most vulnerable groups in society, **improving social cohesion**, reducing income inequalities and moderating social tensions can help to recover and further build trust. **Improving the quality of public services** is also a key factor in strengthening trust in governments. Finally, public confidence requires corruption control measures and the **promotion of public integrity**.

Education is also beneficial for trust: people that are more educated generally have more confidence in public institutions. This applies to the case of trust in the EU as well. Moreover, people who are more knowledgeable about EU institutions express more confidence towards the EU. Since trust in the EU has considerably diminished in eastern European countries where education levels are relatively lower, and knowledge about how democracy works in the EU is still limited, one potential policy initiative is to focus on **effective information flows and communication about the EU**, especially in eastern European Member States.

People are more inclined to trust the EU if they believe that the EU does not impair their cultural identity. A challenge for European policymakers and (national) politicians is to find a way to balance a clear expression of European values and respect for national and local cultures.

To sum up, trust in institutions provides a useful policy tool for measuring the legitimacy of, and support for, public institutions. Governments and international bodies should consider regular and **high-quality data collection about trust in institutions** and related variables concerning public perceptions of the effectiveness, integrity and normative legitimacy of institutional operation. Policymakers would benefit from understanding and promoting trust by regularly measuring and examining its (often very specific and context dependent) roots so that appropriate measures can be taken to nurture trust.

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Annex: Additional tables

Note: The more extensive results of analysis used in writing this report are presented in a technical document that accompanies this report and is available in the form of a working paper at eurofound.link/ef18036.

Table A1: Inequality of overall trust in institutions

	2007	2011	2016	Difference 2007–2011 P-value	Difference 2011–2016 P-value	Difference 2007–2016 P-value
Austria	0.446	0.456	0.456	0.018	0.494	0.040
Belgium	0.419	0.432	0.382	0.000	0.000	0.000
Bulgaria	0.648	0.623	0.611	0.000	0.018	0.000
Croatia	0.573	0.563	0.508	0.061	0.000	0.000
Cyprus	0.484	0.555	0.529	0.000	0.000	0.000
Czech Republic	0.516	0.564	0.457	0.000	0.000	0.000
Denmark	0.389	0.382	0.401	0.051	0.000	0.014
Estonia	0.452	0.453	0.483	0.366	0.000	0.000
Finland	0.395	0.413	0.408	0.001	0.240	0.063
France	0.407	0.430	0.460	0.000	0.000	0.000
Germany	0.469	0.470	0.469	0.250	0.311	0.898
Greece	0.553	0.563	0.501	0.049	0.000	0.000
Hungary	0.537	0.574	0.572	0.000	0.357	0.000
Ireland	0.523	0.480	0.491	0.000	0.001	0.000
Italy	0.463	0.456	0.434	0.002	0.000	0.000
Latvia	0.518	0.517	0.476	0.451	0.000	0.000
Lithuania	0.506	0.490	0.471	0.000	0.000	0.000
Luxembourg	0.470	0.427	0.465	0.000	0.000	0.349
Malta	0.502	0.459	0.462	0.000	0.266	0.000
Netherlands	0.340	0.348	0.345	0.054	0.265	0.392
Poland	0.454	0.500	0.489	0.000	0.001	0.000
Portugal	0.426	0.450	0.428	0.000	0.000	0.589
Romania	0.546	0.594	0.544	0.000	0.000	0.438
Slovenia	0.479	0.501	0.508	0.000	0.046	0.000
Slovakia	0.473	0.491	0.558	0.000	0.000	0.000
Spain	0.412	0.484	0.453	0.000	0.000	0.000
Sweden	0.413	0.443	0.450	0.000	0.078	0.000
United Kingdom	0.480	0.483	0.478	0.107	0.067	0.727

Notes: *Wagstaff normalised Gini indices (see O'Donnell et al, 2016).*
Source: *Authors' calculation based on EQLS 2007, 2011, 2016*

Table A2: Coefficients of regression models of overall trust in institutions

	Multievel (3-level) with Grand-mean centering Period 2007–2016	OLS, country fixed effects 2007–2016
Female	0.076*** (7.017)	0.072*** (4.914)
Age (ref.: 18–24 years)		
25–34 years	-0.136*** (5.597)	-0.138*** (4.031)
35–49 years	-0.064** (2.820)	-0.076* (2.283)
50–64 years	-0.044 (1.912)	-0.054 (1.634)
65+ years	0.166*** (5.694)	0.165*** (4.670)
Education (ref.: low secondary/below)		
upper secondary	0.081*** (5.897)	0.066** (2.792)
tertiary	0.347*** (21.281)	0.325*** (12.082)
Employment status (ref.: employed)		
retired	0.026 (1.263)	0.014 (0.615)
unemployed/inactive	0.040* (2.562)	0.031 (1.648)
Income quartiles (ref.: lowest quartile)		
middle 50%	0.057*** (3.681)	0.058*** (3.397)
upper quartile	0.186*** (9.979)	0.188*** (7.901)
missing income	0.006 (0.327)	-0.003 (0.098)
Urbanisation (ref.: countryside)		
village	-0.018 (0.980)	-0.019 (0.634)
medium/large town	-0.089*** (4.439)	-0.081** (2.450)
city or city suburb	-0.042* (2.069)	-0.036 (0.948)
Health problems (dummy)	-0.109*** (5.675)	-0.112*** (4.016)
Living alone (dummy)	-0.013 (0.997)	-0.007 (0.456)
Public service quality – perceived	0.464*** (126.736)	0.464*** (48.247)
Social tensions – perceived	-0.579*** (46.568)	-0.583*** (19.987)
Social exclusion index	-0.175*** (24.682)	-0.179*** (11.319)
Log GDP per capita	0.537* (2.024)	1.566** (2.929)
S80/S20	0.053 (0.900)	0.142 (1.543)
Corruption PI	0.181** (2.729)	0.138 (1.718)
Austerity	0.007 (0.512)	0.003 (0.249)
Elections before survey	-0.041 (0.482)	-0.065 (0.897)
Waves (ref.: Wave 2, 2007)		
3rd EQLS (2011)	-0.424*** (5.304)	-0.437*** (6.179)
4th EQLS (2016)	-0.274** (3.074)	-0.411*** (3.717)
Country groups (ref.: North EU)		
Western Europe	-0.527* (2.384)	
Southern Europe	-0.282 (0.899)	
Central and eastern Europe	-0.287 (0.920)	
South-eastern Europe	-0.164 (0.442)	
Constant	4.930*** (90.699)	-13.803** (2.647)
N	87075	87075

In addition, ordinary least squares (OLS) regression models with country-fixed effects were used. When estimating the effect of macro-level variables, these models also focus on the effect of differences within countries through time, so they provide a useful alternative to the above-mentioned multilevel models for studying drivers of changes in trust in institutions.

Table A3: Coefficients of random intercept multilevel model of trust in different types of institution

	Trust in political institutions	Trust in non-political state institutions	Trust in media
Female	0.053*** (3.897)	0.107*** (8.622)	0.069*** (4.872)
Age (ref.: 18–24 years)			
25–34 years	-0.261*** (8.609)	-0.102*** (3.671)	0.046 (1.452)
35–49 years	-0.154*** (5.469)	-0.046 (1.789)	0.093** (3.138)
50–64 years	-0.077** (2.718)	-0.077** (2.924)	0.103*** (3.432)
65+ years	0.174*** (4.803)	0.137*** (4.089)	0.241*** (6.337)
Education (ref.: low secondary/below)			
upper secondary	0.138*** (8.048)	0.049** (3.105)	0.018 (0.987)
tertiary	0.517*** (25.516)	0.316*** (16.848)	0.053* (2.491)
Employment status (ref.: employed)			
retired	0.040 (1.568)	0.001 (0.021)	0.044 (1.635)
unemployed/inactive	0.057** (2.968)	0.021 (1.162)	0.047* (2.288)
Income quartiles (ref.: lowest quartile)			
middle 50%	0.067*** (3.467)	0.057** (3.190)	0.028 (1.358)
upper quartile	0.264*** (11.376)	0.178*** (8.270)	0.044 (1.804)
missing income	0.039 (1.818)	0.006 (0.326)	-0.066** (2.902)
Urbanisation (ref.: countryside)			
village	-0.055* (2.332)	-0.002 (0.088)	0.014 (0.586)
medium/large town	-0.105*** (4.237)	-0.094*** (4.114)	-0.054* (2.062)
city or city suburb	-0.013 (0.534)	-0.079*** (3.433)	-0.032 (1.218)
Health problems (dummy)	-0.178*** (7.489)	-0.061** (2.759)	-0.061* (2.422)
Living alone (dummy)	-0.013 (0.800)	-0.029 (1.880)	0.026 (1.483)
Public service quality – perceived	0.495*** (108.634)	0.472*** (112.153)	0.387*** (80.742)
Social tensions – perceived	-0.620*** (40.055)	-0.571*** (39.905)	-0.518*** (31.812)
Social exclusion index	-0.144*** (16.308)	-0.247*** (30.228)	-0.093*** (10.049)
Log GDP per capita (between country)	0.171 (0.435)	0.153 (0.336)	0.113 (0.213)
Log GDP per capita (within country)	2.547** (3.234)	1.204* (2.297)	0.836 (1.475)
S80/S20 (between country)	-0.093 (1.020)	0.063 (0.599)	0.078 (0.634)
S80/S20 (within country)	0.127 (0.833)	0.184 (1.824)	0.105 (0.959)
Corruption PI (between country)	0.245* (2.022)	0.235 (1.670)	0.078 (0.482)
Corruption PI (within country)	0.208 (1.499)	0.118 (1.279)	-0.044 (0.441)
Austerity (between country)	0.012 (0.194)	-0.033 (0.463)	0.056 (0.689)
Austerity (within country)	0.006 (0.274)	-0.016 (1.097)	0.026 (1.606)
Elections before survey	-0.059 (0.478)	-0.038 (0.431)	-0.126 (1.329)
Waves (ref.: Wave 2, 2007)			
3rd EQLS (2011)	-0.652*** (5.341)	-0.308*** (3.799)	-0.376*** (4.284)
4th EQLS (2016)	-0.754*** (4.514)	-0.294** (2.643)	-0.159 (1.322)
Country groups (ref.: North EU)			
Western Europe	-0.378 (1.233)	-0.676 (1.897)	-0.054 (0.131)
Southern Europe	-0.074 (0.153)	-0.619(1.097)	0.236 (0.361)
Central and eastern Europe	-0.356 (0.712)	-0.697 (1.200)	0.326 (0.485)
South-eastern Europe	0.076 (0.127)	-0.631(0.912)	0.241 (0.301)
Constant	0.654 (0.163)	1.598 (0.342)	1.498 (0.277)
N	86926	87323	86668

Note: *Pooled data from EQLS Wave 2 (2007), Wave 3 (2011), and Wave 4 (2016), N (2007)=79500, N (2011)=79870, N(2016)=79266. T-values in parenthesis. *** significant at the 0.1% level, ** significant at the 1% level and * significant at the 5% level.*

Table A4: Logistic regression odds ratios of trusting the EU depending on individual characteristics for selected years, pooled EU data, 2004-2016

	Model 1				Model 2			
	2004	2007	2011	2016	2004	2007	2011	2016
Gender (Male is ref.)								
Female	0.99	1.03	0.97	1.15**	1.00	1.03	1.00	1.17**
Broad age groups (65+ ref.)								
15–24	1.34*	1.39**	1.31*	1.17	1.51**	1.60***	1.49**	1.47**
25–49	1.08	1.19*	0.96	1.00	1.22*	1.32**	1.11	1.24*
50–64	1.01	1.08	0.96	0.89	1.14	1.19*	1.05	1.05
Main economic activity status (Unemployment. ref.)								
Student	1.51**	1.50**	1.39**	2.26***	1.42**	1.30	1.26	2.07***
Retired/unable to work	1.02	1.18	1.18	1.26*	0.94	1.04	1.12	1.24
Other inactive	0.88	1.02	1.16	1.35*	0.77*	0.86	0.98	1.19
Farmer/fisherman	0.82	0.98	1.08	0.95	0.76	0.83	0.90	0.85
Independent professional	1.07	1.91**	1.35	1.36	1.04	1.70*	1.25	1.35
Other self-employed	0.99	1.15	1.10	1.49**	0.96	1.08	0.95	1.43*
Manager/professional./supervisor	1.16	1.64***	1.65***	1.95***	1.07	1.47**	1.48***	1.75***
Services	1.12	1.21	1.31**	1.41**	1.08	1.15	1.23*	1.27*
Skilled man. work.	0.85	1.03	0.97	1.29*	0.85	0.95	0.99	1.26
Unskilled man. work	0.91	1.04	0.98	1.15	0.84	0.98	0.93	1.11
Expectations economic situation of country (Better ref.)								
Worse	0.36***	0.38***	0.43***	0.55***	0.50***	0.56***	0.58***	0.86*
Same	0.67***	0.64***	0.72***	0.83***	0.77***	0.74***	0.80**	1.05
Don't know	0.36***	0.37***	0.43***	0.62***	0.41***	0.43***	0.50***	0.82
Understands how EU works (Tend to agree ref.)								
Tend to disagree	0.38***	0.38***	0.41***	0.42***	0.40***	0.40***	0.45***	0.46***
Don't know	0.35***	0.35***	0.40***	0.29***	0.38***	0.39***	0.44***	0.29***
Trust in National Government (Tend to trust ref.)								
Tend not to trust					0.19***	0.13***	0.12***	0.15***
Don't know					0.19***	0.13***	0.15***	0.15***
EU means loss of cultural identity (ref.: yes)								
No	2.64***	2.83***	2.24***	2.85***	2.53***	2.69***	2.27***	2.71***
Constant	0.73*	0.60***	0.23***	0.21***	1.71**	1.70**	0.69*	0.45***

Note: *Country dummies also included. *** significant at the 0.1% level, ** significant at the 1% level and * significant at the 5% level.*
Source: *Authors' calculations based on Eurobarometer*

Table A5: Proportion of people with low trust and no political participation, 2011 and 2016

	% having low political trust		% not participating among those with low political trust		% having low trust and no political participation	
	2011 (A)	2016 (B)	2011 (C)	2016 (D)	2011 (A*C)	2016 (B*D)
Austria	33	23	73	64	24	15
Belgium	38	24	75	58	28	14
Bulgaria	63	60	90	89	57	54
Croatia	66	64	69	82	46	52
Cyprus	55	44	77	84	42	37
Czech Republic	63	40	78	87	50	34
Denmark	16	15	61	58	10	9
Estonia	39	31	86	86	34	27
Finland	18	11	65	50	12	6
France	39	43	63	68	24	29
Germany	29	22	76	75	22	16
Greece	84	73	82	87	69	63
Hungary	59	33	91	91	54	30
Ireland	50	38	69	67	35	25
Italy	64	46	76	76	49	35
Latvia	68	49	87	86	59	42
Lithuania	73	43	85	88	62	38
Luxembourg	13	13	61	63	8	8
Malta	33	23	82	74	27	17
Netherlands	19	13	69	51	13	7
Poland	59	44	88	87	53	38
Portugal	60	37	89	81	54	30
Romania	77	50	86	91	67	45
Slovakia	65	44	84	77	54	34
Slovenia	69	60	89	81	62	49
Spain	48	51	74	81	35	41
Sweden	15	15	49	48	7	7
United Kingdom	41	32	65	53	27	17

Note: *Low trust means levels below 4 on a 10 point scale.*

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As data from the European Quality of Life Surveys and Eurobarometer show, the sharp decline in trust in institutions was a temporary phenomenon during the recession. In some Member States, trust in the EU declined more during this period than trust in national governments, but trust in the EU has generally remained higher than trust in national governments in most countries. The report shows that moderating social tensions and feelings of social exclusion can help to stem the decline in trust. However, to boost trust in institutions, improving the quality of public services is the most powerful driver. A number of encouraging and practical consequences result from trust in public institutions: for example, countries with higher trust in political institutions have a lower level of tax evasion (VAT gap) and greater public support for policy reforms.

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