



# Benefit generosity and segment mobility in European labour markets

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# Content

- I. Research puzzle
- II. Research questions
- III. Hypotheses
- IV. Purpose and objectives
- V. Data
- VI. Methods
- VII. Preliminary results
- VIII. Interpretation

# I. Research puzzle

- To date, inconclusive results regarding work disincentive theory (Lalive, 2007; Layard et al., 2005) and job-search subsidy (Gangl, 2004, 2006; Pollmann-Schult and Büchel, 2005; Morel et al., 2012)
- Inconclusiveness believed to be due to the ignorance of institutional labour market insider/outsider divide (Biegert, 2017)
- However, job-search subsidies might work better for some labour market segments than for others, irrespective of the institutions believed to enhance an insider/outsider divide.
- **Aim:** 1) investigate labour market segments empirically, 2) investigate individuals' probabilities of labour market transition and mobility between labour market segments, 3) and whether mobility patterns depend on the generosity of unemployment benefits

## II. Research questions

- a) Using Eurostat data on income and living conditions, what empirically-based labour market segments (LMS) can be identified in Europe across time and countries?
- b) What are the upward and downward mobility probabilities for individuals in different LMS?
- c) Does the effect of labour market segmentation on labour market mobility depend on the national generosity of unemployment benefits?

# III. Hypotheses

- a) Contrary to existing theory (e.g. Emmenegger et al. 2012; Lindbeck & Snower, 1988), LMS are multi- rather than two-dimensional and can theoretically-driven be carved out of empirical data (Doerflinger et al., 2017; Lukac et al. 2019).
- b) Individuals from more advantageous labour market segments have a higher upwards mobility probability than those from less advantageous LMS (LMS effect).
- c1) The LMS effect on mobility probabilities depends on the generosity of unemployment benefits across countries.
- c2) The job-search subsidy paradigm (Gangl, 2004, 2006; Pollmann-Schult & Büschel, 2005) works for some LMS better than for others.

# IV. Purpose and objectives

## *Methodological contributions*

- Instigate LMS in novel way (theory-driven but empirically-based approach)
- Use aggregated information on individual benefit receipt as a hitherto underused indicator of welfare state generosity in comparative welfare state research (Otto, 2017; van Oorschot, 2013)

## *Theoretical contributions*

Test job-search subsidy/disincentive theory by looking at LM transition and mobility patterns of different LMS (diversity of the labour market)

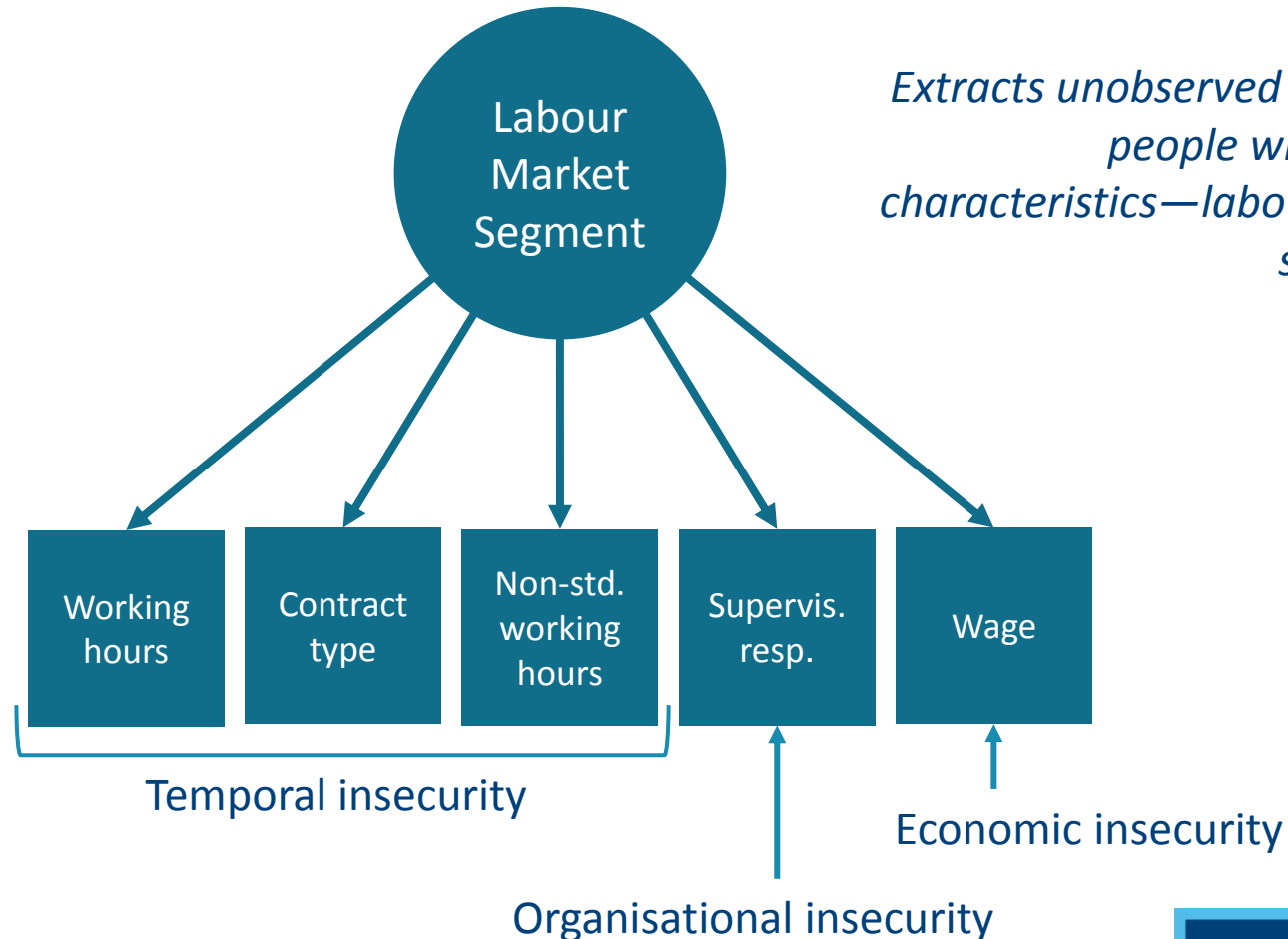
		Time $t-1$			
		UE	group1	group2	group3
Time $t$	UE	0	-	-	-
	group1	+	0	-	-
	group2	+	+	0	-
	group3	+	+	+	0

## V. Data

- EU-SILC longitudinal database 2010-2014, with individual observation >2 years, sub-sample of 28 countries
- focus on unemployment cash benefits
- welfare state generosity is operationalised as transfer share, i.e. the median of the share an individual's unemployment benefit income takes relative to the median total household income in a country's working age population

# VI. Methods (1/5)

## latent (class analysis) model

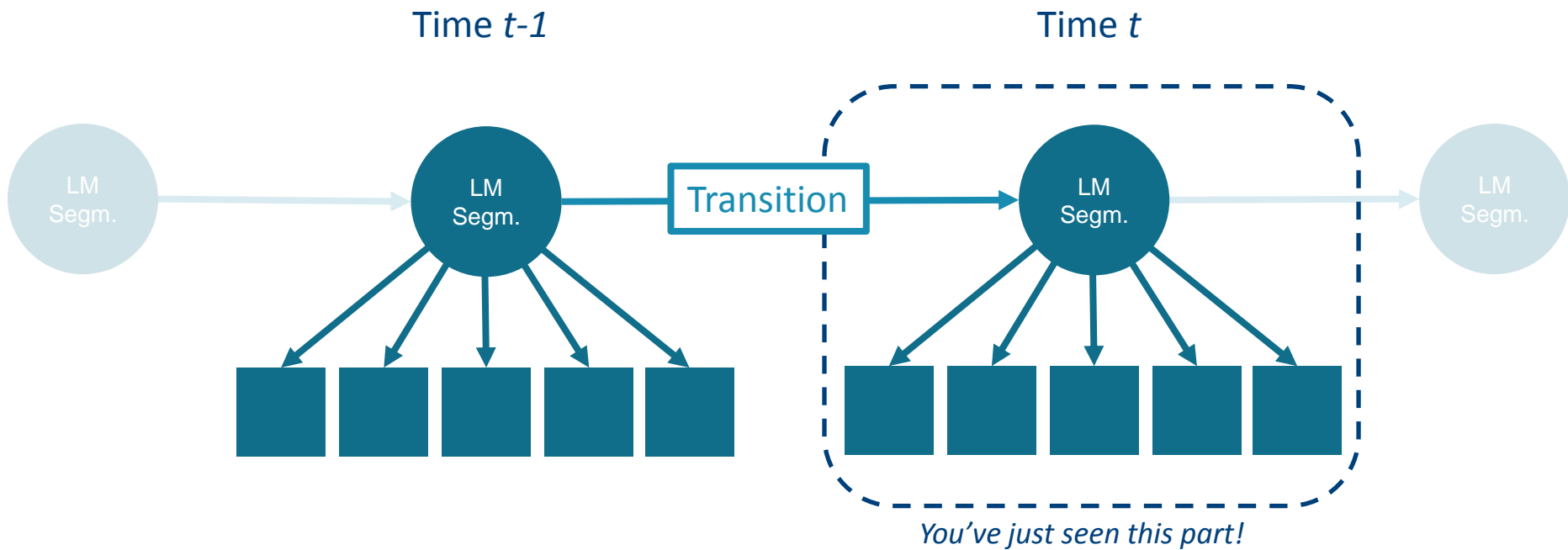




# VI. Methods (2/5)

## latent **Markov** model

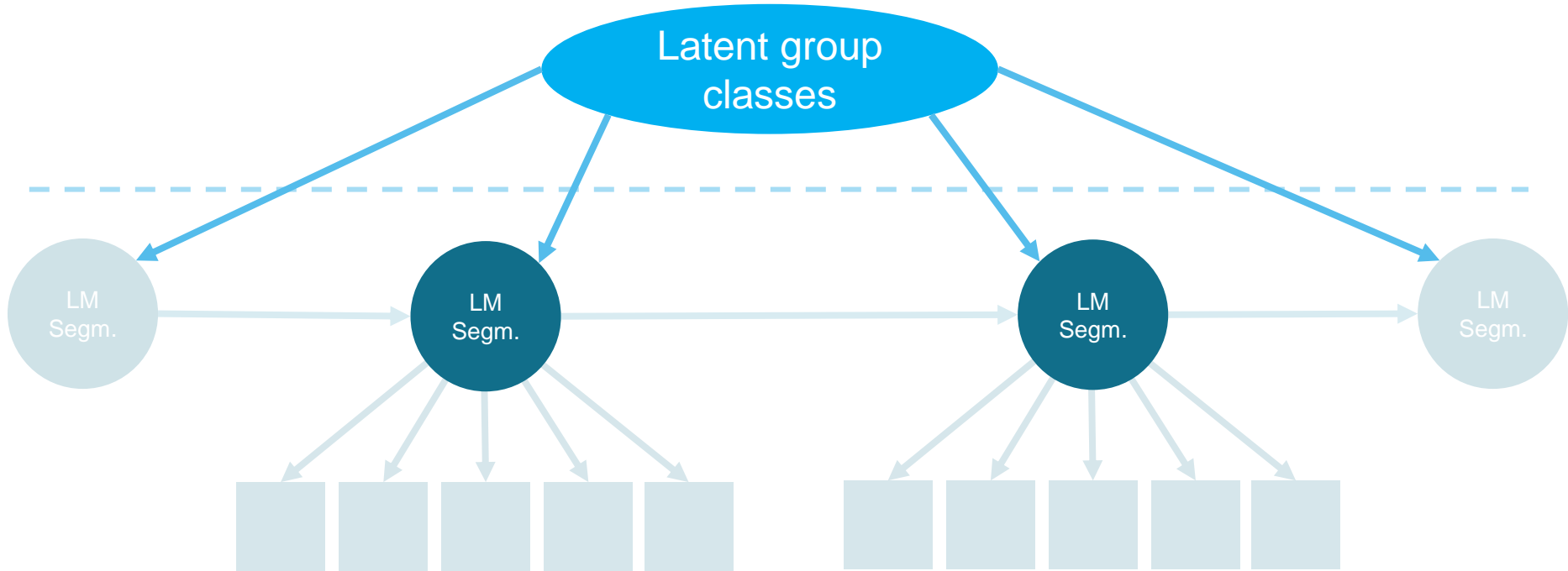
*Dependence of latent state at time  $t$  on the latent state at time  $t-1$*



# VI. Methods (3/5)

## Multilevel latent Markov model

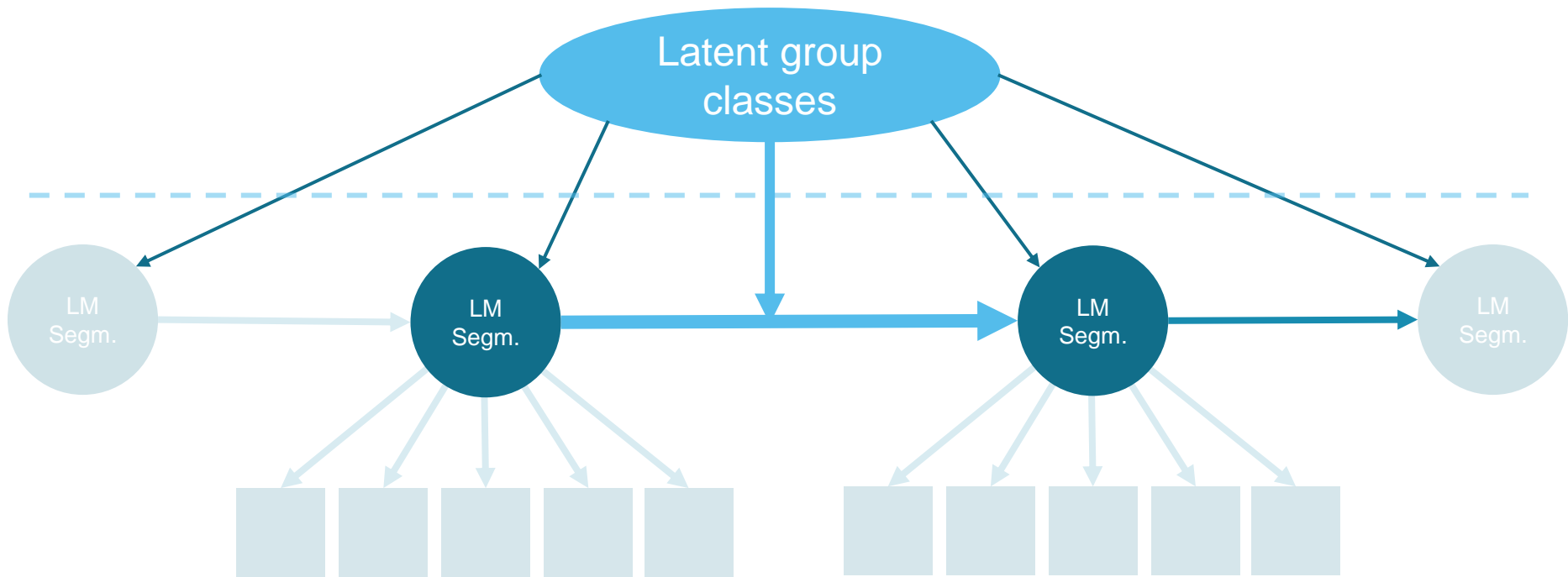
*Since we are dealing with multilevel data, we need to account for unobserved country-level heterogeneity.*



# VI. Methods (4/5)

## Multilevel latent Markov model

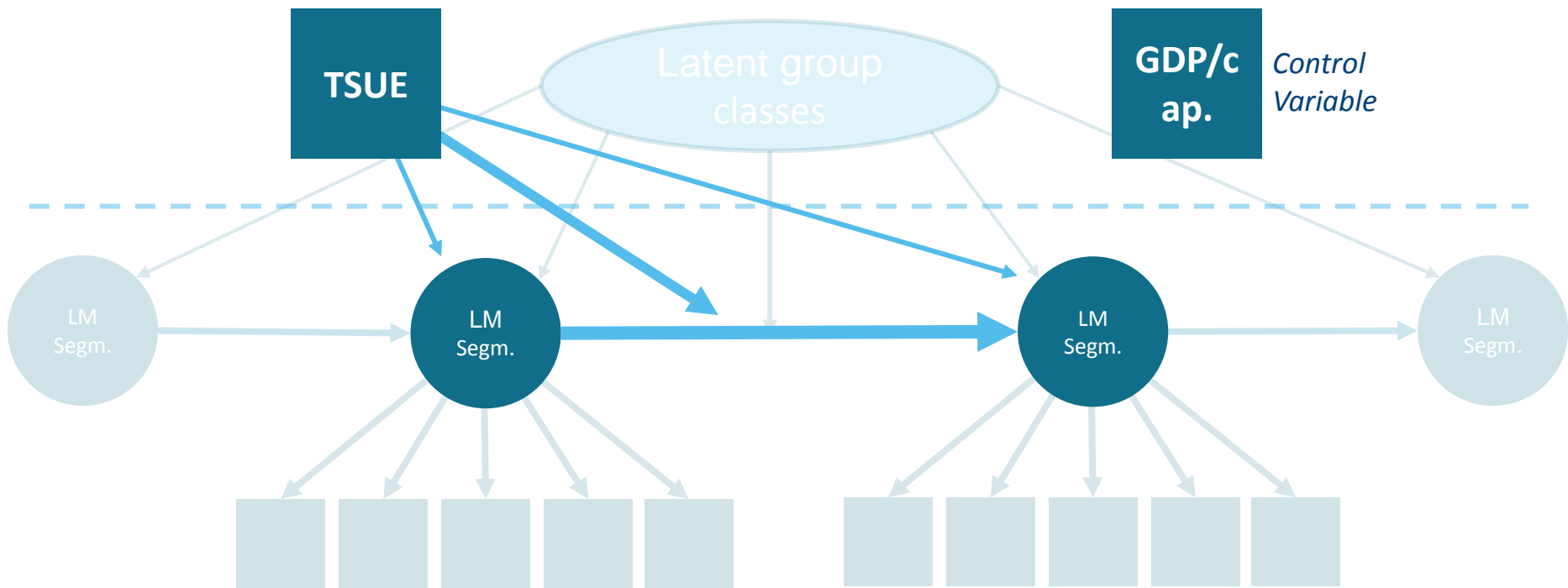
*Countries influence the pace of segment-to-segment transitions*



# VI. Methods (5/5)

## Multilevel latent Markov model

Does the effect of labour market segmentation on labour market mobility depend on the national generosity of unemployment benefits (TSUE)?

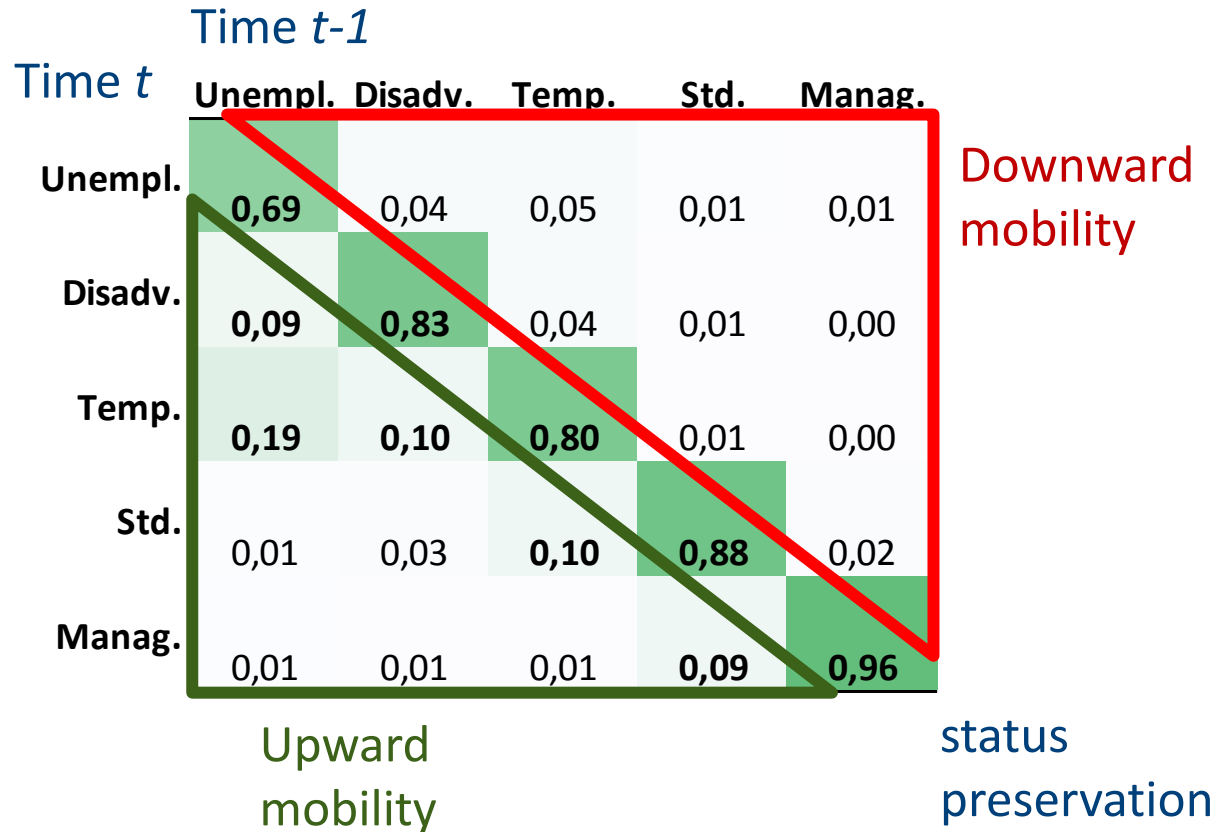
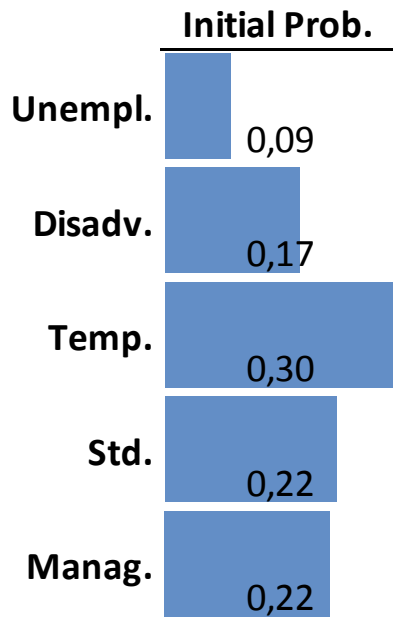


# Results

## Latent class profiles

	Labels	Unemployed	Disadvantaged	Temporary/ Entrance	Standard	Managerial
Size		0,09	0,17	0,30	0,22	0,22
<b>Working Hours</b>						
Full-time		0	0,30	<b>1,00</b>	<b>1,00</b>	<b>0,99</b>
Part-time		0	<b>0,70</b>	0,00	0,00	0,01
<i>Unemployed</i>		<b>1</b>	0	0	0	0
<b>Contract Type</b>						
Permanent		0	0,78	0,78	<b>0,96</b>	<b>0,97</b>
Temporary		0	<b>0,22</b>	<b>0,22</b>	0,04	0,03
<i>Unemployed</i>		<b>1</b>	0	0	0	0
<b>Nonstandard Working Hours</b>						
Low		0	<b>0,99</b>	0,02	0,15	0,14
Middle		0	0,01	<b>0,81</b>	0,69	0,59
High		0	0,00	0,17	0,15	<b>0,27</b>
<i>Unemployed</i>		<b>1</b>	0	0	0	0
<b>Supervisory Responsibilities</b>						
No		0	<b>0,98</b>	<b>0,99</b>	<b>0,97</b>	0,84
Yes		0	0,02	0,01	0,03	<b>0,16</b>
<i>Unemployed</i>		<b>1</b>	0	0	0	0
<b>Wage</b>						
Low		0	0,03	0,04	0,00	0,00
Low-Medium		0	<b>0,48</b>	0,34	0,00	0,00
Medium		0	<b>0,35</b>	<b>0,55</b>	0,09	0,00
Medium-High		0	0,11	0,05	<b>0,86</b>	0,03
High		0	0,04	0,01	0,04	<b>0,96</b>
<i>Unemployed</i>		<b>1</b>	0	0	0	0

# VII. Results: Labour Market Segment Transitions

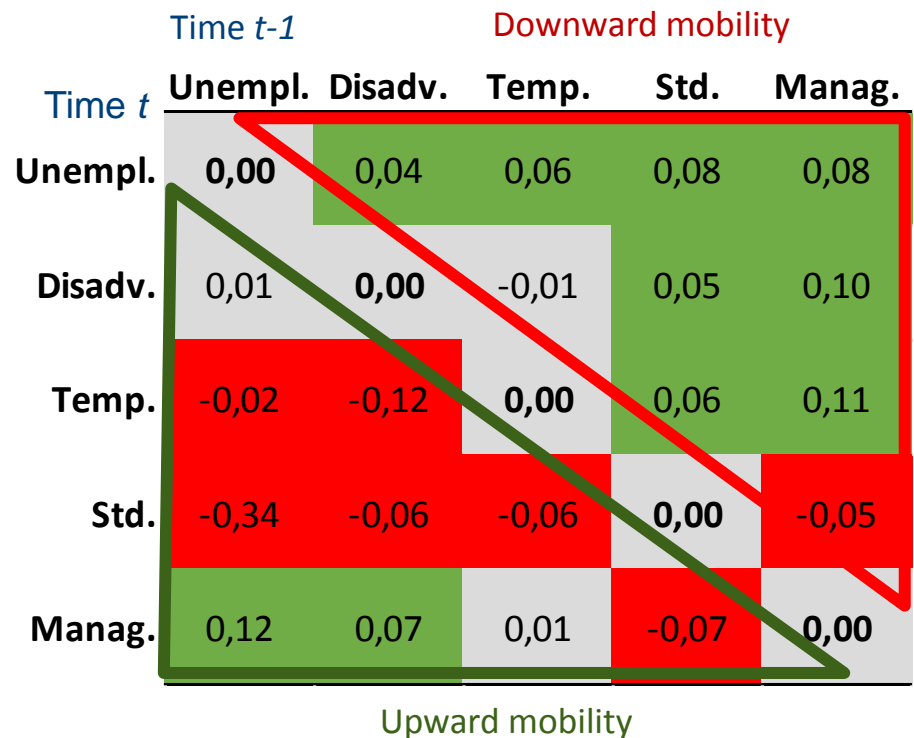


# VIII. Interpretations

## Higher unemployment transfer share:

- Facilitates higher mobility from unemployment to highest segments (Managerial)
- Slows down upward mobility and speeds up downward mobility
- *However*, surprising results concerning benefit effect on segment mobility... more investigation needed

Effect of unemployment benefit transfer share  
(log odds ratio)



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Thanks for your  
comments and advice!

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