Labour market change

Assessment of public interventions to combat labour market segmentation – Overview report

Labour market segmentation:
Piloting a new quantitative and policy analysis

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Assessment of public interventions to combat labour market segmentation – Overview report

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List of abbreviations

AGS Annual growth survey
ALMP Active labour market policy
CMO Context-mechanisms-outcomes (referred to within the context of a realist methodological approach)
CSR Country-specific recommendation (referred to within the context of the European Semester)
DG EMPL Directorate-General for Employment, Social Affairs and Inclusion
EaSI EU Programme for Employment and Social Innovation
EESC European Economic and Social Committee
EGF European Globalisation Adjustment Fund
EPL Employment protection legislation
EPSR European Pillar of Social Rights
ESF European Social Fund
ETUC European Trade Union Confederation
EU European Union
IMW Industry-specific minimum wage
JER Joint employment report
LMS Labour market segmentation
NLW National living wage
NMW National minimum wage
PES Public employment services
Abstract

Labour market segmentation (LMS) – a division of labour markets into segments characterised by different working conditions and limited mobility between them – has been observed in the EU over the past decades. Its complexity, wide-ranging adverse effects and the lack of proven solutions challenge policymakers in launching policy actions to reduce it. Typically, policymakers have tried to address it through employment protection legislation (EPL) reforms. To complement existing research, this report explores how other types of policies – beyond EPL reforms – might reduce LMS. First, it presents an overview of relevant policy actions and trends at EU and national level. Then, it shares lessons from France, Germany, Spain and the UK in implementing active labour market policies, assisted contracts, promoting self-employment, minimum wage regulations, VET and family policies, from an LMS perspective. It summarises what does or does not work in reducing LMS, how, for whom and in what circumstances.
Executive summary

Introduction
Labour market segmentation (LMS) is typically defined as a division of labour markets into segments characterised by different working conditions and limited mobility between them. Given the wide-ranging adverse effects of the phenomenon and a lack of proven solutions to it, this study explores what does or does not work to combat LMS, how, for whom and in what contexts. To complement existing studies, the study goes beyond EPL reforms – the most typical intervention to tackle LMS – and examines whether and how policy actions of other types can be effective in reducing segmentation. The analysis draws mostly on secondary research featuring policy measures adopted in France, Germany, Spain and the UK. Lessons learned are derived with no claim to generalisations about a specific country or type of LMS interventions and are meant to reduce uncertainty for policymakers and to help them to take better informed decisions.

Policy context
Reducing LMS can be deemed as a broad and mostly implicit EU policy objective. Through the European Semester, the EU institutions have promoted measures to reduce LMS in several Member States where the phenomenon is particularly problematic. Nevertheless, the EU lacks a holistic strategy; and cross-country, stand-alone interventions tailored exclusively to combating LMS hardly exist. At the national level, some Member States have adopted policy actions explicitly aimed at tackling LMS – most often EPL reforms, whereas others have launched measures that have implicit links to LMS. Types of measures identified for their potential to tackle LMS relate to active labour market policies (ALMPs), assisted contracts, self-employment promotion, minimum wage regulations, vocational education and training (VET) and family policies.

Key findings
ALMPs tailored to specific groups at risk of LMS can encourage upward transitions by enabling individuals to access the labour market and by incentivising employers to hire and retain disadvantaged workers. Such policy measures appear effective if they are flexible in terms of content and adopt an individualised approach to meet the specific needs of the people targeted. Moreover, combining financial support with non-financial assistance, consulting employers, providing tailored advice and guidance helps to boost their effectiveness. Good governance arrangements and strong partnerships between actors operating at national and local levels facilitate the success of ALMPs. In contrast, the implementation of a package of ALMPs by multiple sub-national actors may hinder the internal coherence and quality of support measures if not properly managed. The lack of continuous support and follow-up, poor networking and coordination among all parties involved are typical weaknesses of such measures.

Assisted contracts are not feasible in countries which are reluctant to or cannot afford large public spending and not suitable when low labour costs are key to competitiveness. Assisted contracts work well if they are aligned with business cycles, EPL provisions, social benefit schemes and VET policies. Indications exist that assisted contracts have higher potential to reduce LMS when financial support is reserved to permanent hires, conversion of temporary contracts into permanent ones or retention of employees in the private sector. For financial incentives to work, they must be generous and last long enough to accompany employers in reacting in the way expected. To avoid unintended negative effects on LMS, the assisted contracts must include provisions to prevent substitution effects and to support employment maintenance after subsidies end. Otherwise, employers might be tempted to use the system just to cash in, which would result in high deadweight losses.

Promoting self-employment helps to combat LMS only if, in the long run, it results in transitions from unemployment into stable and secure employment rather than inflows into precarious jobs. Tailoring the support to specific groups, reserving financial incentives to promising business ideas, and providing non-financial support strengthens the effectiveness of policy measures.
promoting self-employment. Self-employment support without proper targeting and conditions may lead to substitution of standard employment with less stable and less secure bogus self-employment.

**Minimum wage** regulations may contribute to reducing LMS as they narrow the gap in working conditions (earnings) between workers in different labour market segments. Aside from statutory rates applicable across the economy, industry-specific wages can be introduced in countries with a strong tradition of social dialogue. In some cases, statutory minimum wages may narrow the gap in earnings at the cost of some workers losing their jobs, which suggests mixed effects of such policies on different groups within the worse-off labour market segments.

**VET policies** can facilitate increases in income and upward transitions into stable employment by improving access to training and vocational qualifications or validation and recognition of skills acquired outside formal education systems. To positively affect LMS and to avoid inefficiencies, VET policies must be aligned with local labour market needs, tailored to specific groups, focused on longer-term training that provides certification, supportive of quality training, incentivising transitions after training and properly advertised to targeted beneficiaries. In contrast, the complexity of governance structures, low commitment levels and capabilities of the stakeholders involved in implementation and unfavourable overall economic conditions hinder the effectiveness of VET policies.

Tailored **family policies** have the potential to prevent LMS among women, although poorly designed family policies may reinforce gender-based LMS. Income-related parental allowance has proved effective in supporting reintegration into the labour market and in preventing downward transitions of middle- and high-income women. Linking parental benefits to income, however, may also perpetuate LMS. Those in lower labour market segments may fear for the loss of income or even job security and may avoid taking advantage of flexible parental leave and benefit schemes. Cultural norms favourable to a dual-earner model and the expansion of childcare services are important contextual factors for family policies to contribute to reducing LMS. Family policies supporting women’s position in the labour market might also create unexpected negative effects, for instance, a decreased desire of parents to have children, and a decreased likelihood of being employed under a permanent contract. Moreover, in some cases of family policies not properly linked to other benefit schemes (such as unemployment benefits), reforms of the parental benefit system led to overall reductions in family income.

**Conclusions**

Research findings reveal that often even the most promising policy actions may bring limited long-term impacts if they are not properly implemented or disregard the wider policy context. To ensure effective public policy interventions, awareness of LMS needs to be raised among policymakers, while public policies need to focus not only on access to the labour market, but also on supporting upward mobility and preventing downward mobility within labour markets. A wide range of policy measures beyond EPL reforms have the potential to reduce LMS, but they rarely have an explicit objective to influence labour market transitions and promote stable and secure employment. Such implicit links between policy measures and LMS may not be sufficient to sustainably reduce segmentation. To combat LMS, labour market policies and other initiatives would need to be expanded or refocused to explicitly target this phenomenon. Moreover, tailor-made actions are needed to tackle specific drivers of LMS, to treat the specific groups affected by it and to curb manifestations of LMS within given contexts. The impacts of individual policies are very limited, which calls for integrated context-sensitive approaches combining financial incentives, regulation, monitoring and improving access to quality public services.
Introduction

Labour market segmentation (LMS) is deemed to have numerous negative effects on individuals, families, societies, states and economies. At micro level, LMS is of concern because workers in some segments face lower job quality and security, smaller earnings, poorer working conditions, limited access to social protection, training and representation, more challenging life-course planning and even a higher risk of work accidents and health issues. At macro level, LMS tends to have negative implications on economic stability and efficiencies in resource allocation, on purchasing power and economic demand, on demographics and public health, on social justice and social trust, and even on confidence in democracy and political trust.

Although there is very limited evidence on the extent of LMS across countries, the growing incidence of non-standard work1 and low transition rates into more stable employment call on policymakers to address the issue. The multifaceted nature of the phenomenon complicates the task. LMS is driven by various and often intertwined factors, manifests itself in different ways and affects a wide range of groups. This makes it challenging for policymakers to pinpoint one-dimensional causes that could be addressed by launching tailored policy actions. Moreover, there is a lack of proven solutions to the issue that could give interested parties an indication on what is likely to work and for whom given certain framework conditions.

Against this background, Eurofound launched a project to explore policy measures adopted in selected Member States of the EU to combat LMS. Specific objectives include deriving key lessons on what works and what does not to tackle LMS within certain contexts as well as drawing conclusions on their transferability. The ambition of the analysis is to go beyond the most typical interventions used so far to tackle LMS, namely EPL reforms. This exploratory approach is applied to complement existing studies, which focus on the regulation of contractual employment arrangements and disregard relevant policy measures of other types. Considering the multitude and interrelations of drivers and manifestations of LMS, a wide range of policy types could also contribute to reducing LMS. Therefore, various policy measures are examined in this study to illustrate whether and how policy actions of different types can be effective in tackling LMS. This is done with no claim to generalisations about a specific country or type of LMS interventions, but rather to add policy evidence to a complex phenomenon.

This project is the second component of the two-strand research on LMS performed by Eurofound in 2017-2019. Applying a qualitative and policy-focused approach, it complements the first module, which explored the theoretical understanding of the concept of LMS, its main causes, the drivers and groups affected by the phenomenon, and provided a quantitative analysis of LMS in four Member States – France, Germany, Spain and the UK. Selection of the four countries responded to the aim of illustrating how (differently) LMS can manifest itself in various contexts and countries, but it was primarily conditioned by the availability of quantitative data. Building on findings of the first research strand, this report presents the methodology and final results of the second strand.

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1 According to ILO (2016), non-standard employment comprises temporary employment, part-time and on-call work, multi-party employment relationships such as temporary agency work, and disguised employment/dependent self-employment. They all deviate from the ‘standard employment relationship’, understood as work that is full time, indefinite, as well as part of a subordinate relationship between an employee and an employer. Although working in non-standard employment is an explicit choice for some and has positive outcomes, for most workers non-standard employment relates to instability and insecurity (and is often involuntary). Thus, within the frames of this study, non-standard work is associated with higher risks of LMS.
Methodology

Operational definition of labour market segmentation

As of 2019, there is no agreed-upon unique definition of LMS. The term has been used in different ways and various approaches towards the issue have been applied by scholars ever since it emerged back in the 1970s. This had made it necessary to provide a definition of LMS within the frames of this research.

Building on the approach used in the first module, LMS as understood in this study refers to a labour market characterised by three concurring conditions:

- **Division into two or more segments**: This is a condition common to all definitions of LMS. Although some presume the duality of the labour market, the so-called secondary labour market (characterised by worse-off working conditions) is often too heterogeneous to group under one segment. This is a crucial note for this study as it makes it possible to presume that blanket solutions to LMS are unlikely to reach all groups affected by the phenomenon.

- **Persistent differences in working conditions**: This condition is also implicit in quite a few definitions of LMS. This condition concerns differences which cannot be fully attributed to disparities in workers’ productivity. In more practical terms, markers of these differences may include the following:
  - **Type of contract held**: Aside from unemployment, different forms of non-standard work are associated with LMS, including temporary, part-time, agency work and dependent self-employment. Nevertheless, the contract type alone does not necessarily imply LMS and becomes problematic only when coupled with barriers to mobility. For instance, it is more acceptable for people at entry or re-entry to the labour market or a new career track to hold non-standard contracts. However, lack of transitions into secure jobs and a cycle of transitions to and from non-standard employment and unemployment signal LMS.
  - **Earnings**: Certain wage differentials are expected in the labour market. Nevertheless, low pay has become a significant marker of LMS (coupled with other conditions) as lower segments fall victim to harsh supply and demand factors, whereas jobs in the upper segments are better insulated from such pressures by institutional settings.
  - **Occupational category**: Given implicit links between occupations of lower complexity and some non-standard forms of employment (such as involuntary part-time employment), occupational categories are crucial to consider for the analysis of career trajectories and policy impacts on LMS. Nevertheless, such an approach remains sporadic in literature.

- **Limited mobility between the segments**: Individual career dynamics rather than static composition of the labour market are central to LMS. A persistent lack of transitions upwards from segments characterised by worse conditions to better ones is indicative of LMS.

This three-fold definition of LMS is applied throughout the study. It concerns all workers, including employees and the self-employed who are in precarious (insecure and unstable) employment. Given the sporadic use of the term in political and legal discourse, and the exploratory nature of this study, policy measures with both explicit and implicit links to LMS are considered. The study covers a wide range of policy measures that (may) influence labour market transitions, progressions and working conditions, even if their objectives do not openly refer to the efforts to combat LMS. More specifically, policy measures are deemed as having potential to reduce LMS if they encourage upward transitions from inactivity, unemployment or precarious non-standard employment; prevent involuntary downward mobility into inactivity/unemployment.
or precarious non-standard employment; or narrow the gap in working conditions (such as earnings, social security) between upper and lower labour market segments.

**Methodological approach**

To answer the main research question on what policy measures are the most effective to combat LMS, the following approach is adopted:

- **Overview of key policy developments and initiatives** that have been introduced in the EU since 2008 and have addressed LMS: Aimed to set the scene for the in-depth analysis of 11 policy measures in selected Member States, the overview sheds light on the overarching European policy framework and national policy trends as regards LMS. It is based on desk research of EU legal acts, academic literature, reports of international organisations and their research centres as well as four interviews conducted with representatives of DG EMPL of the European Commission, European Trade Union Confederation (ETUC) and BusinessEurope. The overview is presented in the chapter ‘Policy developments in the EU: Approaches and trends’.

- **Theoretical framework**: Aimed to set the basis for research, particularly selection and in-depth analysis of 11 policy measures, it presents the hypotheses on what impacts different policy measures have on LMS within certain contexts. The framework results from the desk research of secondary sources. In line with the realist approach to public policy research, it is structured around key components of the context-mechanisms-outcomes (CMO) model (see Box 1 for a description of this model). It also includes a typology of policy measures that could help to combat LMS. The framework is presented in both textual and visual formats in the following section of the current chapter ‘Methodology’.

- **Selection of countries**: As mentioned above, this study is part of a larger project. France, Germany, Spain and the UK were selected for this study to ensure consistency in geographical focus across Eurofound’s research on LMS. Within the first module, selection of the four countries responded to the aim of illustrating how (differently) LMS can manifest itself in different contexts and countries, but it was primarily conditioned by data availability. This study (the second research strand) aims to complement quantitative analysis of LMS performed within the first module and to do so by providing policy-focused qualitative insights from the same countries.

- **Selection of policy measures**: First, a list of 31 policy measures (6-10 per country) was compiled based on desk research. Given the exploratory nature of the study, it was decided to go beyond EPL reforms and to focus on other types of policy measures which may help to reduce LMS. The final long list comprised policy measures adopted in France, Germany, Spain and the UK, relevant to combat LMS and formally evaluated, assessed or systematically monitored in the past. These public initiatives included actions of different types and targeting distinct groups. Second, 11 policy measures were selected out of the long list for the in-depth analysis, following the biggest-variety principle and focusing on the initiatives most closely related to LMS and well-documented in available evaluation studies. The case studies published as separate working papers correspond to the final results of the selection.

- **In-depth analysis of 11 policy measures**: Central to answering the main research question, each of the 11 case studies provides a detailed description of the policy measure and an analysis of its effectiveness. Based on desk research and two to three interviews each, these case studies help to reveal what works, for whom, how and in what context as they are structured around key components of the CMO model.

- **Additional desk research**: Although this study exhibits no claims to generalisations about a specific country or type of policy measures, it was decided to broaden the scope of analysis beyond the 11 measures selected for case studies. This was intended to help to
verify the conclusions of case studies within broader policy contexts, collect more evidence on the effectiveness of the policy types explored and, consequently, to boost the policy relevance, usefulness and reliability of the study results. The additional desk research provides information on initiatives implemented in France, Germany, Spain and the UK and similar to the ones analysed in depth.

- **Comparative analysis and reporting**: Aimed to derive conclusions and policy pointers on how to combat LMS, the comparative analysis builds on 11 policy measures studied in depth. It is comprised of a descriptive overview of the cases and a discussion on lessons learned. The latter is structured by policy type (those covered by the case studies) and complemented by inputs from additional desk research. A wide range of policy measures is covered to illustrate whether and how different types of initiatives may help to reduce LMS. The comparative overview is presented in chapters ‘Overview of a selection of policy measures’ and ‘Lessons learned: what works, for whom, how and in what context’.

A key limitation of such an approach is that it does not allow broad generalisations to be made on policy types, as numerous policy measures with different characteristics fall under them. The additional desk research has helped to address this limitation and to boost the sample of the policies analysed from 11 to 31. Nevertheless, the final conclusions should be treated with caution, taking into account the exploratory nature of this research. Above all, the study casts light on what policy measures have helped to address LMS in the past and provides valuable policy pointers to help to combat LMS in the future.

**Box 1. Realist evaluation and the main features of the CMO model**

Developed by Ray Pawson and Nick Tilley, realist evaluation is a form of theory-driven evaluations. Back in the 1990s, Pawson and Tilley argued that to be useful for decision-makers, evaluations need to identify ‘what works, for whom, how and in what circumstances’ rather than merely ‘what works’. Key research tasks for a realist are to hypothesise the key mechanisms, the key contexts and to explain the outcome pattern. Accordingly, applying a realist logic, one aims to reveal context-mechanisms-outcomes configurations (CMOCs), where:

- **Contexts** are external conditions that guide the selection of policy measures, favour or hinder the mechanisms in place, and influence the scope of policy impacts.
- **Mechanisms** are ways in which the policy measure’s components, or a set of these components brings about change through subjects’ reasoning and reactions.
- **Outcomes** are practical effects produced by causal mechanisms, which are triggered by policy measures within given contexts.

Above all, CMOCs show how changes in regularity (outcomes) are produced by policy measures introduced to modify the context and balance of mechanisms triggered.

Source: Adapted by the authors from de Souza, 2013; Lacouture et al., 2015; Pawson, 2006; Pawson and Tilley, 1997, 2004; Pawson et al., 2004; Tilley, 2000

**Theoretical framework**

The theoretical framework summarises the types of factors and causal links explored in the study and underpins the research in three main ways. First, the framework categorises **contextual factors** that drive LMS and suggests what groups are the most likely to be affected by LMS. Second, the framework provides a **typology of policy measures** that could help to combat LMS, which served as the basis for the selection and in-depth analysis of the 11 policy measures. Third, the framework indicates **mechanisms** through which policy measures bring **outcomes** and produce **multiplier effects**, which may help to combat LMS in the long run.

The aforementioned components are described in more detail in the figure and sections below. More details on specific variables related to contexts and outcomes are also presented in Annex 1 (see Table 8 and Table 9).
Figure 1. Theoretical framework
Contexts

Based on the methodological literature on the realist approach and requirements for this study, the framework presents two types of contexts – generic and specific.

**Generic contexts** refer to drivers/causes of LMS, types of labour market divisions and affected groups as well as broad policy frameworks. These external conditions guide policymakers’ decisions on types of policy measures and their target groups, they favour or hinder the mechanisms in place, and affect the scope of positive influence that a given policy measure may have on LMS.

**Specific contexts** relate to the implementation of a particular policy measure, hence affect the mechanisms and scope of policy impacts rather than decisions on types of policy measures and their target groups. Specific contexts refer to organisational conditions and target group characteristics. While individual capabilities and institutional or political settings might affect the effectiveness of policy implementation, sociodemographic characteristics and personal or cultural preferences of a target group can influence individual reactions to policy measures.

Overall, both sub-types of specific contexts are relevant as they directly affect the mechanisms and the outcomes of the policy measures (see below).

Generic and specific contextual features are often interrelated and might influence one another and may refer to what types of policy measures are to be expected, and for whom and in what circumstances specific policy measures work.

Policy measures

Policy measures refer to public policy decisions taken in a given context to implement changes individually or as a package. The theoretical framework presents six types of measures based on two broad dimensions: structure of a policy measure and intended outcomes. Key categories are the following:

- Regulatory and related to employment/job stability, mostly concerning EPL reforms (deregulation of permanent, re-regulation of temporary contracts);
- Regulatory and related to income security, focusing on legal provisions regarding minimum wage and social insurance;
- Regulatory and related to flexicurity, covering changes in labour law to improve working conditions;
- Incentive-based and related to employment/job stability, including various active labour market schemes;
- Incentive-based and related to income security, mostly concerning the provision of social benefits such as sickness, unemployment, retirement and parental benefits; and
- Incentive-based and related to flexicurity, regarding employees’ working conditions, yet through incentivising employers rather than regulating them.

Policies under these categories might have positive impacts on LMS even if they do not explicitly aim to address the issue. Policy measures targeting disadvantaged groups comprise a horizontal dimension in the typology.

Some policy measures are difficult to place in only one of the ‘type boxes’ as they can relate to some different ‘outcomes’ and concern both regulations and incentives of stakeholders (along the two dimensions on which the whole typology is built). Besides, policy measures can be intertwined and may generate aggregated effects.

Mechanisms

Methodological literature on the realist approach suggests there is no universal conceptualisation of mechanisms within the CMO model (Lacouture et al., 2015). For the
purposes of this study, the mechanisms are perceived as ways in which one of the policy measure’s components or a set of these components brings about change through subjects’ reasoning and reactions as well as how the components interact with other existing policy measures.

Although the mechanisms suggested are only indicative (as there are often several mechanisms per policy measure), the framework differentiates two very broad types of them:

- empowering, incentivising and supporting individuals affected by LMS and
- obligating, incentivising and supporting employers.

Both mechanisms explain the overall logic of how individual policy responses bring outcomes within given contexts.

Furthermore, individual mechanisms are often interrelated and highly influenced by specific contexts as described in the framework. They might be pre-existing but activated through policy measures, or they can be newly created (de Souza, 2013). Some mechanisms might also be triggered unintentionally and lead to outcomes that are not necessarily desired.

**Outcomes**

Within the frames of the CMO model, outcomes consist of practical effects produced by causal mechanisms triggered within given contexts. The framework presents three levels of outcomes.

- **Outcomes at micro/programme level** are referred to as results. They are of two different types: outcomes that directly affect some of the LMS aspects (such as transitions from unemployment into employment or from temporary to permanent employment) and outcomes that have an indirect influence (such as raised awareness on career opportunities, improved skills, higher earnings or more flexible working hours, among others). Outcomes under both types are specific to the policy measure in question. They are measurable in the case of incentive-based policy measures. Regulatory ones lead to general outcomes measurable by macro-level impact indicators that extensively overlap with LMS indicators.

- **Outcomes at macro level** are referred to as expected impacts. As the results of policy measures are expected to either encourage upward or prevent downward transitions in the labour market, the framework operationalises macro-level outcomes of policies as LMS indicators (see Figure 1 above and Annex 1 for a detailed outline of impact variables/LMS indicators). It is crucial to note that even if observed, such macro-level changes may be challenging to attribute exclusively and directly to a specific policy measure. This is because macro effects are usually influenced by a combination of factors rather than one single measure.

- Expected impacts might have positive **multiplier effects** on further economic, political and demographic development of the society as a whole. They are listed in the theoretical framework to give a broader picture of policy measures tackling LMS and their overall relevance and value in theory.

Given different outcomes, the context of action may eventually undergo transformation, remain invariant or reproduce/reinforce (de Souza, 2013) existing institutional conditions, cultural norms, and societal and economic factors concerning LMS.

**Policy developments in the EU: approaches and trends**

**Development of the EU’s approach to addressing LMS**

The academic discourse on LMS emerged in the 1970s in the United States. European scholars and policymakers subsequently began to take an interest in the subject. The concept of LMS was developed in the context of high unemployment rates and related EPL reforms in the 1980s, when LMS was first mentioned in European-level policy documents (European
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Commission, 1994). LMS was then argued to emerge because of a coexistence of relatively strict rules of employment protection for permanent workers and flexible rules of the use of temporary employment, which would encourage firms to hire new workers more intensively on temporary, rather than on permanent contracts. Since then, the issue of LMS has consistently remained on the EU political agenda, with the Council, the Commission and the Parliament regularly reflecting on the need to further address this issue.

Although the term ‘LMS’ has been differently used and various approaches towards the issue have been applied by scholars, EU policymakers have increasingly shared a common perspective on the concept, which has been integrated in the EU’s economic and social coordination framework through the Lisbon Strategy, the Europe 2020 Strategy and the European Semester Process.

Within the EU institutions, LMS is typically perceived as a result of the two-tier EPL reforms adopted by many European countries from the 1980s onwards. They consisted of introducing temporary contracts, and then gradually allowing for their more flexible use, while at the same time provisions regulating permanent employment were left largely unchanged (ILO, 2013b). In the context of rising structural unemployment and global competition in the 1980s, policymakers at both EU and national levels then legitimised such an approach as a transitory means of promoting more dynamic and flexible labour markets to boost employment (Rubery and Piasna, 2016; ILO, 2016). This trend led to growing levels of temporary employment and often resulted in the workforce being split into several segments characterised by different working conditions and limited mobility between those segments (ILO, 2013b).

LMS gained momentum in the outcomes of the Great Recession. Since 2008, it has been featured on the EU agenda more often than before the beginning of the crisis.2 LMS has particularly appeared in employment policies and initiatives focused on labour rights, access to training, access to social protection, social dialogue, and in other types of policies targeting specific groups such as youth, migrants or atypical workers. Overall, LMS is increasingly understood as a relevant context phenomenon or as part of the background against which individual EU actions are launched, but only rarely is it featured at the centre of these policy initiatives.

More recently, the increase of ‘new forms of employment’ has led to recurring debates on their implications in terms of working conditions, access to training, social protection and social dialogue (Eurofound, 2015). Technological changes and their applications in the labour market have led to a recent growth in the number of non-standard (atypical) forms of work and a concomitant decrease in the number of full-time permanent employment across EU Member States (European Commission, 2018a). Accordingly, EU policymakers and researchers increasingly link LMS with the differences in living standards and working conditions between standard and non-standard forms of employment (European Commission, 2018a).

**Policy actions and trends at EU and national level**

Reducing LMS can be deemed as a broad-scope objective of the EU policy. Nevertheless, efforts to address the phenomenon hardly entail cross-country and stand-alone policy interventions tailored exclusively to combating LMS. Due to the complexity of its causes, the variety of groups affected and forms of its manifestation, efforts to combat this phenomenon are intertwined with several types of labour market policies, both of general and more specific nature. In the last 10 years, some EU-level policies have explicitly referred to LMS, whereas others did not but can be considered as relevant to tackle this issue. Although lacking an

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2 Based on EUR-Lex database search results, as of February 2019, the exact phrase of ‘labour market segmentation’ has been mentioned in 249 EU documents since 2008. In contrast, only 51 EU documents featured the issue until the beginning of the crisis.
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integrated and strategic approach towards all Member States, EU institutions have promoted the need to reduce LMS in their policy documents, including those tailored to Member States in which LMS has been particularly problematic. The Council and the Commission have consistently referred to LMS in country-specific recommendations (CSRs), for instance, to Spain, and did so in relation to ‘flexicurity’ policies. In the CSRs, the EU institutions have specifically outlined some key drivers of LMS, stressed the negative impacts of the phenomenon and invited Member States to introduce measures to combat LMS and to monitor and assess the effects of their labour market reforms on LMS. Aside from CSRs, the EU institutions have used other measures to influence national policies in a way helpful to reducing LMS. For example, in 2011 the European Commission, the European Central Bank and the International Monetary Fund signed a Memorandum of Understanding with the Portuguese government, and prescribed EPL reforms explicitly aimed at tackling LMS, fostering job creation, and easing the transition of workers across occupations, firms, and sectors (ILO, 2018).

In most Member States of the EU, permanent employment coexists with some forms and extent of temporary employment (Lepage-Saucier et al., 2013), which in itself does not signify LMS. Although comparative quantitative evidence on the levels of LMS across Member States of the EU is very limited, indications exist that at least some countries persistently suffer from LMS. They fall victim to high shares of temporary contracts and low transition rates towards permanent contracts, which are symptomatic of labour market duality (European Commission, 2018d). Based on data from 2013, such countries include Poland, Spain, Portugal, France and the Netherlands (European Commission, 2016e). Encouraged by the Council and the Commission or independently, since 2008 these and other Member States have launched a number of actions that have had the potential to address LMS. As complexity of LMS requires country-specific solutions, the range of policies adopted by Member States has been broad. Some of these policies were designed to address LMS specifically; others were aimed at combating broader societal challenges. Nevertheless, reforms of both types are relevant to the study as they may influence labour market transitions.

In the sections below, key EU-level policy actions and developments are presented together with the main national-level actions and trends, all by policy field. The sections focus on labour market, social protection and lifelong learning policy fields which are primary areas for reforms related to LMS. Youth, disability, migration and gender equality policies are not discussed as they can be considered ‘horizontal’ aspects. Nevertheless, they may have indirect influence on LMS as they target the groups more likely to be affected by LMS and to suffer its adverse effects. These groups include:

- Women who continue to face challenges in gaining access to decent work despite progress in achieving educational parity with men (ILO, 2016). Primarily due to disproportionate sharing of domestic and care responsibilities between women and men, part of the female population is trapped in inactivity, unemployment and marginal employment (non-standard jobs such as part-time or temporary employment).

- Young people who often lack skills and experience are likely to end up in less stable and secure non-standard jobs. Youth are also more vulnerable to labour market fluctuations and face disproportionately high rates of unemployment (including long-term) in times of economic downturns.

- Older people who risk downward transitions into inactivity/unemployment and may get trapped in lower labour market segments. Old-age stereotypes, health problems and lack of updated competencies and skills can render these workers unattractive to employers.

- People with disabilities who encounter psychological and physical barriers to securing and sustaining a standard job. Negative stereotypes on disability and
employers’ fear of potential additional costs also undermine chances of people with disabilities to successfully integrate into the labour market.

- Migrants and refugees who are particularly prone to being employed in non-standard jobs (ILO, 2016), thus at risk of LMS.

Labour market

Labour market segmentation in EU labour market policies

EU policy actions

According to the Treaty on the Functioning of the European Union, Member States must regard their economic policies and promote employment as ‘matters of common concern’ and coordinate these policies within the Council. The Council adopts broad economic policy guidelines, which guide economic policy in both the Member States and the EU as a whole, and employment guidelines, which set common priorities and targets for national employment policies and provide the basis for CSRs. Brought together under a single heading after the relaunch of the European Employment Strategy (Lisbon Strategy) in 2005, the two now form the integrated guidelines for the Europe 2020 strategy. The integrated guidelines also underpin the EU’s joint employment reports (JERs), which provide annual overviews of the main employment and social developments in the EU as a whole as well as Member States’ reform actions in line with the employment guidelines.

The broad economic policy guidelines referred to LMS as early as in 2001 (European Commission, 2001). Since 2008, the guidelines have regularly highlighted the need to promote flexibility combined with employment security in order to reduce LMS. Flexicurity was promoted at EU level with the adoption of ‘Common principles on flexicurity’ in 2007 by a Commission communication (European Commission, 2007) followed by Council conclusions (Council of the European Union, 2007). It was presented as a key approach to modernising labour markets and to reducing LMS. These principles defined flexicurity policies based on:

- flexible and reliable contractual arrangements
- comprehensive lifelong learning strategies
- effective active labour market policies (ALMPs) and
- modern social security systems

In line with this approach, the 2008 Employment Guidelines invited Member States to promote ‘flexibility combined with employment security and to reduce labour market segmentation’, through flexicurity measures such as:

- adaptation of employment legislation, reviewing where necessary the different contractual and working time arrangements;
- addressing the issue of undeclared work;
- better anticipation and positive management of change, including economic restructuring;
- promotion and dissemination of ‘innovative and adaptable forms of work organisation’ with a view to improving quality and productivity at work; and
- support for transitions in occupational status, including training, self-employment, business creation and geographic mobility.

The 2008/2009 Joint Employment Report noted that ‘the awareness of the benefits that flexicurity policies can bring’ had been strengthened by the Council’s endorsement of the
common principles of flexicurity, the supportive common position of the European social partners and the so-called Mission on Flexicurity launched at the Council’s request in 2008.

In 2008, the Commission also published a recommendation on the active inclusion of people excluded from the labour market, which suggested a three-pillar strategy combining adequate income support, inclusive labour markets and access to quality services (European Commission, 2008). Within the domain of inclusive markets, the Commission highlighted the need to tackle LMS by promoting job retention and advancement schemes for people excluded from the labour market. Different types of groups within this segment were however not explicitly mentioned. This recommendation was endorsed by Council conclusions in December 2008.

Since the introduction of the European Semester in 2010, labour market reforms supported by the European Commission consistently focused on the deregulation of the labour market and aimed to reduce the protection of workers with permanent contracts and integrate those left outside or at the margins of the labour market (European Commission, 2010). Promoted through the annual growth survey (AGS) and JERs, reforms of EPL were expected to revive job creation and, by the same token, to address LMS (European Commission, 2012a).

From 2010 onwards, the Commission continued to promote the concept of ‘flexicurity’ (Bekker, 2018), although this approach was criticised as being overwhelmingly deregulatory, failing to protect the groups most vulnerable to austerity measures and lacking anticipation of possible negative impacts such as increased LMS (Eichhorst et al, 2017; Rubery and Piasna, 2016). In the 2010 Employment Guidelines, the Council invited Member States to ‘integrate the flexicurity principles (...) into their labour market and apply them (...) with a view to increasing labour market participation and combating segmentation, inactivity and gender inequality, whilst reducing structural unemployment’ (Council of the European Union, 2010a, p. 49). Similarly, in 2010, the Council Resolution on the active inclusion of young people reflected on the need to promote quality employment for young people by developing ‘integrated flexicurity policies’ (Council of the European Union, 2010b). Young people were considered as a disadvantaged group affected by LMS more than the rest of the population.

The Employment Package launched in 2012 focused on measures to support job creation, restore the dynamics of labour markets and to improve EU governance in the field. The Commission communication published on this occasion promoted a number of ways to securing labour market transitions and inclusive labour markets, including by ensuring appropriate contractual arrangements to combat LMS and adopting ‘measured and balanced reforms in EPL in order to remedy segmentation or to halt the excessive use of non-standard contracts and the abuse of bogus self-employment’ (European Commission, 2012b, p. 10).

In 2015, the Employment Guidelines did not explicitly refer to LMS, but several provisions were indirectly related to the issue. The Council underlined that ‘action in the area of labour market reforms, for example wage setting mechanisms and an increase in participation rates, should be pursued’ and it also reiterated its invitation to Member States to ‘take into account the flexibility and security principles’ to ‘reduce and prevent segmentation within labour markets and fight undeclared work’ (Council of the European Union, 2015).

The proclamation of the European Pillar of Social Rights (EPSR) in 2017 has marked a shift in the EU’s approach to employment policies by focusing more on the protection of workers rather than on the liberalisation of the labour market and flexicurity measures. The Pillar builds upon 20 key principles in the areas of equal opportunities and access to the labour market, fair working conditions and social protection and inclusion. As a result of negotiations with European social partners on the concepts referred to in the text, the EPSR proclaimed the principle of ‘secure and adaptable employment’ instead of approaches based on flexibility and security. More specifically, the EPSR refers to the right of all workers (regardless of the type and duration of the employment relationship) to fair and equal treatment in terms of working conditions, access to social protection and training. It also suggests that the transitions towards open-ended forms of employment should be fostered and
that employment relationships that lead to precarious working conditions should be prevented, for instance, by prohibiting the abuse of atypical contracts (European Commission, 2017f). According to an interviewee from ETUC, the proclamation of the EPSR has led to an inflection towards more ‘socially-oriented’ CSRs in the context of the European Semester, although more efforts could be made to turn the principles proclaimed into policy action.

The EPSR was accompanied by a new ‘social scoreboard’ to monitor the performance and to track trends across Member States regarding the application of the principles proclaimed in the Pillar. The social scoreboard replaces the scoreboard of key employment and social indicators agreed in 2013 and provides 14 headline indicators that assess employment and social trends, which are presented in JERs. None of these indicators directly measure labour market transitions/LMS.

The 2018 Employment Guidelines are aligned with the principles of the EPSR. Several of their provisions refer to measures which have been identified to address LMS. Guideline 6 ‘Enhancing labour supply and improving access to employment, skills and competencies’ underlines that Member States ‘should aim to remove barriers and disincentives to, and provide incentives for, participation in the labour market, in particular for those most removed from the labour market’ and Guideline 7 (‘Enhancing the functioning of labour markets and the effectiveness of social dialogue’) directly refers to the need to ‘reduce and prevent segmentation within labour markets, fight undeclared work and foster the transition towards open-ended forms of employment’ (Council of the European Union, 2018, p. 8). In an apparent return to the flexicurity concept consistently promoted until 2017, these 2018 guidelines also invited Member States to ‘work together with the social partners on flexibility and security principles, balancing rights and obligations’ (Council of the European Union, 2018, p. 7). These latest guidelines (as well as the 2018 AGS and the 2019 JER) indeed recommend the implementation of policies based on the concept of flexicurity together with the prohibition of abuse of atypical contracts, the creation of an impartial dispute resolution system and the establishment of a right to redress, the strengthening of ALMPs, the improvement of public employment services (PES), and the enhancement of employability skills.

In addition to non-binding policy initiatives, recommendations and guidelines published since 2008, a number of EU directives related to the regulation of the labour market have supported the promotion of better working conditions for different types of workers, especially those in precarious forms of employment, and indirectly tackled LMS. Adopted in the 1990s and 2000s, these directives have helped to regulate labour markets of the Member States on issues related to non-standard work, information rights and working conditions, anti-discrimination, and work-life balance. Directives which are worthy of attention in the context of this study include the following: Directive 97/81/EC on part-time work; Directive 99/70/EC on fixed-term work; Directive 2008/104/EC on temporary agency work; Directive 96/71/EC on the posting of workers; and Directive 91/383/EEC on health and safety of workers with fixed duration employment relationship or a fixed-term relationship. Moreover, two ‘horizontal directives’ have granted individual rights to workers on information and working conditions: the Written Statement Directive and Directive 2003/88/EC on working time. Of these, directives which are the most relevant to LMS and to this study are described below. They are discussed from the viewpoint of LMS only.

**Directive 97/81/EC on part-time work** aims to curb discrimination against part-time workers, to boost the quality of part-time work, to facilitate the development of voluntary part-time work and to contribute to the flexible organisation of working time in a manner acceptable to both employers and workers. The directive specifically invites Member States and social partners to identify obstacles which may limit opportunities for part-time work and,
where appropriate, to eliminate them. Furthermore, the directive calls on employers to always consider requests by workers to transfer from part-time to full-time work and vice versa, and not to terminate a worker’s employment based on their refusal of a suggested transfer. These provisions of the directive illustrate its potential effects on LMS. If comprehensively followed, the directive could create positive impacts on LMS in several ways. First, it boasts the potential to help to curb unequal and unjustified treatment of workers in voluntary part-time employment. Second, it supports those who are trapped in part-time work against their desire to transit into full-time employment. Third, the directive can even help to prevent downward mobility into unemployment by supporting voluntary transitions of full-time workers into part-time employment.

**Directive 99/70/EC on fixed-term work** aims to improve the quality of fixed-term work and to prevent abuse arising from the use of successive fixed-term employment arrangements. The directive specifies that fixed-term workers shall not be treated in a less favourable manner than comparable permanent workers solely because they have a different type of contract. Furthermore, it stipulates that Member States should establish objective reasons justifying the renewal of fixed-term arrangements, the maximum number of such renewals and the maximum total duration of successive fixed-term employment. In a similar manner, employers are invited to inform fixed-term workers about vacancies in their establishment so that these workers have the same opportunity to secure permanent positions as other workers; and to facilitate access by fixed-term workers to appropriate training. These provisions of the directive have the potential to positively influence LMS by closing the gap between the working conditions of fixed-term workers at risk of LMS and those of permanent workers. Furthermore, the directive supports upward transitions from fixed-term employment to permanent work by pushing the Member States to curb the unjustified use of fixed-term contracts and by supporting fixed-term workers in securing permanent jobs in the same establishments.

**Directive 2008/104/EC on temporary agency work** aims to ensure the protection of temporary agency workers and to improve the quality of temporary agency work by applying the principle of equal treatment and by recognising temporary work agencies as employers. The directive states that basic employment conditions, such as duration of working time, overtime, breaks, rest periods, night work, holidays and pay should be the same as if workers were recruited directly for the same job. Furthermore, the directive invites Member States to improve temporary agency workers’ access to training and collective representation. These stipulations of the directive are relevant to LMS as they strive to protect a specific group of non-standard workers at a risk of LMS. In particular, the directive has the potential to narrow the gap between working conditions of temporary agency workers and those of workers employed directly. This is if the Member States comply with the legislation and do not exploit the provisions that allow derogations.4

The 91/533/EEC **Written Statement Directive** places an obligation on the employer to inform employees about the conditions applicable to the employment relationship or contract, aiming to make contracts fairer and more predictable for all types of work. In 2017, due to ongoing changes in the work landscape, the European Commission initiated the revision of this directive. One of the challenges to be addressed was to achieve upward convergence towards equal access to a number of relevant rights for all workers (European Commission, 2017a). This is particularly important for precarious employment relationships that largely define the problem of LMS as such. In 2017, as a follow-up action to the proclamation of the EPSR, the European Commission (European Commission, n.d.) revised the legislation that

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4 Derogations from the principle of equal treatment established in the directive can be made within limits. Exceptions are allowed on the basis of an agreement concluded at national level by the social partners and provided that an adequate level of protection of workers is ensured.
regulates the requirements and standards of labour contracts and proposed a new directive on predictable and transparent working conditions. Adopted by the Council in June 2019, the directive aims to respond to challenges posed by demographic developments, digitalisation and new forms of employment. It introduces new rights for workers, including atypical contract holders whose protection is insufficient and provides increased security and predictability in employment relationships while preserving labour market adaptability. In the long run, the directive could generate indirect impacts on fair, stable and secure jobs for all (regardless of the type and duration of workers’ contracts), which is central to tackling LMS.

<table>
<thead>
<tr>
<th>Policy</th>
<th>Type of initiative</th>
<th>Focus on</th>
<th>Links with LMS</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated guidelines, particularly guideline 7 (particularly from 2008)</td>
<td>Policy guidelines</td>
<td>Promoting flexicurity to combat LMS</td>
<td>Explicit</td>
<td>Not specified</td>
</tr>
<tr>
<td>Recommendation on the active inclusion of people excluded from the labour market (2008)</td>
<td>Recommendation</td>
<td>Promoting the active inclusion of people excluded from the labour market by combining adequate income support, inclusive labour markets and access to quality services</td>
<td>Explicit</td>
<td>People excluded from the labour market</td>
</tr>
<tr>
<td>European Semester (2010–2018)</td>
<td>Policy coordination instrument</td>
<td>Monitoring, reporting and providing recommendations</td>
<td>Explicit</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Council Resolution on the active inclusion of young people: Combating unemployment and poverty (2010)</td>
<td>Resolution</td>
<td>Promoting education, training and non-formal learning, school-work transitions, quality employment, self-employment and entrepreneurship of young people</td>
<td>Explicit</td>
<td>Young people</td>
</tr>
<tr>
<td>Employment Package (2012)</td>
<td>Policy framework</td>
<td>Supporting job creation, restoring the dynamics of labour markets, and improving EU governance</td>
<td>Explicit</td>
<td>Not specified</td>
</tr>
<tr>
<td>European Pillar of Social Rights (2017)</td>
<td>Policy principles</td>
<td>Delivering rights to citizens concerning equal opportunities and access to the labour market, fair working conditions, social protection and inclusion</td>
<td>Implicit</td>
<td>Not specified</td>
</tr>
</tbody>
</table>

 Directive 2008/104/EC on temporary agency work (2008) | Legally binding legislative act | Ensuring protection of temporary agency workers and improving the quality of temporary agency work | Implicit, although LMS is mentioned in the preamble | Temporary agency workers

 The 91/533/EEC Written Statement Directive (1991) | Legally binding legislative act | Providing employees with improved protection to avoid uncertainty and insecurity about the terms of the employment relationship and to create greater transparency on the labour market | Implicit | Paid employees (with some exceptions)

Source: Compiled by the authors

**EU funds**

The European Commission employs different policy instruments to provide funding for projects concerning employment, social affairs and social inclusion. These instruments are not tailored to combat LMS, but they have the potential to influence labour market transitions, in particular those of people disadvantaged in the labour market, thus at a higher risk of LMS.

The **European Social Fund (ESF)** is the EU’s main tool for promoting employment and social inclusion – helping people to get a (better) job, integrating disadvantaged groups into society and ensuring fairer life opportunities for all. Although the priorities of the ESF do not explicitly refer to LMS, they are highly related to the phenomenon and relevant as they cover actions that might help to combat LMS. First, efforts to boost the adaptability of workers with new skills and of enterprises with new ways of working can support job retention and increase the employability and career progressions of jobseekers. Indeed, support for training, career management and other active employment policies might have a direct positive effect on labour market transitions, and thus LMS. Second, measures to improve access to employment such as facilitating school-work transitions of young people might even help to prevent those at risk of LMS (such as young people, the low-qualified, migrants and refugees) from falling into the lower segments of the labour market. Third, providing support tailored to groups disadvantaged in the labour market has the potential to either encourage upward transitions into (more stable) employment or to prevent downward mobility into unemployment. Above all, ESF boasts the potential to address the needs of groups at a higher risk of LMS. However, as of 2019, this potential has not been fully exploited, for instance when it comes to improving women’s position in the labour market. The EU funding (including ESF) destined to gender equality measures in the 2014–2020 period is only around 0.6% of the overall allocations. Against this background, the European Economic and Social Committee (EESC) has called for greater attention to gender mainstreaming and the provision of specific funds for gender equality measures in programmes addressing employment, social inclusion and other issues (EESC, 2019).

The **Employment and Social Innovation programme (EaSI)** aims at promoting a high level of quality and sustainable employment, guaranteeing adequate and decent social protection,
combating social exclusion and poverty and improving working conditions. LMS is not explicitly featured in the regulation that established the programme in 2013, but this does not deny its potential to help to combat LMS. As of 2014, there are three axes of the programme, namely Progress, EURES, and Microfinance and Social Entrepreneurship, two of which could influence LMS. The EURES axis has more direct implications on LMS as it can be used to support voluntary mobility of individuals on a fair basis and to remove mobility obstacles. Indeed, for some people trapped in unemployment or non-standard employment, mobility within the EU might be a way to boost career prospects and to achieve better outcomes in the labour market. This is especially relevant for people suffering from LMS in their home countries primarily due to persistent institutional settings and/or sociocultural norms, which may exist to a smaller extent beyond the national borders. The Microfinance and Social entrepreneurship axis relates to LMS in a way that it helps to prevent unemployment or to boost self-employment of people disadvantaged in the labour market, who are at a higher risk of LMS. Overall, links between the EaSI and LMS signify the programme’s potential to help to address the issue, but there is limited evidence as to what extent this has materialised.

As of 2019, the European Globalisation Adjustment Fund (EGF) provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation or as a result of the global financial and economic crisis. Furthermore, plans are in place to reform the fund for the post-2020 period. The aim is to broaden the scope of the fund to also assist those who suffer restructuring linked to digitalisation, automation and the transition to low-carbon economies. Regardless of the cause, such structural changes of the economy are one of the key drivers of LMS as they often lead to increased career vulnerability and/or diminished social security and working conditions for low-qualified workers. Thus, EGF helps to combat LMS by encouraging upward transitions into employment or self-employment. It specifically supports tailor-made training and retaining, job-search assistance, occupational guidance, advisory services, mentoring, business start-ups, employee takeovers, employers’ recruitment incentives and similar measures, including those to stimulate disadvantaged, older and young unemployed persons to remain or to return to the labour market. The JER 2008/2009 referred to the ESF and the EGF as two effective financial tools to support ‘implementing integrated flexicurity approaches and ensuring better skills matching and upgrading’, considering flexicurity and the right skills essential to ease and secure labour market transitions.

### Table 2. Overview of key EU funds concerning labour market and LMS

<table>
<thead>
<tr>
<th>Policy</th>
<th>Type of initiative</th>
<th>Focus on</th>
<th>Links with LMS</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Social Fund</td>
<td>Financing instrument</td>
<td>Promoting employment and social inclusion</td>
<td>Implicit</td>
<td>Workers, young people, jobseekers and in particular disadvantaged groups</td>
</tr>
<tr>
<td>Employment and Social Innovation programme (from 2013)</td>
<td>Financing instrument</td>
<td>Promoting quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions</td>
<td>Implicit</td>
<td>Not specified, although particular attention is given to vulnerable and disadvantaged groups</td>
</tr>
<tr>
<td>European Globalisation</td>
<td>Financing instrument</td>
<td>Promoting sustainable employment by supporting people</td>
<td>Implicit</td>
<td>Workers made redundant and self-employed persons whose activity has ceased as a result of...</td>
</tr>
</tbody>
</table>
Adjustment
Fund
losing their jobs due
to major structural
changes
major structural changes in
world trade patterns or as a
result of the global financial and
economic crisis

Source: Compiled by the authors

Trends in national labour market policies

Reforms of employment protection legislation

Since 2008, in-depth reforms of EPL have been undertaken in a number of Member States, particularly in Southern and Eastern Europe (European Commission, 2016a). As of 2019, EPL reforms are the main type of LMS policy interventions. Member States of the EU perceive making employment protection homogenous across different contractual relations as a natural way to reduce segmentation (ILO, 2013d) and such an approach is well explained by an existing agreement that it was the two-tier reforms of EPL (allowing a more flexible use of temporary contracts while keeping unchanged the dismissal rules for permanent contracts) that primarily fuelled LMS during the past several decades (ILO, 2013b, 2013c). A policy trend towards the implementation of EPL reforms is largely in line with the consistent EU emphasis on the need to reform EPL to reduce the overprotection of workers with permanent contracts, and to provide protection to those left outside or at the margins of the labour market (European Commission, 2010; European Commission, 2017b). Two types of strategies to address segmentation through EPL reform have prevailed in the post-2008 period (with a peak in 2012 and 2013):

- Deregulation of permanent contracts to increase flexibility over the hiring and firing of permanent workers; and
- Re-regulation of temporary contracts to limit the use of temporary contractual arrangements and improve the protection for those in temporary employment.

Many examples from the European countries show that all reforms questioning dismissal protection are politically challenging to achieve (ILO, 2013a). Nevertheless, in the aftermath of the crisis, the deregulation of permanent contracts was high on the agenda in countries with large accumulated imbalances and pressing needs for adjustment. For example, France, Italy, Portugal, Greece, Spain and Slovenia launched EPL reforms and implemented substantial deregulation in the midst of the Great Recession. They often did so under the pressure of the EU and as part of austerity measures. In these and other Member States, high and increasing levels of LMS have been blamed on discrepancies between strict EPL for regular workers under open-ended, full-time contracts versus comparatively weak protection for workers under temporary contracts (European Commission, 2016b). Thus, a number of countries across the EU implemented reforms that lowered the costs of dismissing permanent workers and so brought these workers closer to those in temporary employment. Some countries (such as Italy and Portugal) even went too far with reforming and witnessed policy changes being declared unconstitutional and reversed by national constitutional courts.

The range of reforms adopted by the Member States is wide. Types of policy action in this field include shortening notice periods (Estonia (2009), Slovenia (2013), Lithuania (2016), Belgium (2018)), reducing severance payments (Spain (2012), Hungary (2012), Portugal (2011-2013), the Netherlands (2015)), capping back pay (Italy, Spain (2012)), simplifying dismissal procedures (Slovenia (2013), Croatia (2014), France (2017), Austria (2017)), broadening the scope of justified dismissals (Czech Republic (2012), Portugal (2013), France (2016), the Netherlands (2018)), extending trial periods (Greece (2010), Romania (2011), Finland (2017)), reducing the scope of reinstatement (Hungary, Italy (2012)), reducing compensation for unfair dismissal (Spain (2012), Croatia (2014)), and making dispute resolution mechanisms quicker or more effective (Italy (2012), Ireland (2015), Estonia (2017) (European Commission, 2018c). Some more recent reforms include the following.

Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
• In 2018, new notice periods came into effect in Belgium. They were designed to encourage recruitment of new workers by reducing the notice periods for employees with up to six months of service. By passing the bill on the economic recovery and the strengthening of social cohesion, the notice period in the first three months of employment was reduced from two weeks to one, progressively rising to five weeks between the fifth and sixth months of employment instead of a fixed period of four weeks between the third and sixth months, which was the requirement of the previous system (European Commission, 2017b).

• In 2018, the Netherlands submitted for public consultation a draft package of measures aimed at achieving a better balance in employment protection law. It includes the introduction of an additional ground for dismissal of permanent employees and the possibility to extend the probation period for workers with permanent contracts (from two to five months) (European Commission, 2018d).

• In 2017, Austria attempted to increase the hiring of workers older than 50 by removing a restriction that prevented over-50s from being dismissed after having worked for two years in the same company (European Commission, 2017b).

As an alternative or complementary way to address segmentation via EPL reforms, some Member States chose to restrict the use of temporary contracts (OECD, 2013a; OECD, 2014; Marx, 2015) or expand the rights and protection for those in non-standard forms of employment. The overall goal of these measures was to make the use of temporary contracts more expensive for employers, incentivise hiring on open-ended contracts and encourage employers to convert temporary contracts into permanent ones. Reforms included prescribing stricter conditions for the use of temporary contracts (Portugal (2018)), lowering the cumulative duration of fixed-term contracts (Slovenia (2013), the Netherlands (2015), Poland (2016), Portugal (2018)), increasing severance pay for temporary workers (Spain (2015)), preventing abuses of temporary agency work (Czech Republic (2017)), improving access to collective bargaining for fixed-term and temporary workers (France (2017)), and raising employers’ social insurance contributions for temporary jobs (Slovenia (2013), France (2013), Italy (2012)) (Eichhorst et al, 2017; European Commission, 2018d). Examples of policy measures that have been adopted since 2008.

• In Slovenia, a 2013 labour market reform raised employers’ unemployment insurance contributions for temporary contracts – but exempted employers from contributions for a limited time if the temporary contract was converted into a permanent one (Eichhorst et al, 2017).

• In 2016, Poland introduced restrictions on the number of consecutive fixed-term employment contracts an employer could use, and their maximum duration. The notice period for fixed-term contracts was also brought into line with that for permanent contracts (Jóźwik, n.d.).

Overall, Member States have tended to either deregulate permanent contracts or introduce more stringent regulations on the use of temporary ones. Some have implemented a comprehensive policy strategy that combines both (Marx, 2015; European Commission 2016a).

• In 2016, Lithuania introduced a broad reform to its labour code, touching upon several aspects of EPL: clarifying reasons for termination of employment, reducing the notice period, setting new rules for defining severance payment (the standard now being the payment of two monthly salaries instead of one to six monthly salaries, depending on the length of service of an employee), reducing the maximum duration of fixed-term contracts from five to two years (with exceptions), and introducing flexible working hours. However, it also introduced a number of atypical contracts, including temporary work agency and project work contracts, the impact of which on LMS still needs to be monitored (European Commission, 2017b).
• In 2013, social partners in France signed a national inter-professional agreement, intended to improve the functioning of the labour market. The two key features of the agreement related to temporary contracts and collective dismissals. As regards temporary contracts, an increase in the employers’ contributions to unemployment insurance was agreed upon for contracts up to three months. Regarding collective dismissals, the legal procedure was amended for firms with more than 50 employees to provide more predictability on collective dismissals and hence to prevent long and costly procedures by court by privileging negotiations between the social partners and conciliation at once (ILO, 2013d).

• In 2012, Italy launched a reform to address various dimensions of the labour market. The temporary contracts were made marginally more stringent, whereas employment protection for the employed workers was slightly relaxed (ILO, 2013b). Italy continued such two-tier revisions of EPL in 2014 and adopted a comprehensive labour market reform in the form of the ‘Jobs Act’. Among other things, with this act the government revised dismissal rules for open-ended contracts, simplified and reduced the number of non-standard forms of contracts and improved internal flexibility rules within firms (European Commission, 2017b).

• In 2012, Spain launched a drastic reform to reduce the duality of the labour market by introducing more flexibility in the permanent contract while limiting the use of temporary contracts. This created a new open-ended (assisted) type of contract for small and medium-sized enterprises, clarified the legal clauses under which termination for economic reasons could be used, and restricted the use of fixed-term contracts, limiting their maximum duration to 24 months (Lepage-Saucier et al, 2013).

• In 2011–2014, a series of EPL reforms were undertaken by Portugal to fulfil the conditions of the Memorandum of Understanding. Two EPL aspects were principally affected – severance pay and valid grounds and procedures for dismissals. Severance pay was reduced, limits to the maximum amount of severance pay were introduced, and valid grounds for dismissal in case of unsuitability and economic redundancy were extended (ILO, 2018). In 2018, as a continuation of these crisis-ridden reforms, Portugal introduced a comprehensive package of measures to tackle LMS by providing better protection for workers under temporary contracts. The package includes reducing the maximum duration of fixed-term contracts from three to two years; reducing the maximum duration of fixed-term contracts of undetermined term from six to four years and limiting the scope of justifications for the use of temporary contracts for younger workers and the long-term unemployed (European Commission, 2018d).

Consequently, there has been no general tendency (especially in the early post-2008 period) towards the adoption of labour market policies designed to deliver policies based on the flexicurity approach promoted by the EU (de Stefano, 2013).

Implementing active labour market policies
Alongside EPL reforms, ALMPs have been extensively used across Europe to tackle growing concerns about LMS since 2013 (European Commission, 2017c). In line with the CSRs, the Member States have pursued a wide range of ALMPs with a predominant focus on the provision of job-search assistance, hiring incentives and training.5 Countries have implemented these types of policies with two main objectives: rapid integration into the labour market by improving access to it and reducing discrimination; and sustainable

5 See section on lifelong learning for the discussion of trends in training policies as concerns LMS.
integration by increasing employability to improve the chances of moving to more stable, high quality employment (European Commission, 2017c). These objectives imply that the foremost target groups of ALMPs are unemployed and inactive people. Nevertheless, although to a smaller extent, those who have jobs are also targeted by ALMPs, most often with an objective of employment retention and by providing subsidies to employers or training opportunities for employees. Such a two-fold approach implies efforts of Member States to facilitate upward and to prevent downwards labour market mobility of specific groups who face barriers in entering, progressing or remaining in the labour market.

Analysis of the European Semester reports reveals continuous efforts to better support the unemployed with job-search assistance through strengthening the provision of public employment services (PES) through institutional reforms and performance improvements. This is in line with CSRs that have repeatedly highlighted the need for the Member States to step up and boost the effectiveness and efficiency of PES. Although there is still room for PES to further enhance their effectiveness and efficiency in some Member States (European Commission, 2017d), multiple policy measures have already been adopted, with a peak in 2010. The reorganisation of PES took place in the direction of strengthening their collaboration with social service providers and improving the quality and scope of their activities, sometimes as part of wider local government reforms. The provision of individualised support accelerated in 2016 with the introduction or reinforcement of individualised support plans for social benefit recipients through an integrated assessment of their needs, information provision, search assistance and continued monitoring and guidance by PES (European Commission, 2017e). Although PES reforms and other measures aimed at improving job-search assistance rarely explicitly aim to address LMS, they may help to combat the phenomenon. This is because the better the quality of job-search assistance, the greater potential this assistance has to facilitate the transitions into employment and to prevent people from moving into low quality jobs. However, even if effective, job-search assistance is not enough to ensure that the unemployed secure employment, or that they do not leave unemployment just to get trapped in the lower segments of the labour market. Thus, it is crucial to combine job-search assistance with other ALMPs such as hiring incentives or training. Recent examples of PES reforms and other policy measures aimed at improving job-search assistance.

- In Spain, the Joint Action Programme to support the long-term unemployed aimed to benefit at least one million people from 2016 to 2018. The programme was designed to finance the provision of personal tutors responsible for preparing individualised itineraries for each beneficiary. It also funded the training of staff of the Autonomous Communities to improve the capacity of the regional PES (European Commission, 2017c).
- In 2017, Portugal amended legislation to cater for more personalised services and is developing one-stop shops for employment (‘Balcão Único do Emprego’), bringing together services provided by public employment and social services (European Commission, 2017b).
- In Bulgaria, since January 2018, Family and Labour Counselling as well as joint mobile teams of staff of the Employment Agency and the Social Assistance Agency provide comprehensive and integrated services to unemployed persons in remote areas of the country (European Commission, 2018d).
- In 2013, pilots were launched in the UK to assess what kind of support would be the most effective to improve employment outcomes for people with disabilities. The measure targeted people receiving Employment and Support Allowance and only those who would be able to work. Three pilots ran for two years each, up until 2015.
Each of the three pilots encompassed a different combination of support measures tailored to people with disabilities.\textsuperscript{6}

- In 2011–2012 the so-called ‘Support for the very long-term unemployed trailblazer’ ran in the UK with an objective to explore what types of assistance would prove effective for the Jobseeker’s Allowance claimants at the end of their two years on the Work Programme, but still not in sustainable employment. The pilot focused on the provision of flexible and personalised adviser-based support, including job-search assistance.\textsuperscript{7}

Incentives targeted at employers to support hiring, employment retention or conversion of temporary contracts into permanent ones are also a common instrument of ALMPs across the EU. These different forms of subsidised employment have been extensively used throughout the last decade, with an observable peak in 2012–2013. In light of LMS, they have the potential to support upward labour market mobility and to prevent downward transitions into unemployment. Countries with segmented labour markets have subsidised employment predominantly in the form of wage subsidies and reduced social security contributions (Eichhorst et al, 2017). Policy measures in this field were mainly targeted at the most disadvantaged groups, including the long-term unemployed, temporary workers, older workers, social benefit recipients, single parents, and those not in education, employment or training (European Commission, 2017e). Examples of the most recent reforms include the following:

- In 2018, Spain reduced social security contributions for companies that transform training contracts into open-ended ones (applicable in the first three years after conversion only) and introduced new wage subsidies for young entrepreneurs (up to 35 years old) who hire workers for the first time (European Commission, 2018d).

- As of 2017, employers in the Netherlands receive a subsidy for hiring typically low-paid workers. The intended effect is to promote job creation, particularly full-time employment for people on low incomes, and to consequently facilitate transitions into employment for those who are currently out of a job (European Commission, 2017c).

- From March to December 2016, Italy implemented the ‘Superbonus’ initiative linked to the Youth Guarantee programme. It was activated when an employer transferred the contract of a person aged 16 to 29 (who had previously been NEET – not in education, employment or training) and who had a traineeship through the Youth Guarantee programme into an open-ended contract with employment protection increasing with seniority. Alternatively, it was granted when an employer hired a young person who had just completed a Youth Guarantee traineeship. The bonus had a minimum value of €3,000 and maximum value of €12,000, disbursed in equal monthly amounts (European Commission, 2017c).

- In 2013, France increased employers’ contributions to unemployment insurance for certain fixed-term contracts to fight against precariousness and to encourage hiring under permanent contracts (in which case the increase in contributions was reimbursed by the state). The adjustment of employers’ contributions to unemployment insurance for fixed-term contracts was discontinued in March 2019.\textsuperscript{8}

\textsuperscript{6} See Dawson and Smithers, 2019; Learning and Work Institute and NatCen Social Research, 2019; Department for Work and Pensions, 2019 for evidence on effectiveness.


\textsuperscript{8} See Berson and Ferrari, 2013; Foulon, 2016; Marie and Jaouen, 2015; Ministère du Travail, 2015a, 2015b for evidence on effectiveness.
• In 2013–2017, a ‘Generation contract’ was in place in France. It was intended to facilitate the integration of young people into employment through better access to permanent contracts and to promote the hiring and retention of older workers. The scheme entailed regulatory obligations for companies with more than 300 employees and financial support for small and medium-sized enterprises.9

• In 2012, as part of far-reaching labour market reforms, Spain introduced a new type of contract for supporting entrepreneurs (Contrato de apoyo a emprendedores). Subsidised by the state by means of tax breaks and reductions in employers’ social security contributions, this new type of open-ended contracts was designed to fight unemployment, excessive employee turnover and LMS. It is targeted at young and older unemployed people and it is specifically tailored to small and medium-sized companies.10

Promoting internal flexibility

In recent years, making work arrangements more flexible for better reconciliation between work and family life has gained momentum in the reform agenda across the EU (European Commission, 2017b). This is because businesses increasingly employ internal flexibility measures to adapt to changes in labour market and economic cycles, whereas workers increasingly demand flexibility from both their employers and governments. Both aspects are crucial in light of LMS as they imply different ways in which promoting internal flexibility may help to facilitate transitions into employment and upward mobility within labour markets.

Although internal flexibility can be used to reinforce boundaries between the upper and lower labour market segments, it may work in the opposite way and help to stabilise and boost employment, avoid job losses and tackle LMS (Eichhorst et al, 2017). Working time adjustments and reorganisation at the company level may prevent people from downward transitions into temporary employment or unemployment. This may be achieved through, for instance, job sharing or working time accounts that allow accumulating surpluses that are later compensated with time off. This and similar short-time working arrangements help employers to respond to workload fluctuations without excessively relying on the use of temporary contracts and avoiding massive dismissals. Moreover, alongside flexible working hours, arrangements such as ‘teleworking’ and ‘home-working’ may even encourage transitions from inactivity into employment, particularly of those on parental leave or taking care of their family members. Overall, internal flexibility is hard to induce through public policy, as it usually depends on firm-level practices and industrial relations and is often governed by collective agreements. Nevertheless, Member States are taking measures to boost it, notably by increasing the adaptability of working hours and working conditions (European Commission, 2017e).

• In March 2017, Belgium adopted a law on ‘Workable and flexible work’. It was designed to increase flexibility for employers and employees alike and to simplify the combination of work and private life. Working time has now to be set on an annual basis (in the former system, parties of collective bargaining had the freedom to do so more often), the use of overtime has been relaxed, the formalities for part-time work have been simplified and a legal framework for occasional telework has also been created. Moreover, social partners now have the option of further adapting working hours at sectoral level.

• In 2017, the Czech Republic made amendments to the Labour Code to increase the flexibility of work arrangements, notably by introducing more flexibility in

9 See Cordesse, 2018 and Cour des Comptes, 2016 for evidence on effectiveness.
10 See Gamberoni et al, 2016 and OECD, 2013b for evidence on effectiveness.
scheduling/entitlements to working hours and leaves, changing ‘teleworking’-related provisions and strengthening reconciliation tools such as ‘home-working’.

- In Italy, the ‘Jobs Act on non-entrepreneurial self-employment and smart working’ of 2017 aims at promoting a more flexible arrangement of subordinate work in order to increase productivity and facilitate work-life balance (namely by regulating the possibility to work outside firms’ premises, using IT tools, with the right to the same pay as that of employees working within firms’ premises and doing the same job).

- In 2012, Spain launched a reform concerning dismissals and collective bargaining. The changes in the collective bargaining regulations were intended to provide more internal flexibility to the firms, to help employers to adapt wages and working hours to the business cycle, to cut incentives to use temporary contracts, and to avoid dismissals and end of contracts as a measure to adjust to bad times (ILO, 2013c).

- In 2009–2011, Germany amended its short-time work policy. The maximum allowed duration of short-time work was extended from 6 to 24 months. Employers were entitled to a full compensation of social security contributions for hours not worked starting from the sixth month of short-time work and from the beginning if training was provided (ILO, 2013a). Workers affected by short-time work were eligible to partial financial compensation from the government. Short-work arrangements were expected to stabilise employment, cushion income losses, help to avoid dismissals, relieve companies of dismissals costs and PES of an overload of the unemployed.11

Providing care services and increasing incentives to work can facilitate upward mobility within labour markets and contribute to better outcomes for those trapped in the lower segments. These groups often include single parents and those caring for relatives with disabilities or older people. Flexibility for these workers, often women, concerns the possibility to adjust working life and hours to their own preferences and to their other activities and responsibilities. This can be achieved through the provision of high quality, yet accessible childcare, healthcare and long-term care services as well as reforms of the tax and benefit systems (such as shorter duration of paid parental leave, childcare tax allowance schemes) to reduce disincentives to work and encourage the entry or return to the labour market (European Commission, 2017b). In contrast to working time flexibility, these areas are highly influenced by public authorities, which have launched a number of actions since 2008 to prevent part-time work as well as shorter and more discontinuous careers. Examples of policy measures.

- Bulgaria has amended its Code of Social Insurance in a way that from June 2017, if a parent decides to return to work and not to use the paid parental leave fully or in part after the 135th day of the leave, they are entitled to receive partial financial compensation for the remaining period of the leave. This compensation is set at 50% of the standard monthly childcare benefit (European Commission, 2017c; Dimitrova et al, 2018).

- In 2016, the Czech Republic designed a set of measures to improve childcare provision and to help mothers of two-year-olds and older children to return to work. The revised version of the Law on Education addressed insufficient capacity of public kindergartens and obliged municipalities to guarantee parents with access to childcare services for their four-year-olds from 2017, three-year-olds from 2018 and two-year-olds from 2020 (European Commission, 2017c).

11 See Bosch, 2011; Brenke et al, 2011; Burda and Hunt, 2011; Herzog-Stein et al, 2018; Herzog-Stein and Zapf, 2014 for evidence on effectiveness.
• In December 2016, Austria launched a reform to guarantee further expansion of all-day schools to allow parents to work full-time and to improve their family income (European Commission, 2017c).

• In 2008, Lone Parent Obligations were introduced in the UK to increase the number of lone parents moving (back) into work. Eligibility to income support solely on the grounds of being a lone parent was narrowed. Before the reform, lone parents could claim for income support until their child was 16 or even 19 (if the child was in full-time education). With the introduction of Lone Parent Obligations, claimants with the youngest child aged 12 or older lost the entitlement to income support solely on the grounds of being a lone parent. From October 2009, the age of the youngest child was lowered to 10, from October 2010 – to seven, from May 2012 – to five (Coleman and Riley, 2012).

• In 2007, Spain introduced a new law for effective equality of women and men. As part of the law, the paid parental leave for fathers was prolonged from two to 13 days. This policy shift was intended to help parents find a balance between personal, family and working life, and in particular to support childcare sharing and women’s position in the labour market.12

Social protection

Labour market segmentation in EU social protection policies

In 2007, the Common principles on flexicurity mentioned ‘modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility’ as one of the measures which could help to address segmentation. This measure includes broad coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people to combine work with private and family responsibilities such as childcare.

Adopted in 2013, the European Commission’s Social Investment Package provides a framework for redirecting Member States’ policies towards social investment throughout life, with a view to ensuring the adequacy and sustainability of budgets for social policies and for the government and private sector as a whole (European Commission, 2013). Complementary to the Employment Package, the Social Investment Package provides guidance to Member States to help them strengthen people’s skills and capacities and to improve people’s opportunities to participate in society and the labour market. This guidance includes a call for the Member States to put an increased focus on social investment in such policy fields as (child)care, education, training, ALMP, rehabilitation and health services. LMS is explicitly mentioned in the communication from the Commission, which lays the ground for the package (European Commission, 2013). In this communication, LMS is recognised as giving rise to labour market inequalities. It is deemed as one of the reasons for the need to invest in human capital throughout life and to ensure adequate livelihoods for all, which the Social Investment Package is designed to address. Moreover, the groups that are expected to benefit from the package include those that are at a higher risk of LMS, in particular jobseekers, women, older people, people with disabilities and the homeless. Therefore, regardless of its broad nature, the package is relevant to the efforts to help Member States to combat LMS.

The Social Investment Package links social policies of the Member States with the best use of EU funds and reforms recommended through the European Semester. Within the latter,

The performance of the Member States’ social protection systems is reflected upon alongside national economic and labour market reforms. When reporting on the implementation of Guideline 8 (‘Promoting equal opportunities for all, fostering social inclusion and combating poverty’), the Commission refers to the lack of access to social protection for non-standard workers such as platform, casual, seasonal, on-call, temporary agency and self-employed (European Commission, 2018d). This is relevant to LMS as it draws attention to one of its markers – persistent differences in working conditions between the upper and lower (often non-standard) jobs.

The Social Fairness Package, adopted in March 2018, consists of a proposal for a regulation establishing a European Labour Authority and a proposal for a Council Recommendation on access to social protection for employees and the self-employed. The latter proposal aims to support people who, due to their employment status, are not sufficiently covered by social security schemes and thus are exposed to higher economic uncertainty and LMS. In particular, if adopted, the recommendation would encourage Member States to close the current formal coverage gaps by allowing all individuals in employment and self-employment (including ‘atypical’ workers) to adhere to corresponding social protection systems; to build up and take up adequate entitlements as members of respective social protection schemes; to facilitate transferability of social protection entitlements between the schemes; and to increase transparency regarding social protection systems and rights. The extension of social protection to non-standard workers improves the quality of these workers’ jobs and brings these workers closer to those in upper labour market segments.

**Table 3. Overview of key EU policies concerning social protection and LMS**

<table>
<thead>
<tr>
<th>Policy</th>
<th>Type of initiative</th>
<th>Focus on</th>
<th>Links with LMS</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Investment Package (2018)</td>
<td>Policy framework</td>
<td>Social protection systems that meet people’s needs, simplified and better targeted social policies, upgraded active inclusion strategies</td>
<td>Implicit, yet LMS is explicitly mentioned as a challenge</td>
<td>Not specified, although young people, women, unemployed people, migrants and people with disabilities are mentioned as facing particular hardship</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors

**Trends in national social protection policies**

After having been largely driven by the need to respond to the challenges posed or amplified by the crisis, reforms recently turned to longer-term structural challenges, including the emergence of new forms of work and the need to ensure effective social protection for a more diverse workforce (European Commission, 2017e). From 2015 onwards, an increasing focus on the provision of social protection for non-standard workers can be observed (European Commission, 2018c). This is largely in line with the increased attention to the social...
dimension of labour market policies at the EU level, crowned with the promulgation of the EPSR in 2017.

Social protection for workers in non-standard forms of employment depends heavily on the rules set out in national legislations and their effective implementation and enforcement (ILO, 2016). Accordingly, a number of Member States have amended legislation to improve access to social protection for workers in non-standard employment. They have done so despite the challenges posed by the trends of increasing labour mobility and emerging new forms of employment (European Commission, 2017b). In light of LMS, extending social protection to non-standard workers does not always result in their upward transitions within the labour market. Nevertheless, as long as the social protection is not linked to a contract with a specific employer, it may encourage and/or facilitate labour market mobility (ILO, 2016). Provided with income security and access to healthcare, a non-standard worker may be more willing and able to search for a more stable and secure job. Moreover, improving access to social protection for workers in non-standard forms of employment helps to fight one of the markers of LMS – persistent differences in working conditions – and to narrow the gap between the upper and lower labour market segments. In a similar manner, the more equal treatment of standard and non-standard employment, the lower the incentives for employers to exploit ‘cheaper’ and unprotected arrangements of work (ILO, 2016).

There have been three main pathways of extending social protection to non-standard workers (Spasova et al, 2017). First, some countries (such as Spain, Croatia and Slovenia) integrated categories of non-standard workers who previously had not had access or had been only partially covered by a social security scheme into the general social security system. Second, some Member States (such as the Netherlands and Poland) made efforts to reduce the scope of non-standard employment by curbing incentives for employers to attenuate labour costs at the expense of workers’ social security. The third reform path (adopted, for example, in Belgium, Lithuania and Spain) consists of redefining dependent self-employment under more regular labour law and applying the social security rights of salaried workers.

As regards self-employed, two types of reforms can be distinguished (Spasova et al, 2017): reforms that consist of changes in the parameters of a scheme within an unchanged institutional system; and paradigmatic reforms aimed at an extensive integration of self-employment into social security. The first type of reforms includes granting full access to maternity/paternity benefits and to the relevant services offered in connection with childbirth, greater flexibility to take up maternity leave, increasing the minimum insurance base, favourable tax reforms or reducing the social contributions for the self-employed. The second type of reforms includes the creation of new statuses, an all-encompassing harmonisation of the status of the self-employed, and the creation of new social benefit schemes in favour of the self-employed. Such paradigmatic reforms are designed to boost access to social protection for the self-employed, be it by improving specific regimes that govern self-employment or by altering general social security systems. Both parametric and paradigmatic reforms are especially relevant to combat dependent self-employment and disguised employment, which are fuelled by employers’ tendency to reclassify workers as a means of avoiding social security contributions (ILO, 2016).

Below are some examples of policy measures introduced in the field of social protection and concerning non-standard workers and/or the self-employed.

- In 2017, Italy adopted a ‘Jobs Act on non-entrepreneurial self-employment and smart working’ to award non-entrepreneurial self-employed workers with new social rights, including access to social protection in the case of parental leave, illness, and unemployment (European Commission, 2017b, 2017e).
- In 2017, Croatia adopted a tax reform to extend the obligation to pay social security contributions to some non-standard workers (Spasova et al, 2017).
- In 2017, Denmark amended the rules for childbirth leave so that self-employed business owners may work in their business for up to 25% of normal working hours
and simultaneously receive childbirth benefits corresponding to 75% of their hours (European Commission, 2017b).

- In 2014, France amended its unemployment scheme to introduce ‘refillable rights’. Before the reform, if an unemployed person was offered a job, the worker would lose the remaining entitlements to unemployment benefits as soon as they accepted the position. This was detrimental for those whose newly accepted jobs were of a short-term nature. With the introduction of the reform, the unemployment benefits are no longer lost, which acts as an incentive to re-enter the labour market (ILO, 2016).

- As of 2017, taxi drivers in Latvia are considered as employees and thus enjoy stronger social rights and stricter requirements for social security contributions (European Commission, 2017b).

- In 2017, Ireland extended the Invalidity Pension to self-employed workers, including farmers, who cannot work due to a long-term illness or disability (European Commission, 2017e).

**Lifelong learning**

**Labour market segmentation in EU lifelong learning policies**

Access to lifelong learning is the second main policy area within broader employment and social policies in which EU initiatives have indirectly helped to address LMS. In the area of lifelong learning policies as well, the concept of flexicurity has regularly been promoted at least since 2007. ‘Comprehensive lifelong learning strategies’ aiming to ensure the continuous adaptability and employability of workers, in particular of the most vulnerable, were one of the four components of the Common principles on flexicurity adopted in 2007.

The first priority of the Agenda for New Skills and Jobs launched in 2010 stressed the need to adopt flexicurity policies to reduce segmentation and to support labour market transitions. Measures proposed by the Commission referred to the need to create flexible and reliable contractual arrangements, modernise social security systems, conduct ALMPs and implement comprehensive lifelong learning programmes. There were no explicit references to LMS under the rest of the priorities which included equipping people with the right skills for employment, improving the quality of work and working conditions and supporting job creation. Nevertheless, actions that have since been launched to implement these priorities might also have had a positive influence on labour market transitions and working conditions, thus LMS. A European Parliament Resolution from 2010 on atypical contracts, secured professional paths, flexicurity and new forms of social dialogue also pointed out that high unemployment and LMS need to be overcome by giving workers equal rights and investing in job creation, skills and lifelong learning. Similarly, the 2012 Employment Package reiterated the need to combat LMS by halting the excessive use of non-standard contracts, to prevent the abuse of bogus self-employment and to give all job-holders (regardless of the type of contract they hold) access to a core set of rights, including access to lifelong learning. Furthermore, the 2012 Employment Package proposed measures to support job creation and to restore the dynamics of labour markets, among which was investing in skills by coping with skills mismatches, ensuring better recognition of skills and qualifications, anticipating skills needs (notably via the EU Skills Panorama) and improving synergy between the worlds of education and work. In fact, such investments in skills help to increase the employability of low-qualified workers and to encourage their upwards transitions into or within the labour market, thus to address LMS.

The New Skills Agenda for Europe, adopted by the Commission in 2016, launched 10 actions to make the right training, skills and support available to people in the EU. The communication from the Commission on the Agenda does not explicitly refer to LMS, yet the overall objectives of the initiative concern skills formation, visibility and intelligence, all of which relate to efforts to combat LMS. Some actions under the framework are particularly relevant. The Upskilling Pathways: New Opportunities for Adults initiative (action 1), for
instance, aims to help low-skilled adults acquire a minimum level of literacy, numeracy and
digital skills and/or a broader set of skills by progressing towards an upper secondary
qualification or equivalent. The initiative is expected to reduce the risk of unemployment,
poverty and social exclusion for the low-skilled. This could simultaneously increase their
chances for transition to upper segments of the labour market. Also, an EU Skills Profile Tool
(action 5) was developed to support the early profiling of the skills of refugees, migrants and
other third country nationals, and in this way to facilitate their integration into the EU labour
market. It can be used to support further assessment of skills, form a basis for offering
guidance, identify upskilling needs, and support job-searching and job-matching. Although
the tool is not tailored to combat LMS, it is a relevant effort as it specifically targets the
groups at a higher risk of LMS. If working as intended, it may have a positive influence on
the integration of third country nationals into stable employment.

Table 4. Overview of key EU policies concerning lifelong learning and LMS

<table>
<thead>
<tr>
<th>Policy</th>
<th>Type of initiative</th>
<th>Focus on</th>
<th>Links with LMS</th>
<th>Target group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agenda for New Skills and Jobs (2010)</td>
<td>Policy framework</td>
<td>Developing flexicurity policies, equipping people with the right skills for employment, improving the quality of work and working conditions and supporting job creation</td>
<td>Explicit</td>
<td>Not specified, although women, young and older workers are mentioned as those particularly in need of support</td>
</tr>
<tr>
<td>New Skills Agenda for Europe (2016)</td>
<td>Policy package</td>
<td>Improving the quality and relevance of training, assessment and recognition of skills, information and understanding of demand for skills and jobs</td>
<td>Implicit</td>
<td>Action 1: Low-skilled adults; Action 5: Third country nationals; Actions 2-4, 6-10: Not specified</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors

**Trends in national lifelong learning policies**

Developing skills and supporting labour market matching and the integration, especially of
the youth, continued to be one of the key priorities across the EU over the whole period since
2008, with particular attention to training within the ALMPs agenda since 2016 (European
Commission, 2017e). This trend is largely in line with the Commission’s insistence on the
need to improve the performance of, and (with the promulgation of the EPSR) access to,
education and training over the last decade, as evidenced by multiple European Semester
reports. The types of lifelong learning-related measures adopted by Member States include
back-to-education allowances, upskilling measures, expansion of training offers, introduction
of individual training accounts, passports and vouchers, assisted contracts for training,
introduction of skills assessment and individual learning plans, and support for the
recognition and validation of degrees and skills. Examples of policy measures.

- In 2017, Spain adopted a reform of adult learning programmes, which foresaw the
  introduction of training vouchers for jobseekers, and training accounts to document
  past trainings and to guide future training offers (European Commission, 2017e).
• In 2017, Greece launched a programme of training and certification for 23,000 unemployed in sectors with growth potential and included an optional training component in the new generation of its public works scheme (European Commission, 2017b).

• In 2015, France introduced personal training accounts and granted additional rights to vocational training to low-skilled people (European Commission, 2017e). Personal training accounts allow beneficiaries to acquire training hours and they fully or partially cover the fees of certain courses. Any person, who is entering the workforce and is 16 years old or older can benefit from the scheme and acquire recognised skills.13

• In Denmark, since 2015, all learners over 25 who are considering going back to education and training and enrolling in VET, have to undergo a skills assessment. The same offer is available to younger people, if they do not come straight from school. The assessment is undertaken to identify candidates’ existing skills and knowledge with an objective to tailor training programmes and avoid duplication. The skills assessment is free of charge and results in the preparation of an individual learning plan (Cedefop, 2019).

• In 2012, the law on recognition of foreign degrees came into effect in Germany. Designed to support recognition of degrees regardless of one’s citizenship and residency status, the policy measure includes the provision of guidance for all and financial support to cover recognition fees, translation and training expenses for the unemployed migrants.14

• Such expanding attention to and investment in training is a plausible strategy to improve labour market outcomes for the unemployed and workers at a higher risk of redundancy (Marx, 2015). Increasing access to lifelong learning may help to encourage upward labour market transitions and to prevent those downwards, thus both to reduce and prevent LMS.

Overview of a selection of policy measures

To illustrate links between different policies (as discussed in the previous chapter) and LMS, 11 national measures were selected for in-depth analysis. Specifically, a variety of initiatives is reviewed to explore whether and how LMS can be tackled using policy measures other than those which concern EPL.

The descriptive features of these measures are outlined below, whereas their effectiveness from the perspective of LMS is explored in the following chapter on ‘Lessons learned’. Within the frames of this study, the following policy measures were selected for in-depth analysis:

1. The Lift Programme – the Welsh Government project (UK)
2. Access to Work (UK)
3. Federal labour market programme ‘Perspective 50plus’ (Germany)
4. Hiring incentives programme for open-ended contracts (Spain)
5. Employment maintenance subsidy for older workers (Spain)
6. System of the assisted contracts (France)

7. Scheme for auto-entrepreneurs (France)
8. Industry-specific minimum wages (Germany)
9. National Living Wage (UK)
10. Redefinition of the training and apprenticeship contract (Spain)
11. Parental allowance and parental leave law of 2007 (Germany).

Half of these measures are embedded in specific laws, yet only two policy actions impose obligations on employers and are regulatory in terms of intent. They both relate to income security and minimum wages. In contrast, nine of the analysed policy measures are incentive-based and include the provision of either financial or non-financial incentives (sometimes both) to individuals and their employers. Most of these policies aim to ensure employment/job stability, although some also concern either income security or flexicurity as defined in the theoretical framework (see Figure 1). In total, seven of the incentive-based policy measures (or their specific components) can be categorised as ALMPs. They include hiring incentives, retention of employees, training and individualised support for disadvantaged people in the labour market. The rest of the incentive-based policy measures concern family policies and support for the self-employed.

None of the policy measures selected has an explicit objective to combat LMS. They aim to reduce or prevent unemployment, boost job creation, tackle poverty or low pay, or support the (re-)integration of specific groups such as youth, the elderly, women or people with disabilities. Nevertheless, they are all relevant to the study as they either influence labour market transitions or aim to narrow the gap between working conditions (such as earnings) of upper segments and those of the lower ones. Most of the selected measures have the potential to reduce labour market divisions, although some may also help to prevent LMS by supporting transitions into stable and secure jobs rather than precarious non-standard employment. Moreover, most of the policies studied have the potential to support upward transitions from inactivity/unemployment to employment, or from precarious non-standard employment to stable and secure jobs.

As of 2019, eight of the policy measures studied in depth are operational. With adjustments, five have been running for a few decades, whereas three are more recent. Except for one, they target specific groups, primarily young people, older people, the long-term unemployed, low-paid workers, low-qualified people, women and people with disabilities. Notably, these are the groups argued to be affected by LMS more often than the general population.

In most cases, the central government is responsible for the implementation of policy measures, yet a few rely on the support of regional and even local level actors. Involvement of social partners differs across cases but is often limited to a strictly advisory role, except for the industry-specific minimum wages in Germany. Most of the policy measures selected are implemented at the national level and have no sectoral focus. Primarily governments fund the initiatives, although direct cost-sharing with employers is observable in two of the cases studied.
### Table 5. Synthetic description of the policy measures selected for in-depth analysis

<table>
<thead>
<tr>
<th>Measure</th>
<th>Contexts against which the measure (or its revisions) was launched</th>
<th>Objectives</th>
<th>Expected impacts on LMS</th>
<th>Timeframe</th>
<th>Target groups</th>
<th>Delivery methods</th>
<th>Actors involved</th>
<th>Level of implementation</th>
<th>Sectoral focus</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALMPs tailored to specific groups</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Lift Programme – the Welsh Government project</td>
<td>In Wales, higher proportion of workless households than in the rest of the UK, high relevance of worklessness on the UK’s and Welsh governments’ political agenda</td>
<td>To get individuals from workless households (back) to employment, prevent poverty, help people in poverty to improve their skills and mitigate the impacts of poverty</td>
<td>Supporting transitions from unemploymen t to employment</td>
<td>2013-2017</td>
<td>Working age members of families, all members of which had been unemployed for more than six months</td>
<td>Personalised ‘wrap around support’ for individuals coming from workless households: Identifying needs, coaching by and advice from mentors, developing the action plan, building skills/volunteering/improving health</td>
<td>Welsh government Communities First clusters, Jobcentre Plus Staff appointed as mentors/brokers in nine delivery areas</td>
<td>Regional initiative implemented at sub-regional/local level in nine delivery areas</td>
<td>Cross-sectoral</td>
<td>Welsh government funded the programme</td>
</tr>
<tr>
<td>Access to Work</td>
<td>Large disability employment gap in the UK, numerous barriers for people with disabilities to enter the labour market, including employers’ belief that such</td>
<td>To help people with disabilities to access the labour market and overcome work-related obstacles</td>
<td>Supporting transitions of people with disabilities or long-term health conditions from inactivity/unemployment to employment</td>
<td>1994-</td>
<td>People with disabilities or long-term health conditions</td>
<td>A package of support and guidance for people with disabilities and their employers: Discretionary grants to assist individuals with travel, special aids, equipment, and support workers</td>
<td>Department for Work and Pensions of the UK government, Jobcentre Plus, PES Workplace Mental Health Support Service delivered by Remploy</td>
<td>National</td>
<td>Cross-sectoral</td>
<td>Government funds the initiative from the budget of the Department for Work and Pensions Cost-sharing applies to</td>
</tr>
</tbody>
</table>
### Assessment of public interventions to combat labour market segmentation – Overview report

#### Federal labour market programme ‘Perspective 50plus’

<table>
<thead>
<tr>
<th>People are costlier to take on</th>
<th>Employers of people with mental health issues</th>
<th>Non-financial support to individuals and their employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low employment/high unemployment of older people, start-up help for the newly founded job centres to give them more flexibility, youth culture in German companies</td>
<td>To boost the employability of long-term unemployed 50+ year-olds, to support their reintegration into stable employment, and to reduce the number of claims for unemployment benefits II</td>
<td>Job centres develop regional employment pacts, apply for funding and (if granted funding) implement a combination of activation measures for the target group</td>
</tr>
<tr>
<td>Supporting transitions of older people from unemploym ent to stable employment</td>
<td>Long-term unemployed aged 50 and over, and receiving unemployment benefits II (means-tested basic Jobseeker’s Allowance for the long-term unemployed who are no longer eligible for standard unemployment benefits)</td>
<td>Ministry of Labour and Social Affairs selects successful applications and grants funding</td>
</tr>
<tr>
<td>2005-2007, 2008-2010, 2012-2015</td>
<td></td>
<td>Gesellschaft für soziale Unternehmensberatung mbH (GSUB) manages the implementation of the initiative</td>
</tr>
</tbody>
</table>

#### Assisted contracts

<table>
<thead>
<tr>
<th>Hiring incentives programme for</th>
<th>Financial incentives to employers:</th>
<th>Ministry of Labour (main) Social partners (complementary,</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 1996–1997 and 2005–2006 high unemployment rate of young</td>
<td>Bonuses or rebates on or partial</td>
<td>National with a possibility for the regional Cross-sectoral (but only private sector of</td>
</tr>
<tr>
<td>To contribute to the competitiveness of firms, fight unemployment</td>
<td></td>
<td>Government funds the initiative from the budget of PES (revenues</td>
</tr>
<tr>
<td>Supporting transitions from unemploym ent/tempora</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994- (focus on 1997 and 2006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women, young people, unemployed older workers, specific groups</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Disclaimer:** This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
<table>
<thead>
<tr>
<th>open-ended contracts</th>
<th>people and women, high share of older workers among the long-term unemployed, wide-range labour market reforms, including EPL reforms (in mid-1990s, to reduce the strictness of EPL, in the mid-2000s to limit successive and abusive temporary hiring) and LMS, reduce temporary work turnover, and promote stable employment of disadvantaged groups</th>
<th>ry employment to permanent jobs; preventing people’s entrapment in the cycle of transitions to/from temporary employment and unemploym</th>
<th>program mes)</th>
<th>such as people with disabilities</th>
<th>exemption from social security contributions (partial coverage of the costs); additional yearly financial incentives for the conversion of temporary contracts into permanent ones or for targeting low-qualified, low-paid people within eligible groups</th>
<th>advisory role, although decreasing in time)</th>
<th>and local governme</th>
<th>the economy)</th>
<th>from employers’ contributions to unemploymen</th>
<th>benefits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment maintenance subsidy for older workers</td>
<td>Ageing of the population and its negative impacts on public accounts, effective retirement rate around three years lower than the statutory retirement age, employment</td>
<td>Preventing the retention of older workers, reduce their risk of long-term unemployment and early withdrawal from the labour force, curb LMS</td>
<td>2006–2012</td>
<td>Workers aged 60–64, hired on a permanent contract, and with at least five years of seniority within their employer’s company</td>
<td>Financial incentives to employers: Partial exemption from social security contributions</td>
<td>Ministry of Labour, PES (main)</td>
<td>Social partners (complementary, advisory role)</td>
<td>National</td>
<td>Cross-sectoral</td>
<td>Government funds the initiative from the budget of PES (revenues from employers’ contributions to unemployment benefits)</td>
</tr>
</tbody>
</table>
Persistently high unemployment rates, ageing society and the mismatch of skills, limited resources of non-profit organisations and local authorities to meet social needs; political support to subsidised employment

| System of assisted contracts | Persistently high unemployment rates, ageing society and the mismatch of skills, limited resources of non-profit organisations and local authorities to meet social needs; political support to subsidised employment | To boost employment, reduce unemployment, address social needs which call for the state’s intervention in terms of support | Supporting transitions from unemployment to employment | 1984- | Young people, low-skilled workers, long-term unemployed, older workers, and people with disabilities | Financial incentives to employers: Exemption from social security contributions, one-off employment subsidy, monthly financial assistance to supplement remuneration of employees, training aid. Non-financial support and training to employees | Ministry of Labour | National | Dependent on the type of contract (19 since 1984), the one valid as of 2019 is applicable only to the non-market sector and for the integration of people through economic activity | Government funds the initiative from the budget of the Ministry of Labour |

**Disclaimer:** This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
### Promoting self-employment

<table>
<thead>
<tr>
<th>Scheme for auto-entrepreneurs</th>
<th>Economic and financial crisis of 2008, growing unemployment rate, evidence of the contribution of high-growth small and medium-sized enterprises to job creation and economic growth</th>
<th>To stimulate the economy by allowing and helping people to create their own jobs</th>
<th>Supporting transitions from unemployment to stable and secure self-employment</th>
<th>2008-</th>
<th>Any person willing to become fully or partly self-employed</th>
<th>Financial and non-financial incentives to the self-employed:</th>
<th>Social Security and Family Allowance Contribution Collection Offices (Unions de Recouvrement des cotisations de Sécurité Sociale et d’Allocations Familiales)</th>
<th>Employment agency (Pôle Emploi)</th>
<th>National</th>
<th>Cross-sectoral (most agricultura l activities, certain legal activities and health professionals are excluded from the initiative)</th>
<th>Government funds the initiative</th>
</tr>
</thead>
</table>

### Minimum wage regulations

| Industry-specific minimum wages | Privatisation of public services, which led to a change in corporate strategies to competition (increasing wage dumping and outsourcing), declining coverage by | To upgrade low-paid jobs, level the playing field for fair competition between companies, maintain socially insured employment and support self-regulation | Supporting wage progressions for the low-paid, narrowing the gap in earnings between upper and lower labour market segments | 1996- | Companies in industries with high shares of posted workers/low-paid workers | Social partners in a given industry voluntarily negotiate an agreement | Social partners in given industries (main) | National | Industrial sector (as of 2019, covers 12 industries) | Employers pay the minimum wage agreed in the industry | Social partners cover expenses related to negotiations using their own resources |
| National Living Wage | Existence of a statutory minimum wage (NMW), broad political support to NMW, little impact of NMW on the broader problem of low pay in the UK, ‘political appetite’ for the | To increase wages of those on low pay and to combat the growing wage inequality | Supporting wage progressions for the low-paid, narrowing the gap in earnings between upper and lower labour market segments | 2016- | People aged 25 and over (with some exceptions) | The NLW implies that low-paid workers aged 25 and over receive a premium on top of the legal wage floor (the ‘National Minimum Wage’) The government sets the national living wage rate and helps to enforce it Employers pay the correct rate of the | Low Pay Commission (an independent tripartite body) Department for Business, Energy and Industrial Strategy of the UK government Her Majesty’s Revenue and Customs | National | Cross-sectoral (in practice, most NLW jobs are in low-paying sectors such as cleaning and maintenance, retail, etc.) Employers pay the national living wage set by the government |
### Vocational education and training (VET)

| Redefinition of the training and apprenticeship contract | Economic and financial crisis of 2008, in 2008–2012 | To increase the professional qualification of low-educated people in order to boost their employability and to improve their integration into the labour market | Facilitating transitions from unemploy ment to stable and secure employment; preventing young people’s entrapment in the cycle of transitions to/from precarious non-standard employment and unemploy ment | 1984–2010, (focus on policy revisions implemented in 2010-2012) | Individuals aged 16–24 with only primary or secondary education (registered as jobseekers in the PES) | Financial incentives to employers: Rebates on social security contributions (full coverage of the costs); reimbursing the costs of formal training and (partly) of tutors assigned to apprentices; additional yearly financial incentives for the conversion of apprenticeship contracts into permanent ones | Ministry of Labour | National | Cross-sectoral (in practice, higher take-up in the service sector) | Government funds the initiative from the budget of PES and training fees collected from companies |

### Family policies

<p>| Parental allowance and parental leave law of 2007 | Growing dissatisfaction with the traditional male breadwinner | To reduce labour market risks of parenthood, especially for young mothers, | Supporting women’s transitions from inactivity to | 2007-2010 | Parents of young children | Parents apply for the allowance and are the recipients The Ministry of Family Affairs, Senior | Federal government, Ministry of Family Affairs, Senior | Regional | Cross-sectoral | Federal government funds the initiative from the budget of PES and training fees collected from companies |</p>
<table>
<thead>
<tr>
<th>Model, increasing pressure to reform the traditional family policy, example of Nordic countries, conservative party's support to the traditional family model, expansion of public childcare</th>
<th>To support the employment of women and equal opportunities for women and men</th>
<th>Employment and their progressions towards better-off jobs</th>
<th>Citizens, Women and Youth provides advice and funding</th>
<th>Ministry of Family Affairs, Senior Citizens, Women and Youth</th>
</tr>
</thead>
</table>

Source: Developed by the authors

Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
To verify the conclusions of case studies within broader policy contexts, to collect more evidence on the effectiveness of the policy types explored and, consequently, to boost the policy relevance, usefulness and reliability of the study results, additional policy measures were reviewed (see Table 6) to complement the in-depth analysis of the 11 cases, which is presented in the chapter on Lessons learned below.

**Table 6. Additional policy measures reviewed, by type**

<table>
<thead>
<tr>
<th>ALMPs tailored to specific groups</th>
<th>Assisted contracts</th>
<th>Promoting self-employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment retention and</td>
<td>Generation contract (France)</td>
<td>Flat rate for young self-employed workers (Spain)</td>
</tr>
<tr>
<td>advancement demonstration (UK)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for the very long-term</td>
<td>Contract for supporting entrepreneurs (Spain)</td>
<td></td>
</tr>
<tr>
<td>unemployed trailblazer (UK)</td>
<td>Hiring incentives and promoting employment of people with disabilities (Spain)</td>
<td></td>
</tr>
<tr>
<td>Employment and Support</td>
<td>Vocational education and training (VET)</td>
<td>Family policies</td>
</tr>
<tr>
<td>Allowance for the work-related</td>
<td></td>
<td></td>
</tr>
<tr>
<td>activity group (UK)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage regulations</td>
<td>Professionalisation contract (France)</td>
<td>Lone Parent Obligations (UK)</td>
</tr>
<tr>
<td></td>
<td>Personal training accounts (France)</td>
<td>Introduction of a two-weeks-long paid paternity leave (Spain)</td>
</tr>
<tr>
<td></td>
<td>Validation of the acquired experience (France)</td>
<td>Introduction of a right to work part-time for parents with</td>
</tr>
<tr>
<td></td>
<td>Long-term retraining of the unemployed (Germany)</td>
<td>children under seven years old (Spain)</td>
</tr>
<tr>
<td></td>
<td>In-company entry-level vocational qualification (Germany)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Law on recognition of foreign degrees (Germany)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>WeGebAU programme (Germany)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>VET programmes (Denmark)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the authors
Lessons learned: what works, for whom, how and in what context

Effectiveness and transferability of policy measures by type

ALMPs tailored to specific groups

PES continuously provide assistance to the unemployed on matters related to job search. ALMPs are most often used to offer a ‘package’ of support to the unemployed, although they sometimes also target disadvantaged groups already in employment. ALMPs can be either cross-cutting and target the whole population of unemployed people or tailored to specific groups such as people with disabilities, the elderly, youth, and the long-term unemployed. In light of LMS, ALMPs may support transitions from inactivity/unemployment to work. Moreover, combined with training, effective job search (or other work-related) assistance may help to prevent people from getting trapped in a cycle of transitions to/from precarious non-standard jobs and unemployment. Above all, ALMPs often focus on and support groups who face higher risks of falling into worse-off labour market segments. Such tailoring of ALMPs offers potential to address drivers and manifestations of LMS along different lines (such as age, health status, sector, region or skills levels).

Although there is a significant variation in terms of groups targeted, support offered and implementation approaches applied, some general observations can be drawn on how ALMPs can be best constructed. The analysis presented below draws on three policies studied in depth: ‘Perspective 50plus’ (Germany), the ‘Lift Programme’ (UK), and ‘Access to Work’ (UK). Evidence from case studies is complemented with findings on some additional measures from the UK, namely ‘Support for the very long-term unemployed trailblazer’, ‘Employment retention and advancement demonstration’ and ‘Employment and Support Allowance for the work-related activity group’.

Outcomes: Policy impacts and influence of the measure’s design

In order to best respond to the needs of groups that are more often affected by LMS and to address specific labour market obstacles that they face, high flexibility of such programmes is needed. Flexibility of ALMPs manifests itself in a wide range of ways. The latter include freedom for the local actor (entrusted with implementation of a specific measure) or person directly working with the scheme’s participants to choose the type of support, and tools and approaches best suited to meet the needs of individual beneficiaries. Meanwhile, central to the flexibility of ALMPs is the application of an individualised approach. Such an approach can not only boost the effectiveness of tailored ALMPs but also contribute to their success in reducing LMS. More specifically, ALMPs support labour market progressions by addressing individual challenges to labour market transitions, changing perceptions, providing necessary training and removing physical barriers to the labour market.

‘The Lift Programme’ implemented in the UK (Wales) and targeted at jobless households revealed that giving mentors some time to build trust with participants allowed the perceptions and attitudes of the beneficiaries to be effectively altered. Coaching was used to build trust and there was a focus on problem solving and looking for ‘gateway’ opportunities to employment. Only after this relationship of trust was established, did the mentors move forward to designing individual action plans for each beneficiary and to supporting participants in securing the opportunities to build skills through training, volunteering or work placements, where again there was a lot of freedom for mentors to select the most appropriate course of action (Wavehill, 2018; Wavehill, 2016). Authors of the case study argue that such flexibility of the different aspects of the Lift Programme and focus on individualised support at each step of implementation contributed to the considerable success of the measure. By the end of 2017, 1,099 Lift participants were in employment, amounting to 32.6% of those that
had actively engaged with the programme (Wavehill, 2018). These numbers suggest that the programme supported transitions into employment, thus helped to reduce LMS.

In a similar manner, the flexible and tailored nature of one of the two strands of the ‘Very long-term unemployed trailblazer’, which ran in 2011–2012 in the UK, made it effective in addressing a wide range of barriers. This contributed to the programme’s effects on transitions into employment of the Jobseeker’s Allowance claimants who had been on the Work Programme for two years and yet had not secured sustainable employment (Department for Work and Pensions, 2013). A personalised approach to delivering support accelerated favourable employment outcomes for participants across all age categories, but particularly for those aged 50 and over (Rahim et al, 2012). The programme was also effective for those who self-identify as having a long-term illness or disability (Department for Work and Pensions, 2013), who typically are more challenging to activate.

A flexible/personalised approach has also been effective in Germany for targeting older people through the ‘Perspective 50plus’ programme. The implementation of the programme was decentralised with job centres having the opportunity to develop regional strategies in cooperation with one another and to compete for available funding. Personalised services formed a significant share of support provided across regions and were found to be effective in addressing the challenges faced by this target group (Büttner et al, 2008; Knuth et al, 2012). In light of LMS, the policy has supported older workers’ transitions from unemployment to employment and these integration effects were higher compared to standard procedures applied by PES (Knuth et al, 2014).

The ‘Access to Work’ programme in the UK, targeting people with a disability or a long-term health issue, also revealed how an approach tailored to individual needs can be effective in supporting labour market transitions upwards. The programme incentivised the employers to hire people with disabilities by reducing labour costs, more specifically by tackling physical obstacles that hinder disabled persons’ ability to perform well at work. The measure also enabled people with disabilities by minimising daily obstacles to travelling to work, and by providing individualised support and guidance. Above all the measure contributed to reduced sickness absenteeism and increased employment retention and employment (Dewson et al, 2009; Thornton and Corden, 2002). In light of LMS, this ALMP supported upward transitions into employment and prevented those downwards into unemployment.

Pilot programmes which ran in the UK as part of the Employment and Support Allowance (ESA) scheme to assess what kind of support works best for people with disabilities also found that a personally tailored approach and flexibility in the mode of delivery are key success factors of this type of measures (Learning & Work Institute and NatCen Social Research, 2019). Selecting and recruiting participants is also very important for the effectiveness of such programmes, especially when they are implemented on a voluntary basis. For example, some people who could have participated were not identified due to deficiencies in the administrative data; whereas the condition of others was too severe to participate in the programme as happened in the case of ESA (Learning & Work Institute and NatCen Social Research, 2019).

However, the voluntary nature of ‘The Lift Programme’ – which mostly relied on referrals from other institutions – also showed that flexibility in the programme’s design can lead to differences between districts in the quality of recruitment (Wavehill, 2016).

Aside from flexibility, combining financial assistance with non-financial support can boost the effectiveness of ALMPs tailored to specific groups. For instance, ‘Employment retention and advancement demonstration’, which operated in 2003–2007 in six Jobcentre Plus districts across the UK, entailed a package of measures to help participants enter, stay and progress in employment (Hendra et al, 2011c). The measures included personalised advisory support and financial incentives to promote job retention and especially training among low-wage workers (Hendra et al, 2011a). Evaluation evidence reveals that such a holistic package of training support was necessary to enable participants to upgrade their skills and improve their long-term employment prospects (Hendra et al, 2011c). Such an approach helped to increase the
levels of training and produce short-term gains in earnings for lone parents and modest but sustained increases in employment and earnings for the long-term unemployed (Hendra et al, 2011a, 2011b). Nevertheless, Hendra et al (2011a, 2011b) argue that the programme’s design had its weaknesses and that engaging employers and providing more specific support to participants rather than generic advice and guidance could have improved the effectiveness of ‘Employment retention and advancement demonstration’.

**Mechanisms: Stakeholders’ reactions and unintended effects**

One of the main mechanisms for ALMPs to change labour market outcomes for the unemployed is the empowerment and enablement of individuals. This can be achieved by using different tools, including: coaching, developing jobseekers’ skills (employment-specific and soft) and work experience needed for successful upward transitions; addressing psychological barriers (boosting beneficiaries’ confidence, as was the case in ‘The Lift Programme’ (Wavehill, 2018)); and combating physical obstacles (as in the case of ‘Access to Work’). Meanwhile, ALMPs that aim to encourage participants to remain and advance in full-time work (such as ‘Employment retention and advancement demonstration’ in the UK) can entail not only personalised advisory support and training, but also financial assistance for the participants.

Other ways in which ALMPs bring about change focus on incentivising employers to hire and retain workers, who are typically disadvantaged in the labour market. Combined with efforts to empower and enable jobseekers, financial and non-financial assistance may boost the effectiveness of ALMPs by reducing the labour costs for companies and by addressing the negative perceptions of employers towards disadvantaged people such as people with disabilities, long-term unemployed and older people.

Although flexibility helps to improve the effectiveness of ALMPs, it may also trigger some unintended stakeholder reactions. The role of people directly responsible for providing support to participants may become diffused and could resemble the role of a social worker as happened in the case of ‘The Lift Programme’. Tailored training opportunities in the same programme sometimes also meant unrealistic participant expectations that exceeded what was available and was not in line with the needs of the labour market (Wavehill, 2016).

**Contexts: Pre-conditions and transferability**

ALMPs are usually implemented by manifold actors (such as local PES offices) who are geographically spread across the country. Thus, the programme’s success is highly dependent on the governance mechanisms put in place as well as consistent quality of services provided by different involved organisations. For example, the quality of the implementation of ‘Employment retention and advancement demonstration’ varied across six local Jobcentre Plus districts in the UK, where the programme was implemented (Hendra et al, 2011a).

Appropriate governance arrangements and partnerships are elements especially needed to successfully implement programmes similar to the ‘Perspective 50plus’ programme implemented in Germany. Provided that capable local actors exist, this type of decentralised governance system can be transferred to other contexts and it can be also applied to reach other groups. This is because the programme’s strength was not in developing new activation measures for the older population, but its overall implementation mechanism built on cooperation of different institutions and networks. As regards ‘The Lift Programme’, collaboration between different public institutions was also key to its successful implementation. However, the case also suggests that engaging multiple external organisations in the implementation of a programme can result in inconsistent quality. As skills development was funded externally in ‘The Lift Programme’, the availability of training, volunteering and employment opportunities varied in delivery areas.
Box 2. Key lessons learned on ALMPs to tackle LMS

- ALMPs may support labour market transitions, notably from inactivity/unemployment into work. Moreover, combined with training, effective job-search (or other work-related) assistance may help to prevent people from getting trapped in a cycle of transitions to/from precarious non-standard jobs and unemployment.

- Tailored ALMPs are more likely to encourage transitions from unemployment into work if they allow for flexibility and apply a personalised approach to support provision.

- This flexibility can relate to the role of people working directly with the unemployed, the types of support measures provided, approaches applied or the governance system put in place.

- For ALMPs that target people with disabilities, it is important to consider a wide range of obstacles they face to enter the labour market, including physical barriers.

- An unintended effect of programme flexibility can relate to insufficient definition of the roles of people working directly with the unemployed as well as unrealistic expectations of the participants in terms of services available.

- Combining financial support with non-financial assistance, consulting employers and providing specific rather than generic advice and guidance within activation/retention/advancement programmes may boost their effectiveness.

- The main mechanism through which ALMPs can encourage upward transitions in the labour market (usually from unemployment to work) concerns the enablement of the individual. This can happen through increasing their preparedness to the labour market through coaching and training. Other mechanisms include incentivising employers to hire or retain disadvantaged workers.

- If ALMPs are implemented by manifold actors, serving the needs of beneficiaries in different localities, it is possible that the quality of support measures differs.

- For ALMPs to work effectively, good collaboration and partnerships between actors involved in implementation are essential.

Source: Compiled by the authors

Assisted contracts

Assisted contracts are employment contracts of any type, for which the employer benefits from financial aid, which may take the form of recruitment subsidies, exemption from social security contributions or training assistance. Although costly, this type of contracts has been widely used in some Member States to curb unemployment and to encourage stable employment, thus potentially reducing LMS. They usually target disadvantaged groups in the labour market such as women, young people, elderly workers, people with disabilities, the low-qualified and the long-term unemployed who are more prone to fall victim to LMS. Encompassing either hiring or employment incentives, they can be differentiated based on objectives and their potential impact on LMS.

- Hiring incentives. Assisted contracts might aim at job creation, and thus transitions from unemployment (or inactivity) into employment. Some such schemes support only stable employment, meaning transitions from unemployment into permanent
work, and have high potential to reduce LMS. However, others are broader and assist different types of transitions (both into stable and temporary employment) and might have a rather mixed influence on LMS.

- Conversion incentives. Assisted contracts can also be used to support the **conversion of temporary contracts into permanent ones**, and thus diminishing the incidence of fixed-term work. These types of schemes are designed to encourage upward transitions into stable employment with a high potential to reduce LMS.

- Employment incentives. Assisted contracts are also used to support the **retention of employees**, in particular those at a high risk of dismissal. Such schemes can prevent downward transitions from stable employment to unemployment.

Regardless of type, assisted contracts most often rely on one of the following delivery methods or their combination:

- one-off payment at the time of signing the contract
- yearly financial support in fixed amounts
- monthly financial assistance to supplement remuneration of employees
- partial or full exemption from/rebates on social security contributions
- training aid

Assisted contracts have been widely used in some countries, for instance in Spain and France. For more than three decades, Spain has employed assisted contracts to reduce unemployment, support stable employment, limit the use of non-standard work and to assist the retention of workers. France has implemented this policy measure to reduce unemployment, primarily by supporting transitions from unemployment into temporary work.

The analysis presented below draws on three policies studied in depth: ‘Hiring incentives programme for open-ended contracts’ (Spain), ‘Employment maintenance subsidy for older workers’ (Spain) and ‘System of the assisted contracts (France). Evidence from case studies is complemented with findings on additional measures, namely the French experience with the ‘Generation contract’, and the Spanish one with ‘Contract for supporting entrepreneurs’ and ‘Hiring incentives and promoting employment of people with disabilities’. Although both countries have had ambitious objectives, there is mixed evidence on the effectiveness and efficiency of assisted contracts, and even more so on their impacts on LMS. The comparative analysis of the Spanish and French systems presented below also reveals factors and framework conditions that influence the implementation of the assisted contracts. These relevant contexts include the strictness of EPL legislation, among others.

**Outcomes: Policy impacts and influence of the measure’s design**

Assisted contracts do not always work, which may result from the faulty design of a measure, external conditions or both. For example, the ‘Contract for supporting entrepreneurs’ in Spain had no significant effect on employment growth (Gamberoni et al, 2016). Although following the introduction of a new type of contract in 2012, the number of permanent contracts signed by employers with up to 50 employees increased (OECD, 2013b), Gamberoni et al (2016) argue that the difference in employment growth between the eligible (small and medium-sized) and control firms is not statistically significant. Nevertheless, the Spanish and French experience with other types of assisted contracts reveals what aspects of this type of policy measures’ design make them effective.

In general, the potential of assisted contracts to alleviate some of the negative consequences of LMS is higher if financial support is conditional on the permanence of the new jobs created. This means that financial incentives are more effective on LMS when they aim not to simply create jobs but to support open-ended employment of the currently unemployed or the conversion of fixed-term contracts into permanent ones. Nevertheless, financial subsidies
have also been used to subsidise fixed-term employment. This has been expected to quickly curb unemployment and to serve as a stepping stone into permanent jobs. The French experience with assisted contracts reveals, though, that such a ‘stepping stone’ rationale does not always work (Benoteau, 2015) and for it to be effective financial support aimed at employers is insufficient. In addition, measures such as the following are needed: mechanisms that help assisted workers gain skills and experience while in temporary employment which have demand in their local labour markets; obligations for employers to provide career advice and training to the assisted workers; and measures to properly monitor employees and employers receiving assistance to make sure that both parties meet their commitments.

More specifically, indications from the measures analysed suggest that assisted contracts may be better suited to support stable employment if they target private employers rather than non-profit organisations and public authorities. This is well illustrated by the example of assisted contracts in France. Within the market sector, the unemployed who signed assisted contracts in 2005 were more likely to be in permanent jobs two and a half years later compared to similar people that had not been involved in the scheme. However, within the non-market sector, people who entered assisted contracts in 2005 were 1.08 times less likely to have obtained a permanent job and 1.05 less likely to be in non-assisted employment two and a half years later compared to those who had not benefited from state support (Benoteau, 2015). Such results can be partly explained by a ‘confinement’ effect (DARES, 2017a): this occurs when beneficiaries of the system do not look for another job while under the assisted contract and stay behind those not involved in the scheme who continue their job search. This confinement effect has negative implications in France where assisted contracts are most often fixed-term and 90% of them with employers in the non-market sector (such as non-profit organisations, state and local authorities). Although they want to, such employers struggle to retain salaried workers without the financial support from the state. Furthermore, varying effects across sectors may be explained by the fact that activities performed by beneficiaries in the non-market sector are likely to be different from the ones for which market sector employers aim to recruit. As a result, employers from the commercial sector may value less the professional skills and experience gained by the scheme’s beneficiaries in the non-market sector compared to those of the scheme’s beneficiaries in the market sector (DARES, 2017a). Hence, if designed poorly, assisted contracts can even deepen LMS.

Furthermore, assisted contracts are the most cost efficient if they target very specific groups that have proven to be the most reactive to similar types of initiatives. Supporting a very broad range of groups has resulted in increased costs, reduced effectiveness of incentives, and high deadweight losses. Examples from Spain illustrate well that targeting sub-groups would pay off. Hiring and conversion incentives in Spain have produced positive outcomes (transitions from unemployment and temporary employment into permanent jobs) for young people and middle-aged women; but none or very marginal ones for older workers (Kugler et al, 2003; Garcia-Perez and Rebollo, 2009a; Mendez, 2013). According to the author of the case study on hiring subsidies in Spain, this might be partly explained by the fact that wages of young people and women are often lower than those of their elderly and male counterparts. Financial incentives, if provided in fixed amounts, cover a larger share of labour costs for such lower-paid groups, making employers more willing to hire people from these groups to save expenses. Another example from Spain illustrates well that in a similar manner to hiring incentives, employment incentives work best for the low-qualified and low-paid workers. Providing employment maintenance subsidies targeted at older workers in Spain has proven to be less effective for workers with lower seniority and in jobs that require lower skills (Font et al, 2017). This is partly because in Spain (where severance pay is linked to seniority) the longer the tenure, the higher dismissal costs and levels of firm-specific human capital that an employee has acquired. Moreover, the author of the case study on employment maintenance subsidy for older workers in Spain argues that the higher the skills, the lower the expected age-productivity gap (compared to the low-skilled performing more manual tasks).
Central to the effectiveness and efficiency of the assisted contracts are the scope and duration of the financial support. To encourage employers to boost permanent hires, temporary contract conversions or retention of employees, financial incentives must cover a sufficient share of labour costs for employers to trigger the expected reactions, but not more – as it would result in a waste of resources.

Setting higher rates of fixed payments or a higher percentage of exemption from social security contributions is used for targeting more specific people within eligible groups. For instance, Jiménez-Martín et al (2017) conclude that in Spain hiring subsidies are generally ineffective at incentivising transitions of people with disabilities into employment but create positive outcomes for women, as employers find higher deductions in social security contributions for hiring this group more appealing. To reach low-qualified and low-paid workers, fixed amounts rather than partial exemption from social security contributions are better suited, as evidenced by the analysed French and Spanish cases. Furthermore, a longer duration of the financial assistance is expected to help sustain new permanent hires. However, the case study on employment maintenance subsidies for older workers in Spain suggests somewhat different dynamics for employment incentives. The longer duration of the financial support for the retention of employees simply prolongs the employment for some elderly workers but hardly influences the sustainability of these effects after subsidies end (Font et al, 2017). Above all, involvement of social partners in the design of assisted contracts boosts their effectiveness as they help to disseminate information about such a measure, contribute to its implementation or at least support early identification of the unintended negative outcomes.

The multitude of objectives, especially if they contradict one another, hinders the implementation of assisted contracts. It is highly challenging to design a policy measure in a way that it is well-suited to meet a wide range of needs. This is because addressing different issues often requires slightly different delivery methods and applying them all at the same time results in inefficiencies. This is well illustrated by the case study on the assisted contracts in France. Initially, the measure aimed not only to curb unemployment by supporting people furthest from the labour market, but also to address social needs by assisting non-profit organisations and local authorities. The latter has long been the primary reason why 90% of support has gone to employers in the non-market sector (such as non-profit organisations, state and local authorities), where the measure has proven to be ineffective (DARES, 2017b; Benoteau, 2015). Without narrowing the objectives of the policy measure (which was eventually done in 2018), it was impossible to boost its effectiveness and in particular to improve its impacts on LMS.

**Mechanisms: Stakeholders’ reactions and unintended effects**

As regards the mechanisms of the assisted contracts, financial support to employers is expected to reduce employers’ reluctance to hiring, conversing or retaining workers by lowering the costs of labour. Nevertheless, some unexpected reactions might also be triggered and bring unintended effects. For example, employers may try to abuse the system just to cash in, which would hinder long-term impacts of assisted contracts on LMS and result in high deadweight losses.

Against this background, it is crucial to consider the risk of substitution effects. Willing to benefit from the state’s financial support, employers might substitute regular contracts with the assisted ones. If they occur, such substitution effects encourage downward transitions of regular workers into unemployment together with upward transitions of assisted groups into employment. If a policy measure supports only permanent hires, the two types of transitions should result in a null net effect on employment and on LMS. However, if a policy measure also allows for assisted fixed-term employment, employers might dismiss regular permanent workers and replace them with new assisted fixed-term employees. In the long run, this would increase non-standard employment (and possibly unemployment), meaning it could even
worsen LMS. Whatever the type of assisted contracts, such substitution effects substantially increase deadweight losses and signify inefficiencies.

The analysed cases also reveal the challenge of sustaining the positive effects of assisted contracts. If no conditions are set against it, employers might hire some workers on assisted contracts but then dismiss them right after subsidies end. This would mean very small (if any) long-term effects of the assisted contracts on LMS. For instance, in Spain hires under assisted contracts were found to be more likely to be dismissed than those under regular contracts after assistance had ended (Cebrián et al, 2005; Cueto, 2006). The combined net effect of increased hiring and firing was null on open-ended employment across all groups of workers, except for the young for whom it was positive (Kugler et al, 2003; Garcia-Perez and Rebollo, 2009b). Against this background, Spain has established requirements for employers to maintain employment for a longer time. For example, under the ‘Contract for supporting entrepreneurs’ the financial support is conditional on a commitment of an employer to keep a newly hired worker for at least three years (even if during that time the unemployment rate in the country drops to below 15% and subsidies end). In a similar manner, financial support for hiring people with disabilities on permanent contracts is conditional on an employer’s commitment to maintain a subsidised worker for at least three years. Nevertheless, the latter example reveals that although effective in protecting subsidised workers against downward transitions into unemployment once they are hired, obligating employers to sustain new hires increases the probability of unemployed people with disabilities being hired under temporary contracts rather than permanent ones (Jiménez-Martín et al, 2017). It should also be noted that in Spain the conversion of contracts has proven to survive better (about 40% more likely) than initial permanent hires supported by the state (Cebrián et al, 2011). A slightly different logic underpins financial incentives aimed at the retention of employees. It is well expected that groups targeted will be dismissed after such subsidies end because these in principle work as a preventive measure. This can hardly be changed and leads to the conclusion that assisted contracts to retain employees are only a temporary and very costly solution to the problem at hand.

Although most of the schemes of assisted contracts entail positive incentives targeted at employers, some encompass negative ones. The French experience reveals that obligating employers does not always work and may render the assisted contracts ineffective. In 2013-2017, the ‘Generation contract’ in France aimed to create a form of ‘intergenerational solidarity’ by providing financial support to small and medium-sized enterprises (subsidiary companies excluded) and imposing regulatory obligations on employers with 300 and more employees. The latter were obligated to join a collective agreement, or an action plan related to the new type of contract. Where they did not do so, employers with 300 and more employees were subject to financial penalties. According to the Cour des Comptes (2016), such an approach significantly influenced the failure of the ‘Generation contract’ to meet targets set and to effectively combat unemployment. The threat of a financial penalty proved to be ineffective in forcing large companies to complete negotiations on collective agreements related to the new intergenerational contract. Moreover, the threat was not carried out by the state, despite apparent deficiencies. In March 2014, one year after the law was adopted, almost 50% of the workforce of companies (including subsidiaries) with 300 and more employees, and more than 60% of the workforce of companies from 50 to 300 employees were not covered by an agreement or plan related to the ‘Generation contract’. Above all, the mandatory nature of the scheme towards companies with 300 and more employees made it unappealing to large employers, many of whom perceived the initiative as a constraint rather than an opportunity.

**Contexts: Pre-conditions and transferability**

For assisted contracts to work, some framework conditions and contextual factors are also important. First, hiring and conversion incentives have better potential if they are aligned with business cycles. In times of growth and expansion, companies may be more willing to hire
new people under permanent contracts and to keep them after the hiring subsidies end. This is well illustrated by the Spanish ‘Contract for supporting entrepreneurs’, the effectiveness of which is argued by experts to have been hindered by a relatively low product demand in 2012–2013. Nevertheless, France widely used such a policy measure in times of crisis to fight unemployment (even if by promoting non-standard employment) and this policy implementation backdrop did not seem to negatively influence the effectiveness of the measure in the market sector. Employment incentives for older workers in Spain worked equally well in times of growth and in worsening economic conditions. Above all, the French experience with the ‘Generation contract’ suggests that economic conditions have a stronger influence on employers’ decisions to hire and retain workers as compared to the attractiveness of the financial support offered by the state (Cour des Comptes, 2016). This suggests that the worse the economic conditions, the more appealing the state’s assistance to employers would need to be to create positive effects on employment.

Related to economic conditions is the importance of a country’s economic model. Both hiring and employment incentives are costly and require large public spending. Thus, assisted contracts might be harder to justify in countries strictly governed by liberal market economy principles or liberal-conservative governments. Over the past several decades, for example, debates on the assisted contracts in France have been reoccurring in line with changes in government.

Furthermore, assisted contracts might not really suit sectors or countries where low labour costs are key to competitiveness. This is because companies benefiting from assistance might gain a competitive edge (in terms of labour costs) over their counterparts who do not receive support. In this way, assisted companies could even displace others from the market. Perpetuating strategies based on low labour costs, in the long run assisted contracts might even hinder the transformation of the economies towards higher value-added production. No evidence on the existence or magnitude of the displacement effects is available for the three cases analysed.

Moreover, net effects of hiring, conversion and employment incentives are intertwined with perceived costs of dismissals. Thus, the stricter the EPL, the larger financial support is required, and the lower the net effects of incentives. The case study on employment maintenance subsidies for older workers in Spain reveals that high dismissal costs embedded in EPL already encourage employers to keep older workers, and thus reduce net effects of employment incentives (Font et al, 2017). In a similar manner, if EPL is highly rigid, employers might not be encouraged to hire new permanent workers even if offered large financial support. Other regulatory provisions may also influence the effectiveness of the assisted contracts. For example, the Spanish experience reveals that having a mandatory quota of impaired workers in medium-sized and large companies may hinder the cost-effectiveness of employment subsidies directed towards people with disabilities (Malo and Pagán, 2014).

The generosity of social protection policies, particularly social benefit schemes may also influence the effectiveness of assisted contracts. For instance, Marie and Vall-Castelló (2012) found that the higher the disability benefits, the lower the incentives for people with disabilities to stay in or seek for employment. Thus, for assisted contracts to encourage upward labour market transitions and prevent those downwards, synergies between them and social benefits schemes would need to be fostered.

Assisted contracts may be more effective if they were aligned with VET policies aimed at improving access to training, relevance and quality of learning programmes and matching of skills. This is because employers may be more willing to hire and retain workers whose skills are high and that match a company’s needs.
Box 3. Key lessons learned on assisted contracts to tackle LMS

- Assisted contracts have a higher potential to create positive and sustainable impacts on LMS when financial support is conditional on the permanence of the employment created.

- Assisted contracts may be better suited to support stable employment if they target private employers in the commercial sector rather than non-profit organisations and public authorities operating in the non-market sector.

- Assisted contracts are most cost efficient if they target specific groups and have a limited number of objectives which do not contradict one another.

- The form, scope and duration of the financial support is central to the effectiveness and efficiency of the assisted contracts. Nevertheless, there is no evidence on the exact form, scope and duration that would ensure positive policy impacts. For the assisted contracts to work, their design has to be context specific.

- For support mechanisms to work as anticipated, monitoring and conditions are needed. In particular, subsidies should be conditional on employers’ commitment to ensure net employment creation and to keep subsidised workers after the end of the state’s assistance.

- Assisted contracts might work better if aligned with business cycles and in countries with a tradition of large public spending. They are less well-suited to countries that boast strict EPL, generous social benefit schemes and for sectors where low labour costs are key to competitiveness. Subsidising employment would become a more attractive solution for employers if complemented with VET policies aimed at improving access to training, relevance and quality of learning programmes and matching of skills.

Source: Compiled by the authors

**Promoting self-employment**

Amid the financial and economic crisis of 2008, some Member States launched policy measures aimed at promoting self-employment. They did so to support job creation and, in the long run, to boost entrepreneurship, employment and the revival of the economy. Central to these policies is the provision of incentives to individuals so that they can create employment opportunities for themselves. Some of these policies target very specific groups, whereas others are universal. Some are intertwined with policy actions aimed at promoting entrepreneurship and providing business start-up support, while others are integral to ALMPs. Rarely do measures aimed at promoting self-employment have an explicit objective to combat LMS. However, if properly designed, they can help combat LMS by enabling individuals either to transit from inactivity/unemployment to employment or to secure additional income. But if poorly developed, measures aimed at promoting self-employment may even deepen labour market divisions, especially by encouraging downward transitions from standard employment to dependent self-employment.

The analysis draws on the French ‘Scheme for the auto-entrepreneurs’,15 which was studied in depth. It is complemented by insights from the Spanish experience with the ‘Flat rate for

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15 In France, the term ‘auto-entrepreneur’ was coined in 2008. At the time, it was inspired by the Anglo-Saxon concept of self-employment and concerned being one’s own employer. The law on the modernisation of the economy, which set up the auto-entrepreneurship scheme in the country, does not feature the term ‘auto-entrepreneur’ as in a confusing way it is intended

**Disclaimer:** This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
young self-employed workers’, which aimed to promote self-employment, fight unemployment, foster entrepreneurship and reduce precarious employment, especially among young people. This measure ran in 2013–2016 and offered partial exemption from social security contributions for young self-employed people.

**Outcomes: Policy impacts and influence of the measure’s design**

In terms of short-term effects, both policy measures boosted self-employment. Nevertheless, the French case reveals that increasing numbers of auto-entrepreneurs do not necessarily correspond to job creation. In 2013, as many as 35% of surveyed auto-entrepreneurs reported that one of the two main reasons why they had joined the scheme was their willingness to complement their income deriving from their main economic activity; a similar share (29%) aimed to test their business project rather than start a new business and create stable employment for themselves (IGAS, 2013). Also, relevant are the substitution effects (to be discussed in more detail in the section on mechanisms below).

Long-term impacts of the two policy measures appear rather limited and reveal inefficiencies. In the Spanish case, financial incentives (in the form of partial exemption from social security contributions) significantly reduced the costs associated with self-employment but had no effect on the survival of new businesses (Cueto et al, 2017). Explanations of this result can be related to the lack of the profiling of the programme – support was available to new self-employed young workers without any requirements linked to training or business viability plans. In the French case, only 61.1% of auto-entrepreneurs were economically active in 2017, with the rest generating no turnover (ACOSS, 2018), which suggests a large share of ‘ghost’ companies – in other words, workers who registered as auto-entrepreneurs but did not create enough business activity. Moreover, only a small share (2.9%) of all newly launched businesses grew enough to exceed the turnover threshold necessary to leave the subsidised auto-entrepreneurship regime and to join the companies governed by common law (IGAS, 2013). As regards income, in 2013 as many as 9 out of 10 auto-entrepreneurs had a monthly income below the minimum wage, which all salaried workers are eligible to (IGAS, 2013).\(^\text{16}\) This implies that being an auto-entrepreneur is rarely enough to make a decent living in France. Moreover, the auto-entrepreneurship regime helped to improve income security only for those who had launched their business complementary to dependent employment.

Above all, both measures failed to achieve their objectives. Although they encouraged transitions from unemployment into employment, most jobs created were neither stable nor secure. On the contrary, they were precarious in some cases due to low and volatile earnings, inadequate social security coverage, and other poor working conditions such as limited access to training and representation. Key elements for the success of similar policies are described below.

For self-employment to be an effective path to better labour market outcomes (such as higher earnings), the newly established businesses must achieve effective growth. For that, incentives are needed to encourage sole proprietorship as the main rather than a complementary activity of a person.

Furthermore, policy measures which are tailored to specific groups and have strict conditions of eligibility for financial support have the highest potential. For instance, a requirement to jointly regulate two different groups – self-employed with employees and solo self-employed. Furthermore, in 2016, the scheme was expanded and changed its name to a ‘micro-entrepreneur’ regime. Nevertheless, the term ‘auto-entrepreneur’ remains widely used in practice, thus it is applied in this report.

\(^\text{16}\) In 2014, running their business was the main activity for only 54% auto-entrepreneurs, which suggests that the rest of the scheme’s beneficiaries had their main source of income from elsewhere.
provide a business plan could help to avoid supporting business ideas that are destined to fail and to reduce deadweight losses. Neither the French nor the Spanish measure had this type of eligibility conditions and both were targeted at relatively large groups.

In a similar manner, financial incentives would work better if they were reserved to high-growth and innovative enterprises. The Spanish example reveals such efforts as reductions in social security contributions were higher for those which had not been in self-employment in the past five years. This was expected to prevent ‘excess entry’ and in this way to reduce deadweight losses. In contrast, up until 2018, the French scheme extended only to those whose turnover was low. Behind such low turnover thresholds there was the expectation of the French government that self-employment would serve as a gateway to ‘normal’ business, governed by common company law. Nevertheless, such intended effects were not achieved (IGAS, 2013), and low turnover thresholds might even have prevented people with ambitious business ideas from joining the scheme in the first place.

To boost business survival and to sustain positive policy impacts on LMS, financial incentives would need to be complemented with non-financial support. Neither alone (as in the Spanish case) nor coupled with the simplification of the administrative procedures (as in the French case) did the financial support prove to be effective. The lack of knowledge and skills among the self-employed on planning investment, conducting market research, making connections and attracting customers might have hindered positive policy impacts. Providing non-financial support in the form of mentoring and advice could be especially relevant for young people and others who have no prior experience in business development and management.

Mechanisms: Stakeholders’ reactions and unintended effects

Both policy measures were expected to incentivise individuals (young people in the Spanish case and the unemployed and low earners in the French case) to create employment opportunities for themselves. This was largely the case in both countries, however, some unexpected reactions were also triggered and brought unintended effects in France. These concern substitution effects in the real estate sector as some real estate agents, formerly standard employees, transited downwards into disguised employment/dependent self-employment. There is no evidence on the extent of such effects; however, they signify negative policy impacts on LMS.

Contexts: Pre-conditions and transferability

Both measures were launched during the economic crisis. Such policy actions could potentially work better against the background of economic growth when people are more confident about the future and thus more willing to take a risk of investing in their own business.

High levels of entrepreneurial culture and social capital in a country or a specific sector might boost the long-term effects of self-employment support on LMS. High levels of education may also help in achieving more gainful self-employment (European Commission, 2015).

Complementary policies are also important, including regulatory measures that concern the status of self-employed workers, and aim to improve their working conditions and access to social protection systems.

Box 4. Key lessons learned on promoting self-employment to tackle LMS

- Promoting self-employment helps to combat LMS only if, in the long run, it results in transitions from unemployment into stable and secure employment. If such policy measures encourage mobility from unemployment/standard employment to dependent self-employment, they fuel LMS rather than help to combat it.

- To avoid inefficiencies and to boost impacts on LMS.
  - Policy measures would need to be tailored to specific groups and have strict conditions of eligibility for financial support.
Financial incentives would have to be reserved to innovative business ideas and enterprises which have the potential for high growth.

Non-financial support (such as offering entrepreneurship training or mentoring) would have to complement financial incentives, especially in the case of targeting young people and the low-qualified.

- Unintended substitution effects might occur and encourage transitions downwards from standard employment into less stable and less secure self-employment.
- Policies aimed at promoting self-employment may be taken up better and succeed more in terms of business survival if they are implemented in the following contexts: economic growth, high levels of entrepreneurial culture and social capital, a large share of people with business development/management skills, and a shift of the economy towards service provision. Complementary policies (such as social protection) are also important.

Source: Compiled by the authors

Minimum wage regulations

In 2019, 22 Member States of the EU applied a statutory minimum wage. Some universal, others tailored to specific groups (based on activity sector, region, skills level, occupation or age), minimum wage regulations are aimed at increasing the wages of those on low pay and fighting income inequality. Usually they do not have an explicit objective to help to combat LMS; however, they boost the potential to improve income security and working conditions for the low-paid and to bring them closer to those in the upper segments of the labour market. Statutory minimum wages are particularly relevant in light of skill-biased change, which lowers the demand for the low-skilled, weakens their position in the labour market and traps such low-skilled workers in low-income (often precarious) jobs.

Germany, a country with a long tradition of social dialogue, presents an example of how minimum wage rates can be set through sectoral collective agreements at national level and how different rates can be applied in different industries. Since 1997, if agreed by social partners, industry-specific minimum wages (IMWs) can be declared generally applicable and binding by the German federal government. In 2015, to improve the earnings of all low-wage employees, regardless of the industry that they work in, Germany introduced a statutory minimum wage. Meanwhile, the UK established a statutory minimum wage applicable to all sectors in 1999 with the launch of the ‘National Minimum Wage’ (NMW) measure. In addition to the NMW, in 2015 the UK introduced the ‘National Living Wage’ (NLW) policy measure that ensures a premium for workers aged 25 and over on top of the NMW rates with the aim to reach 60% of median hourly earnings by 2020, showcasing an application of different minimum wage rates for different age groups with pre-defined growth targets.

The findings of the in-depth analysis of ‘Industry-specific minimum wages’ in Germany and ‘National Living Wage’ in the UK are presented in the sections below. They are complemented with insights from the Spanish experience with increasing the statutory minimum wage in 2004 and the German one with introducing the statutory minimum wage in 2015.

17 Skill-biased change is a shift in the production technology that favours skilled over unskilled labour by increasing its relative productivity and, therefore, its relative demand (Violante, 2008).
Outcomes: Policy impacts and influence of the measure’s design

The establishment of the minimum wage levels mostly affects people in work, but who are low-paid, by increasing their earnings. This was the case in Germany between 1997 and 2010 in the industries of construction, roofers, electricians, painters, industrial cleaning, care, industrial laundries, and waste (Aretz et al, 2011; Boockmann et al, 2011a; 2011b; 2011c; Bosch, Hieming et al, 2011; Bosch, Kalina et al, 2011; Egeln et al, 2011; Möller et al, 2011). Besides increasing the wages of low-paid workers, the IMWs also helped to reduce the pay gap between East and West Germany. Similarly, the introduction of a statutory minimum wage contributed to above-average wage increase for those in the two lowest deciles of income distribution, and especially for women, low-skilled workers, foreigners and people working in SMEs, East Germany and low-wage service industries such as retail trade (vom Berge et al, 2018; Bispinck 2017; Bosch, 2018a, 2018b; Burauel et al, 2017; Mindestlohnkommission, 2016, 2018). The UK’s NLW also had a strong positive effect on the earnings of low-paid workers (LPC, 2018a). The hourly pay growth of low earners has far outstripped that of workers further up the pay scale, while employment continues to reach record highs.

Also observable in the cases of German IMWs, statutory minimum wage and the UK’s NLW were the spillover or ripple effects as the minimum wage pushed companies to keep their pay above the minimum levels to either attract workers through a premium over the wage floor, or to keep differentials within their workforce structure. With the introduction of the NLW in the UK, the number of jobs paid just above the NLW rate grew significantly (including jobs occupied by those under 25 who were not eligible for the NLW). In Germany, this was observed with the introduction of the national statutory minimum wage rate in 2015, as the IMWs tended to be set at a marginally higher rate than the national one. As of March 2019, the statutory minimum wage in Germany is €9.19, whereas the highest industry-specific minimum wage (in cash transport) is pending to be increased to as much as €17.25.

Evidence of the measures’ impacts on LMS is rather scarce. Nevertheless, there are some indications that minimum wage regulations in Germany and the UK have helped to combat the phenomenon. First, this type of policy measure addresses the needs of low-wage earners, a group presumed to be at a higher risk of LMS. Second, minimum wage regulations resulted in wage compressions in East Germany and squeezing of pay differentials in the UK. Although in the long run such developments might dis incentivise low-paid workers to take up more responsibilities and to progress in their companies, in the short-term perspective such effects illustrate that both measures brought lower and upper labour market segments closer to one another. Third, although minimum wage regulations are not aimed at supporting transitions into higher-paid jobs, they may indirectly empower and enable the low-paid to look for a better job. The German and UK cases do not provide sufficient evidence on whether such indirect impact on transitions occurs.

While minimum wage regulations are intended to improve incomes for the low-paid, they run the risk of encouraging downward transitions from employment into unemployment or even inactivity for some people. This potential relates to increased labour costs for the employers, which makes it challenging to retain employees and to still make a profit. While the statutory minimum wage rates can be hypothesised to result in such negative effects on employment, this happened neither in Germany nor the UK, with the overall effect on employment being neutral in both cases (D’Arcy and Corlett, 2015; Aretz et al, 2011; Boockmann et al, 2011a, 2011b, 2011c; Bosch and Kalina et al, 2011; Egeln et al, 2011; Möller et al, 2011; vom Berge et al, 2018; Bispinck 2017; Bosch, 2018a, 2018b; Burauel et al, 2017; Mindestlohnkommission, 2016, 2018). Nevertheless, the Spanish experience with increasing minimum wages suggests that null effects on employment at macro level do not necessarily mean that minimum wage regulations will not force some people out of their jobs. Using micro level data, Galán and Puente (2015) revealed that an increase in statutory minimum wage had a positive impact on the probability of becoming unemployed, especially for young and older workers. Thus, the potential of negative impacts on employment must always be considered when setting minimum wage rates. Evidence from Germany and the UK suggests
that taking the following measures might prevent such effects: a dialogue with social partners on specific rates (to anticipate employers’ reactions); rates tailored to specific groups (lower for those at a higher risk of dismissals, for instance, young people); evidence-based decisions on rates; and a cautious setting and gradual (rather than radical) increase of rates.

Above all, the comparison of the German, UK and Spanish experience with minimum wage regulations reveals that the following aspects of the measures’ design influence policy impacts on LMS.

- Applying the same rates across the economy helps to avoid social justice concerns and issues of sectoral/regional coverage. Moreover, such a measure is easier to enforce. However, universal minimum wage rates might be less effective than tailored ones, if not adjusted to different costs of living (in regions/cities) or pay levels (in sectors). Although minimum wages tailored to specific groups, sectors or regions may narrow the gap between high earners and those at the bottom of pay distribution, they may deepen divisions between lower segments themselves. If too high, the level of rates might drive negative effects on employment, whereas if too low, they might fail to tackle poverty and the problem of low pay.

- Gradual rather than rapid increases and clear long-term targets allow for planning and might encourage more favourable reactions of employers to statutory salary increases.

- Making the rise of the legal minimum wage floor conditional on economic growth boosts the political feasibility of the increase of minimum wages by reducing employers’ dissatisfaction and pressure against policy change. Moreover, early planning of increases in the statutory minimum wage helps to prevent negative effects of the policy on employment by allowing employers to develop strategies for gradual adjustment over a longer period of time.

- Evidence-based solutions help to attract political and public support and to boost the effectiveness of statutory minimum wages.

- Regular consultation with social partners allows for more flexibility and possibilities to make real-time adjustments of the levels of minimum wages to the existing economic conditions.

- For minimum wage regulations to have a clearer contribution to reducing LMS, their focus could be extended from low income and wage inequalities to aspects such as mobility and wage progressions. This would require a more integrated approach towards low pay. Accordingly, minimum wage regulations would need to be combined with other policy measures such as training, awareness raising and the recognition of skills, among others, alongside assistance to businesses with their reallocation of costs.

Mechanisms: Stakeholders’ reactions and unintended effects

Minimum wage regulations aim to alter the behaviour of employers. Employers’ reactions to the introduction of minimum wages may differ and, above all, they depend on the magnitude of the increases of labour costs and on the options available to consequently adapt business operations. Evidence from the UK also suggests that adjustment mechanisms depend on the business sector, company size and human resource practices (such as working time policies). Reactions differ as the costs can be borne either by employers (for instance, through reduced own profits), employees (for example, through reduced working hours) or the consumers (for instance, through increased prices). Furthermore, adjustment mechanisms adopted by businesses translate into different impacts on LMS. Some mechanisms undertaken by businesses may encourage upward transitions of low-paid employees, but others might trigger downward mobility of some workers. For instance, employee training to compensate increased labour costs by higher productivity may contribute to reducing LMS, while the use of non-standard forms of employment (such as bogus self-employment in the case of the UK)
to avoid obligations imposed by the minimum wage regulations can have the opposite effect and deepen LMS by encouraging downward transitions into precarious non-standard jobs.

Overall, the reactions of businesses in the UK and Germany point to a mixture of these actions. The authors of the case study on the national living wage in the UK argue that businesses most often raised prices, reduced profits, reduced non-wage benefits and restructured the workforce by reducing middle management and supervisory roles. Less frequently, they reduced working hours, reduced training for the lower-waged employees, and tried to boost productivity. The author of the case study on IMWs argues that many companies in Germany reacted to IMWs by improving their work organisation and by training their employees. It was noticed that companies which emphasised product differentiation through quality and innovation even managed to increase employment, while those with a focus on low wages sometimes even had to leave the market. Companies in Germany also had to increase prices, yet these increases were well accepted by the customers (Boockmann et al, 2011b).

The establishment of minimum wage rates may affect the wage structures within companies. One mechanism of coping with the increased labour costs resulting from the minimum wage rates can be squeezing pay differentials within companies, as sometimes happened in the UK and East Germany (Eurofound, 2018b; LPC, 2018b; IDR, 2017; Aretz et al, 2011). This may have disincentivised employees to take up additional responsibilities due to the limited increases in pay. In contrast, the establishment of minimum wage rates or their increases may incentivise businesses to raise employee wages to retain workers or may incentivise employees to negotiate better salaries with the employers themselves. This ripple effect was observed in West Germany, where LMS was generally lower and even further reduced through this effect.

Non-compliance with minimum wage regulations may hinder their effectiveness in combating wage inequality and reducing LMS. For instance, Germany faces challenges in ensuring compliance with the statutory minimum wage, especially in low-wage service industries, companies with less than four employees and in mini-jobs (vom Berge et al, 2018; Bispinck 2017; Bosch, 2018a, 2018b; Burauer et al, 2017; Mindestlohnkommission, 2016, 2018). By using zero-hours contracts or bogus self-employment as happened in the UK (Mor and Brown, 2018), employers may even worsen the working conditions of employees. The existence and good functioning of mechanisms to enforce statutory minimum wages and to ensure compliance with the rates is important in this context. The state has a better chance of succeeding in enforcing minimum wage regulations if its efforts are complemented by self-regulation among social partners. Moreover, compliance with minimum wage regulations may be less challenging to ensure in times of economic growth, which allows businesses to adjust to increased labour costs without significant cuts on profits.

**Contexts: Pre-conditions and transferability**

External conditions may facilitate the success of minimum wage regulations. For instance, a tradition of social partnership, the good reputation of stakeholders involved in the process of setting the rates of statutory minimum wages and a favourable political climate are likely to have a positive influence on the effectiveness of minimum wages and the latter’s impacts on LMS. Complementarities with other policies (such as training and recognition of skills, awareness raising on the need to fight low pay and non-financial business assistance) may allow minimum wages to have a clearer contribution to reducing LMS.

Moreover, increasing minimum wage rates may be more effective in tackling LMS if they were implemented in times of rapid economic recovery or growth. For instance, the Spanish experience with the significant increase in the statutory minimum wage in 2004 (followed by similar increases in 2005–2010) reveals that, at the aggregate level, favourable economic conditions may dilute the negative effects of minimum wage regulations on employment. Cebrián et al (2010) and Blázquez et al (2011) found such effects to be null in Spain and they may be explained by increasing labour demand coupled with changes in labour supply.
(increased numbers of university graduates, the rise of labour market participation by women, increased immigration flows).

Some other conditions required are specific by type of the minimum wage regime. The implementation of the IMWs requires a wide industry coverage by collective agreements, high capacities of trade unions and employers’ organisations, and the willingness of the state to enforce the IMWs and to sanction non-compliance. Meanwhile, the implementation of the NLW in the UK was facilitated by a tradition of minimum wages fostered since 1999 and by a parallel Living Wage initiative, which had already increased businesses’ awareness of the necessity for adequate pay.

**Box 5. Key lessons learned on minimum wage regulations to tackle LMS**

- If properly designed and enforced, minimum wages can help to boost earnings of the low-paid without any negative effects on employment. This suggests the potential of minimum wage regulations to create positive impacts on LMS by reducing the gap in working conditions (specifically earnings) between the upper and lower segments and by doing so without triggering the transitions downwards into unemployment.

- For statutory minimum wages to be effective and to contribute to reducing LMS:
  - Rates should be evidence-based, agreed upon by social partners, increased gradually, and only if economic conditions allow;
  - Employers should be regularly consulted and entitled to non-financial assistance such as advice on how to reallocate the resources to adjust to increased labour costs after the introduction/increase of the statutory minimum wages;
  - Mechanisms (such as labour inspections and penalties for non-compliance) are needed to enforce statutory minimum wages and to ensure compliance with the rates set.

- For IMWs to work and create impacts on LMS, wide industry coverage by collective agreements and high capacities of the social partners are crucial.

- For all types of minimum wage regulations to effectively narrow the gap between better-off and worse-off segments, the following elements are important: tradition of social partnership, good reputation of stakeholders involved in implementation, favourable political climate and complementarities with other policies.

Source: Compiled by the authors

**Vocational education and training (VET)**

Member States across the EU implement system reforms and tailored initiatives in the field of VET. Within the frames of this study, the most relevant types of actions include:

- Broad policy frameworks aimed at providing access to training: Introducing personal training accounts, launching specific training/apprenticeship contracts and other arrangements;
- Stand-alone ALMPs (or training-related elements of such policies) and other programmes aimed at providing training: training initiatives tailored to specific groups; and
- Recognition and validation of qualifications, skills and professional experience.

Such policy measures rarely have an explicit objective to combat LMS, however, they may help to address the phenomenon by facilitating income progressions, upward transitions into
stable employment and by safeguarding people at a higher risk of LMS. Nevertheless, if provided only to those in the better-off labour market segments, training may also reinforce LMS.

The sections below present the findings of the analysis of the following measures: the French ‘Validation of the acquired experience’, ‘Personal training accounts’, ‘Professionalisation contract’; the German ‘Law on recognition of foreign degrees’, ‘Long-term retraining of the unemployed’, ‘In-company entry-level vocational qualification’; the Spanish ‘Redefinition of the apprenticeship and training contract’; and the Danish VET programmes.

**Outcomes: Policy impacts and influence of the measure’s design**

Participating in VET (be it upper secondary or continuous) can boost employment prospects. Evidence from Denmark reveals that attending any VET programme reduces the probability of being unemployed by 0.77 percentage points within 0–13 weeks after the programme is finished (De Økonomiske Råd, 2012; EUAB, 2014). Such aggregate impacts are not substantial but do not deny the potential of VET to contribute to reducing LMS, especially in the context of economic growth (De Økonomiske Råd, 2012; Bolvig et al, 2017). VET programmes may facilitate upward labour market transitions of the low-skilled by including them in the mainstream education and qualification system and helping them to achieve the level of merit necessary in certain fields. This has proved to be the most positive impact of VET programmes in Denmark (Bolvig et al, 2017). Nevertheless, such effect could be further increased by reducing the drop-out rates and focusing more on the individualisation of programmes, which has been aimed for with recent reforms.

To facilitate access to training, some countries have introduced personal training accounts, which allow for accumulating training hours and getting partial or full coverage of the training expenses. Improving access to training chosen by each beneficiary, this type of measure has a high potential to boost the employability and career progressions of the scheme’s beneficiaries and in this way to encourage transitions upwards in the labour market. Nevertheless, the French system reveals that this approach is not always effective and works best for the most autonomous individuals who have capacity to plan and define their training project with no external support (DARES, 2018b). It also suggests that the following could improve the effectiveness of similar policy measures: providing training advice and guidance, providing training which awards certification, and offering more generous financial support for the unemployed in training.

Subsidised contracts for work-based learning (henceforth – training and apprenticeship contracts) are used in some countries to favour the acquisition of training, boost labour market experience, improve employability and support career progressions of individuals, most often young people. France (‘Professionalisation contract’), Germany (‘In-company entry-level vocational qualification’) and Spain (‘Redefinition of the apprenticeship and training contract’) are among the countries that have such training arrangements in place. These initiatives target disadvantaged young people and entail financial support to either employers or workers, or both. Mixed evidence exists on the effectiveness of such contracts in creating sustainable impacts on LMS. The German and French arrangements seem to encourage transitions into stable employment (but not equally well for all) (Becker et al, 2008a, 2008b; Dietrich et al, 2012; Kühnlein, 2009; DARES, 2018b; FPSPP and DARES, 2018; Taillardat et al, 2013), whereas in the Spanish case positive results are observable in the short term but they are not sustained in the long run (Jansen and Troncoso, 2018). The comparative analysis of the three measures suggests that special attention should be given to reaching the most vulnerable young people (such as the low-qualified), to ensuring high quality and relevance of the training and non-financial support (advice and guidance) provided, to incentivising the conversions of such contracts into permanent ones and upward transitions after the end of the training, and to supporting contracts of longer duration.

Training and retraining schemes launched as part of ALMPs are widely used across the EU and (at least in some cases) have proved to be effective in supporting transitions into
employment and income progressions. For instance, the German programme ‘Long-term retraining of the unemployed’ created positive employment and income effects on participants in the medium and long term. Policy impacts were particularly high for women, partly because the occupations they were retrained for were in higher demand than those of their male counterparts. Nevertheless, the measure failed to reach the most vulnerable among the unemployed – the low-skilled – who found formalised long-term retraining too challenging. This German case also suggests the following: longer-term programmes which award certificates create better effects than short-term non-certificate training; effects on employment are higher for occupations with lower employment rates and higher shares of vacancies; training guidance improves labour market outcomes for the participants; and a combination of vocational and general training helps to better reach the low-skilled.

The German experience with the WeGebAU programme suggests that training programmes may also be used to prevent downward labour market transitions of workers particularly vulnerable to unemployment and skills obsolescence. Established in 2006, WeGebAU is a wage and training subsidy scheme designed to improve the employability of older employees (since 2007, of at least 45 years of age) and low-skilled workers in SMEs (since 2007, with fewer than 250 employees). Evaluations reveal high satisfaction with the programme among employers (as many as 85% of participating companies report positive effects of training) and positive impacts of the programme on job stability and survival in employment, especially for part-time workers and longer-duration programme participants (OECD, 2012; IAB, 2013). Evaluations of WeGebAU reiterate the conclusions of studies on similar measures that training over a long period is more effective in improving employability than shorter periods of training (IAB, 2013). Moreover, denying support for employer- or task-specific training helps to ensure wider employability of programme participants. Coupled with detailed eligibility rules, such an approach also helps to avoid the financing of training that would have been launched without the support of the state – to reduce deadweight loss (European Commission, 2012c).

The French system for the validation of the acquired experience reveals that the recognition of skills and experience has the potential to support ascending career transitions, labour market progressions and to improve working conditions for its beneficiaries. In France, most of the scheme’s participants have acknowledged its impacts in terms of employment change (transitions to better jobs/other occupations) and salary increase (among others) (Chastel et al, 2016). Nevertheless, the overall effects of the measure are mixed as some authors suggest that career progressions may be linked to external factors (such as sector of activity, profession and company) rather than the validation of skills (Chastel et al, 2016).

Similar to the French module but tailored to third country nationals is the German ‘Law on recognition of foreign degrees’. Aimed to avoid the de-qualification of migrants and to support the employment of this group (often at a higher risk of LMS), the measure created strong effects on employment (30.5 percentage points increase) and wages (€1,000 increase in monthly wages) of successful applicants (Ekart et al, 2017; BMBF 2015, 2016, 2017; Böse et al, 2016; Rohrbach-Schmidt and Thiemann, 2016). These findings suggest a high potential of degree recognition schemes to encourage transitions from part-time into full-time, and from lower-qualified to quality (stable and secure) jobs. The German example also casts light on policy aspects that boost its effectiveness, such as: easy access to information about the recognition process and documents needed; effective infrastructure for advice and guidance at the local level; financial support for the most disadvantaged (unemployed and asylum seekers) to cover recognition costs, translation of certificates and additional training expenses; possibilities for training; and clear and complementary recognition procedures at national and regional levels (especially relevant to federal states).

Overall, investment in VET policies may pay off. If properly designed, VET policies may help to increase one’s wages or employability, and in this way support labour market upward mobility. Such policies may even be less costly and create more sustainable impacts than other ALMPs (for instance, assisted contracts) fighting long-term unemployment and aiming to encourage transitions into employment and to better jobs.
Mechanisms: Stakeholders’ reactions and unintended effects

VET policies encompass a wide variety of individual or package measures that are intended to work in slightly different ways. Above all, they aim to enable ascending transitions and income progressions of people, in particular those who are disadvantaged in the labour market.

In some cases, financial and/or non-financial support is provided to incentivise individuals to boost their skills and experience and to improve their careers. In a similar manner, such measures as subsidised training contracts intend to alter the behaviour of employers towards the recruitment of low-skilled young workers. This is expected to improve the human capital of these workers and help them with transitions into stable and secure employment, be it within the same firm or not.

For potential beneficiaries to be able to react to any policy action, it is crucial that a particular policy measure is known enough within the group targeted. A lack of visibility is highly probable to result in a lack of success, as evidenced by the French cases ‘Validation of the acquired experience’ and ‘Personal training accounts’. In contrast, the German ‘Law on recognition of foreign degrees’ was widely known not only within the country but also abroad, not without the help of the networks of migrants who boosted awareness about the measure and consequently its effectiveness.

Above all, gender-sensitivity of VET policies should be considered to avoid unbalanced uptake of training between women and men, and to make sure that policies aimed to address LMS do not further perpetuate it.

Contexts: Pre-conditions and transferability

Complexity and a lack of clear governance negatively affect the implementation of VET policies, especially those that call for the involvement of different parties. For instance, it is argued that the removal of the inter-ministerial committee for the development of the validation of the acquired experience in 2009 in France contributed to the stagnation of this measure.

Social partners’ commitment, support to training efforts as well as their capabilities are also important for the success of VET policies, especially when a policy measure implies cost-sharing between public authorities and employers. In a similar manner, successful collaboration of the different types of stakeholders involved (such as employers and public authorities) also boosts policy impacts. This is relevant across different types of VET policies and beyond.

Aside from the commitment and capabilities of stakeholders, surroundings influence the effectiveness of VET policies. In the German case, retraining of the unemployed worked better in urban surroundings compared to rural areas. This is because the former had better training infrastructure and more job prospects on offer.

Above all, poor economic conditions and prospects (related to business cycles) hinder the effectiveness of VET-focused measures either directly or indirectly. Excess labour supply (high levels of unemployment) may discourage employers from using subsidised contracts and so directly interfere with a measure’s success. Moreover, employers may be simply reluctant to hire people if they adopt a more conservative attitude in times of economic downturn. This may be the case even if jobseekers have participated in training to boost their skills and employability. The same logic applies in the case of people who, while working, joined training programmes or processes for skills validation/recognition to improve their chances for a promotion and salary increase.
Box 6. Key lessons learned on VET policies to tackle LMS

- VET policies may help to improve the employability of jobseekers and to support their transitions into employment. Moreover, VET policies may boost the skills of those who have jobs and encourage their upward progressions towards better positions or jobs.
- To create positive impacts on LMS and to avoid inefficiencies, VET policies would need to be:
  - aligned with local labour market needs;
  - tailored to specific groups (including additional measures to reach the most disadvantaged);
  - focused on longer-term training which awards certifications, especially in contexts where formal qualifications are valued more than informal experience and expertise;
  - supportive of quality training;
  - incentivising transitions after training;
  - known well enough.
- Complexity and a lack of clear governance, low commitment levels and capabilities of stakeholders involved, and poor economic conditions hinder the effects of VET policies.

Source: Compiled by the authors

Family policies

Across the EU, a wide range of family policies have been launched to facilitate family-work reconciliation, support gender equality and women’s (re)integration into the labour market, fight child poverty, and to boost birth rates. Such family policies most often relate to the following:

- introducing new legal provisions on parental leave (changes in duration, timing and sharing of childcare between partners)
- awarding parents with new rights to part-time work due to family responsibilities
- altering benefit systems to tailor income support

These policies are implemented either separately or altogether. Some are relatively universal, whereas others can be tailored to specific groups of parents (such as single parents or parents of a child with disability). Rarely do such family policies have an explicit objective to combat LMS, however, they are highly relevant to addressing the phenomenon. This is because they most often target the groups that are at a higher risk of LMS (such as young or single parents and especially women) and have the potential to alter their incentives to stay in or to re-enter the labour market. Family policies are particularly gender-sensitive. If successful, they can support the labour market attachment of women, to prevent their downward mobility into inactivity, and in some cases even to boost their upward transitions from inactivity into part-time or full-time jobs. However, if poorly designed, family policies may reinforce gender-based LMS. For instance, policies which discourage childcare sharing between partners and fail to provide parents with rights to shorter working hours and flexible work arrangements (such as working from home) may reduce mothers’ attachment and/or burden their re-entry to the labour market.
The sections below present the findings of the analysis of four policy measures: the German ‘Parental allowance and parental leave law of 2007’ (including revisions in 2015); the Spanish ‘Introduction of a two-weeks-long paid paternity leave’ and ‘Introduction of a right to work part-time for parents with children under seven years old’; and ‘Lone parents obligations’ implemented in the UK.

Outcomes: policy impacts and influence of the measure’s design

As the German example shows, reforms to the parental leave system can substantially improve the situation of women in the labour market and achieve important social goals such as promoting gender equality and increasing birth rates. The reform of 2007 introduced a salary-based parental leave allowance for working parents as well as incentives to share parental leave between parents. The changes introduced to the parental leave law had a positive impact on mothers of newly born children in Germany. More women returned to work when their child was two or three, and the employment rate of women in marginal and small part-time work was also decreasing, while it was increasing in longer part-time and full-time work (Statistisches Bundesamt, 2017). More women also began to earn a living wage after this reform (BMFSFJ, forthcoming). Making the size of the parental allowance dependent on the income before the leave, the policy measure incentivised women to work more hours before having children. However, this aspect of the measure mostly benefited skilled women with higher educational attainment and benefited the lower skilled ones less, who lacked bargaining power and often worked in industries where part-time work was prominent. Income-related parental allowances proved to be especially effective for middle-income women. The Parental Allowance Plus, paid if both parents worked part-time, was effective for higher income families (80% median or higher). Despite the success of the measure towards some groups, better policy impacts mainly on workers in upper labour market segments raise concerns in light of LMS. Indications exist that linking parental benefits to income may perpetuate LMS as those in lower labour market segments may fear for the loss of income security (and of their jobs altogether) and therefore may not take advantage of flexible parental leave and benefit schemes despite being eligible.

Furthermore, the job guarantee allowed women to return to their previous or comparable job within the company after their parental leave was over. This helped to prevent downward transitions in the labour market. In Germany, the job guarantee was especially helpful for young mothers to avoid getting trapped in marginal part-time work with high long-term scar effects (Matteazzi et al, 2014). Parental leave policies can be built in a way to also encourage fathers to share care with mothers. The German experience reveals that reserving two months of leave for fathers and introducing financial incentives for both parents to work part-time was effective in encouraging more fathers to share childcare responsibilities (Geyer et al, 2013). This helped to prevent LMS by reducing the discrimination of women in the labour market.

The Spanish measures were effective in a similar manner. Awarding workers with children up to seven years old a right to work part-time increased the part-time employment rate almost twice among women who had permanent contracts but were in danger of losing them (Fernández-Kranz and Rodríguez-Planas, 2011). This implies prevention of transitions downwards into unemployment, better reconciliation between work and family life, and sustained income security for female workers. The introduction of the two-weeks-long (instead of two-days-long) paid parental leave for fathers in 2007 resulted in a significantly higher uptake of paternity leave among fathers (Escot et al, 2014). Mothers’ labour market

Scar effects are typically defined as negative long-term effects of unemployment on future labour market possibilities. Scarring can also be used in relation to other employment situations to mean the stickiness, for example, of non-standard contractual arrangements over one’s career.

Disclaimer: This working paper has not been subject to the full Eurofound evaluation, editorial and publication process.
attachment increased, resulting in higher employment rates of women after childbirth. The sharing of childcare became more popular and lowered the motherhood penalty for women (Farré and González, 2018). However, these positive policy impacts were not equally strong for all. The uptake of paternity leave (and sharing of childcare) was higher among men in stable and secure employment (better educated and with a high work status) compared to those in self-employment or under fixed-term contracts (especially if economic migrants, or fearing to lose their job) (Escot et al, 2014; Lapuerta et al, 2011; Meil et al, 2017). These findings illustrate the wide scope of LMS impacts and the fact that a segmented labour market is not only influenced by but can also influence the effectiveness of policies.

‘Lone parents obligations’ in the UK aimed at moving lone parents into work by narrowing eligibility for income support solely on the grounds of being a lone parent. This measure had greater impact on transitions into work than other programmes aimed at this group of beneficiaries (Avram et al, 2013). The share of lone parents receiving any out-of-work benefit was reduced by 11–13 percentage points, whereas the share of lone parents in work increased by 7 percentage points19 (Avram et al, 2013). Nevertheless, although 45% of lone parents (from the ones surveyed) worked at some point since their income support claim ended, the majority were doing low-skilled work and some still faced material deprivation (Coleman and Riley, 2012). This suggests that the policy measure encouraged transitions into employment, but not necessarily into quality jobs. Furthermore, the impacts were lower on parents aged under 25 and those with a limiting long-standing illness or disability (Coleman and Riley, 2012; Avram et al, 2013), which implies that the measure did not reach people furthest from the labour market. Above all, more likely to move into work were those with recent work experience, higher qualifications, access to a vehicle, access to childcare and favourable attitudes towards work (Coleman and Riley, 2012).

The analysis of success and hindering factors of the different family policies described above reveals that preferences regarding work-life balance matter. People who are more family-focused and not much concerned about the stigma of living on benefits will less likely rush to re(enter) the labour market, even if this is encouraged by benefit systems or flexible arrangements of parental leave/working time.

Some elements have proved essential for the success of the measures. This is the case of the mandatory nature of some initiatives (such as ‘Lone parents obligations’), or the importance of those eligible being aware of the incentives offered in the case of incentive-based actions. If policies favour childcare sharing and offer options for women to reconcile family and work responsibilities, but potential beneficiaries are not aware of their rights, policy impacts will be low. One way to avoid this risk is to launch mandatory regulations, which the UK did.

Also related to the design of measures is the flexibility offered to parents. The German example suggests that it was partly due to very flexible leave and benefit system arrangements that the initiative became a success.

**Mechanisms: Stakeholders’ reactions and unintended effects**

Although the primary targets of family policies are (soon-to-be) parents, employers are also affected by them. Although employers may be reluctant to welcome policy change favouring better work-life balance, they end up being obliged to respect workers’ rights and may even change their own sociocultural attitudes towards female workers and parenthood.

In the four cases analysed, the mechanisms worked mostly as intended, however, some unexpected effects also occurred. In the Spanish case of paternity leave, parents eligible for the new leave experience a lower desire to have more children compared to those not entitled to it. This can be explained by an increased attachment of women to the labour market and a

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19 Impacts are likely to be underestimated as the assessment referenced did not distinguish between new and repeated lone parent beneficiaries.
higher involvement of parents in childcare, which make both parents less willing to have a subsequent child (Farré and González, 2018).

The unintended effect of introducing the right to part-time work for parents in Spain was increased LMS among some groups. The new policy decreased the likelihood of being employed with a permanent contract among childbearing-aged graduate women with no children under seven (relative to their male counterpart) and increased their relative likelihood of having a fixed-term contract job. These findings suggest that, after the introduction of the new law, employers preferred to hire 23–45-year-old males and women over 45 under permanent contracts, offering fixed-term contracts to women of childbearing age (Fernández-Kranz and Rodríguez-Planas, 2011).

In the German case, although the net income of families with children in their first year increased by €400 on average, a few households were negatively affected by the reform as they ended up having less income than before 2007 (when the policy measure was launched) (Wrohlich et al, 2012). These were mainly recipients of the means-tested unemployment allowance. Contrary to the former ‘Child-raising allowance’, the new one is treated as income and deducted from the welfare allowance. This negative effect of the policy on some families’ income is a consequence of the labour market reforms (Hartz Acts) not being coordinated with family policies, and specifically the Parental leave and parental allowance law of 2007. Thus, it is important to consider the interactions between different benefits (including parental and unemployment) before launching policy action to avoid any unintended effects of family policies. This was done in the UK case by providing those no longer eligible for income support with opportunities to apply for a Jobseeker’s Allowance or an Employment and Support Allowance.

**Contexts: Pre-conditions and transferability**

A long tradition of a gender-based division of family responsibilities may hinder the implementation of family policies supporting women’s active participation in the labour market and a more equal sharing of childcare between mothers and fathers. This is because embedded gender roles and related social barriers may prevent men from taking parental leave and women from (re)entering the world of work soon after childbirth. In contrast, high educational levels of women in a country and growing dissatisfaction with the traditional family model based on a male bread-winner are likely to favour the implementation of more progressive family policies, as evidenced by the German case (Holst and Wieber, 2014). Furthermore, employers’ perceptions towards gender roles are highly important for family policies to work as expected. Attitudes that favour the discrimination of women have a negative influence on the effectiveness of policy measures aimed to promote gender equality in the labour market. Aside from perceptions, company-level practices influence the success of family policies. For instance, the evidence from Spain shows that if the employers of both parents facilitate work-family life balance, the motherhood penalty is reduced (Cornejo et al, 2018). This suggests that company-level working time practices generate impacts on the effectiveness of the family policies similar to the ones analysed in this chapter.

Above all, complementary policies are important, in particular the expansion of public (high-quality and affordable) childcare services and all-day schools, which has proved to boost policy impacts in the German case (Bundesagentur für Arbeit, 2019).
Box 7. Key lessons learned on family policies to tackle LMS

- Family policies of specific types and design have potential to create positive impacts on female employment, childcare sharing and income of families and to reduce the danger of women sliding and becoming trapped in lower labour market segments.

- Evidence shows that, although widely successful, they often fail to reach the most vulnerable groups. When favouring only those who are better-off in the labour market, they even perpetuate LMS.

- In light of LMS, the effectiveness of family policies is influenced by their design (for example, flexibility of parental leave, scope of parental benefits and their links (if any) to income), work-life balance preferences of the groups targeted and employers’ behaviours and reactions.

- The success of family policies favourable to female employment and childcare sharing is influenced by sociocultural norms on gender roles and division of family responsibilities. Employers’ perceptions towards women (and especially mothers) as well as their working time practices are also important.

- To prevent unintended effects and to boost policy impacts, it is crucial that family policies are aligned with other benefit systems (such as unemployment benefits) and complemented by the expansion of affordable childcare services.

Source: Compiled by the authors

Cross-policy success factors

Some success factors are specific to policy measures of a particular type, whereas others are close to universal. Aspects which facilitate the implementation of measures (regardless of type) against their specific objectives and LMS contribution include:

- consultation with social partners before launching/revising a measure;

- clarity of a policy and awareness of it among stakeholders and groups targeted;

- ensuring internal coherence of the measure;

- tailoring specific groups and providing additional incentives for the most vulnerable individuals;

- encouraging transitions into stable and secure employment rather than non-standard work/precarious jobs;

- where financial support is involved, designing incentives in a way to avoid deadweight losses;

- coordination of measures across policy fields;

- ensuring sustainability of policy impacts, for instance by imposing conditions for the period following the measure’s implementation.

As for the contexts, economic growth, political and public support as well as a consolidated tradition of social partnership facilitate the implementation of different policies and effects on LMS.

Table 7 outlines the study results in brief.
Table 7. Synthesis of study results

<table>
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<th>What works/does not work: Aspects of policy measures that influence their effectiveness in combating LMS</th>
<th>For whom: Groups for which policy measures work/do not work</th>
<th>How: Mechanisms through which policy measures bring about change</th>
<th>In what contexts: External factors that influence the effectiveness of policy measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ALMPs tailored to specific groups</strong></td>
<td>Tailored ALMPs target different groups and affect LMS through this targeted approach. Specific barriers faced by each group need to be taken into account.</td>
<td>The main mechanism of how the ALMPs can encourage upward transitions in the labour market (usually from unemployment to work) concerns the enablement of the individual. This can happen by increasing their preparedness for the labour market through coaching and training. Other mechanisms include incentivising employers to hire or retain disadvantaged workers.</td>
<td>As long as ALMPs are implemented by manifold actors, serving the needs of beneficiaries in different localities it is possible that the quality of support measures will differ along administrative lines. For ALMPs to work, effective collaboration and partnerships between actors involved in implementation are essential.</td>
</tr>
</tbody>
</table>

- Tailored ALMPs are more likely to encourage transitions from unemployment into work if they allow for flexibility and apply a personalised approach to support provision.
- This flexibility can relate to the role of people working directly with the unemployed, the types of support measures provided, approaches applied, or the governance system put in place.
- An unintended effect of flexibility of the programmes can be the diffusion of roles of people working directly with the unemployed as well as unrealistic expectations of the participants in terms of services available.
- Combining financial support with non-financial assistance, consulting employers and providing specific rather than generic advice and guidance within activation/retention/advancement programmes may boost their effectiveness.
### Assisted contracts

Assisted contracts have a higher potential to create positive and sustainable impacts on LMS when financial support is conditional on the permanence of the employment created.

Assisted contracts are the most cost efficient if they target specific groups. The form, scope and duration of the financial support is central to the effectiveness and efficiency of the assisted contracts. Nevertheless, there is no evidence on the exact form, scope and duration that would ensure positive policy impacts. For the assisted contracts to work, their design has to be context specific.

Indications exist that assisted contracts may be better suited to support stable employment if they target private employers in the commercial sector rather than non-profit organisations and public authorities who operate in the non-market sector.

Incentivising employers to hire, retain employment and converse temporary contracts into open-ended ones. To avoid substitution effects and ‘cashing in’, monitoring and controls are needed. In particular, subsidies should be conditional on the employers’ commitment to ensure net employment creation and to keep on subsidised workers after the end of the state’s assistance.

Assisted contracts may work better if aligned with business cycles and in countries with a tradition of large public spending. They are less well-suited to countries that boast strict EPL, generous social benefit schemes and for sectors where low labour costs are key to competitiveness. Subsidising employment should be complemented with VET policies aimed at improving access to training, relevance and quality of learning programmes and matching of skills.

### Promoting self-employment

To avoid inefficiencies and to boost impacts on LMS:

- Policy measures would need to be tailored to specific groups and have strict conditions of eligibility for financial support.
- Financial incentives would have to be reserved for innovative business ideas and incentivising individuals to create employment opportunities for themselves.
- Unintended substitution effects may occur and encourage downward transitions from standard employment into less stable employment.

Policies aimed at promoting self-employment may be taken up better and succeed more in terms of business survival if they are implemented in the following contexts: economic growth, high levels of entrepreneurial culture and social capital, a large share of people with business development/management skills, and a
## What works/does not work: Aspects of policy measures that influence their effectiveness in combating LMS

<table>
<thead>
<tr>
<th>For whom: Groups for which policy measures work/do not work</th>
<th>How: Mechanisms through which policy measures bring about change</th>
<th>In what contexts: External factors that influence the effectiveness of policy measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>enterprises which have the potential for high growth.</td>
<td>measure to support transitions into stable and secure employment; and those already in employment (as a measure to complement income).</td>
<td>shift of the economy towards service provision. Complementary policies (such as social protection) are also important.</td>
</tr>
</tbody>
</table>
- Non-financial support (such as offering entrepreneurship training or mentoring) would have to complement financial incentives, especially in the case of targeting young people and the low-qualified. |

### Minimum wage regulations

For statutory minimum wages to be effective and to contribute to reducing LMS:

- Rates should be evidence-based, agreed upon by social partners, increased gradually, and only if economic conditions allow;
- Employers should be regularly consulted and entitled to non-financial assistance to support adjustment to increased labour costs after the introduction/increase of the statutory minimum wages;
- Mechanisms (such as labour inspections and penalties for non-compliance) are needed to enforce statutory minimum wages and to ensure compliance with the rates set.

Given the regulatory nature of statutory minimum wages, these policy measures work for all the groups targeted.

Obliging employers to meet minimum wage standards for the low paid.

Adjustment mechanisms may be mixed and include raising prices, reducing profits, reducing non-wage benefits, reducing working hours, reducing training for the lower-waged employees, and boosting productivity, improving work organisation and restructuring the workforce by reducing middle management and supervisory roles.

Aside from intended positive impacts on earnings of the low-paid as well as spillover/ripple effects on the higher-

For all types of minimum wage regulations to effectively narrow the gap between better-off and worse-off segments, the following elements are important: tradition of social partnership, good reputation of stakeholders involved in consultations on rates, favourable political climate and complementarities with other policies such as training and skills recognition.

For IMWs to work and create impacts on LMS, wide industry coverage by collective agreements, and high
## What works/does not work: Aspects of policy measures that influence their effectiveness in combating LMS

### For whom: Groups for which policy measures work/do not work

- **VET policies**
  - A wide range of VET policies exist. Individual measures may work for different groups within the targeted populations.
  - The most vulnerable people within disadvantaged groups may be the most difficult to reach and engage in a sustainable manner.

### How: Mechanisms through which policy measures bring about change

- Paid, minimum wage regulations may create unintended effects: squeezing wage differentials and non-compliance.

### In what contexts: External factors that influence the effectiveness of policy measures

- Capacities of the social partners are needed in addition.

---

### VET policies

To create positive impacts on LMS and to avoid inefficiencies, VET policies would need to be:

- Aligned with local labour market needs;
- Tailored to specific groups (including additional measures to reach the most disadvantaged);
- Focused on longer-term training which awards certifications, especially in contexts where formal qualifications are valued more than informal experience and expertise;
- Supportive of quality training;
- Ensuring the validation and recognition of skills and experience;
- Incentivising transitions after training;
- Known well enough.

---

### Family policies

- Complexity and a lack of clear governance, low commitment levels and capabilities of stakeholders involved, and poor economic conditions hinder the effects of VET policies.
### What works/does not work: Aspects of policy measures that influence their effectiveness in combating LMS

In light of LMS, the effectiveness of family policies is influenced by their design (for example, flexibility of parental leave, scope of parental benefits and their links (if any) to income) and work-life balance preferences of the groups targeted.

### For whom: Groups for which policy measures work/do not work

Evidence shows that, although widely successful, they often fail to reach the most vulnerable groups as they work best for the more educated/better skilled who are in relatively stable and secure jobs. Thus, in some cases, family policies may even perpetuate LMS.

### How: Mechanisms through which policy measures bring about change

Different family policies are intended to trigger slightly different reactions of (soon-to-be) parents. Nevertheless, the governments usually aim for one or a few of the following: to incentivise taking parental leave and sharing of childcare between partners, to encourage women to retain attachment to the labour market/to re-enter employment soon after childbirth, to support careers before motherhood and to prevent the entrapment of women in marginal part-time work. In some cases (as in the UK) they do so by introducing new mandatory arrangements, in others by reducing opportunity costs.

Nevertheless, some unintended effects may be triggered: reduced desire of parents to have children, increased incentives of employers to hire women of childbearing age under part-time and fixed-term contracts.

### In what contexts: External factors that influence the effectiveness of policy measures

The success of family policies favourable to female employment and childcare sharing is influenced by sociocultural norms on gender roles and division of family responsibilities. Employers’ perceptions towards women (and especially mothers) as well as their working time practices are also important.

To prevent unintended effects and to boost policy impacts, it is crucial that family policies are aligned with other benefits systems (such as unemployment benefits) and complemented by the expansion of affordable childcare services.

Source: Developed by the authors
Conclusions and policy pointers

LMS poses numerous challenges for individuals, families, economies, states and societies. Reducing LMS can be deemed as a broad-scope objective of the policy of the EU. Through the European Semester the EU institutions have promoted measures to reduce LMS in several Member States where the phenomenon is particularly problematic. Nevertheless, the EU lacks a holistic strategy and cross-country, stand-alone interventions tailored exclusively to combating LMS hardly exist. Adopting a broad perspective and launching measures explicitly directed at combating LMS is a complex task. LMS is a multifaceted phenomenon, driven by various causal mechanisms and affecting different groups. Although LMS has adverse effects on the economy and the population at large, women, young people, older workers, people with disabilities, migrants and refugees particularly suffer from it, especially if they lack skills, are low educated, belong to lower occupational categories and/or work in SMEs. Due to a wide range of cultural, economic and policy factors, these groups are at risk of becoming trapped in inactivity, unemployment or marginal employment (non-standard jobs) with few chances for career progressions. Moreover, once in employment, these groups are vulnerable to downward labour market transitions.

Some Member States have adopted policy actions explicitly aimed at tackling LMS. Others have launched measures that have implicit links to LMS as they carry potential to encourage upward labour market transitions and/or to prevent those downwards and to reduce differences in working conditions. EPL reforms have been the most common policy approach used to combat LMS in Europe. This study aims to complement the existing policy evidence on LMS by applying a broader approach to this issue, namely by exploring how regulatory and incentive-based actions beyond EPL reforms affect LMS in Germany, France, Spain and the UK. Through an exploratory approach, the study derives lessons on what works, for whom, how and in what contexts. The measures identified as having potential to address LMS encompass ALMPs tailored to specific groups, assisted contracts, promoting self-employment, minimum wage regulations, VET policies and family policies. The comparative analysis of 11 policy examples reveals that multiple factors influence their effectiveness and transferability.

ALMPs tailored to specific groups at risk of LMS have the potential to encourage upward transitions by enabling individuals to access the labour market and by incentivising employers to take on and retain disadvantaged workers. Such policy measures appear effective if they are flexible in terms of content and adopt an individualised approach to meet the very specific needs of the people targeted. Moreover, combining financial support with non-financial assistance, consulting employers, providing specific rather than generic advice and guidance help to boost the effectiveness of such measures. Good governance arrangements and strong partnerships between actors operating at national and local levels facilitate the success of ALMPs. In contrast, the implementation of packages of ALMPs by multiple sub-national actors might hinder the internal coherence and quality of support measures if some of these actors lack financial and/or human resources or if the networking and coordination among all parties involved is poor.

Assisted contracts are not feasible in countries which are reluctant to or cannot afford large public spending and they are not suitable for sectors or countries where low labour costs are key to competitiveness. They work well if they are aligned with business cycles, EPL provisions, social benefit schemes and VET policies. Furthermore, indications exist that assisted contracts have higher potential to create positive and sustainable impacts in terms of reducing LMS when financial support is reserved to permanent hires, conversion of temporary contracts into permanent ones or retention of employees in the private/market sector. For financial incentives to work, they must be generous and last long enough to accompany employers in reacting in the way expected. To avoid unintended negative effects on LMS, it is crucial that the assisted contracts include provisions to prevent substitution effects and to support employment maintenance after subsidies end. Otherwise, employers
might be tempted to use the system just to cash in, which would result in high deadweight losses.

Promoting self-employment helps to combat LMS only if, in the long run, it results in transitions from unemployment into stable and secure employment rather than inflows into precarious jobs. Tailoring self-employment support to specific groups, reserving financial incentives to high-growth and innovative enterprises, and providing non-financial support help to achieve that. The analysis shows that self-employment support without proper targeting and safeguards may lead to substitution of standard employment with less stable and less secure bogus self-employment.

If designed well, minimum wage regulations may have positive influence on reducing LMS as they narrow the gap in working conditions (earnings) between workers in different labour market segments. Aside from statutory rates applicable across the economy, industry-specific wages can be introduced where a tradition of social dialogue and social partners with a high-capacity exist. In some cases, statutory minimum wages may narrow the gap in earnings at the cost of some workers losing their jobs, which would suggest mixed effects of such policies on different groups within the worse-off labour market segments.

VET policies have the potential to facilitate increases in income and upward transitions into stable employment by improving access to training and validating and recognising qualifications and skills. To create positive impacts on LMS and to avoid inefficiencies, VET policies must be aligned with local labour market needs, tailored to specific groups, focused on longer-term training that provides certification, supportive of quality training, incentivising transitions after training and properly advertised to targeted beneficiaries. In contrast, complexity of VET policies’ governance structures, low commitment levels and capabilities of stakeholders involved in VET policy implementation as well as unfavourable overall economic conditions hinder the effectiveness of VET policies.

Tailored family policies have the potential to prevent LMS among women who are more prone to fall victim to it, although poorly designed family policies may reinforce gender-based LMS. Income-related parental allowance has proved highly effective in supporting reintegration into the labour market and in preventing downward transitions of middle- and high-income women. However, indications exist that linking parental benefits to income may also perpetuate LMS as those in lower labour market segments may fear for the loss of income or even job security and therefore not take advantage of flexible parental leave and benefit schemes despite being eligible for them. Cultural norms favourable to a dual-earner model and the expansion of childcare services are very important contextual factors for family policies to be effective in reducing LMS. Family policies supporting women’s position in the labour market might also create unexpected negative effects, for instance, to lower the desire of parents to have children, and to decrease the likelihood of being employed under a permanent contract. Moreover, where family policies are not properly linked to other benefit schemes (such as unemployment), reforms of parental benefits system may lower family income.

Above all, analysing the effectiveness of policy measures in reducing LMS has proved to be a highly complex task. Evaluation evidence of policy impacts on mobility, progressions and transitions upwards or downwards within labour markets is very scarce while many different factors are at play. This prevents one from making robust conclusions on the causal relations between individual policy measures and LMS. Nevertheless, the results of this study give an indication of what worked and what did not in the past in specific Member States. Research findings reveal that often even the most promising policy actions may have limited long-term impacts if they are not properly implemented or disregard the wider policy context. To ensure effective public policy interventions, awareness on LMS needs to be raised among policymakers, while public policies need to focus not only on access to the labour market, but also on supporting upward mobility and preventing downward mobility within labour markets. A wide range of policy measures beyond EPL reforms have the potential to reduce LMS, but rarely have an explicit objective to influence labour market transitions and promote
stable and secure employment. The study results reveal that such implicit links between policy measures and LMS may not be enough to sustainably reduce segmentation. Thus, to combat LMS, existing labour market policies and other initiatives would need to be expanded or refocused to explicitly target LMS (to curb its drivers and/or to mitigate its effects). Moreover, integrated approaches would need to be introduced to tackle a multifaceted phenomenon such as LMS and address the needs of the different groups affected. There are no ‘one-size-fits all’ solutions due to the complexity and country specificity of LMS. Rather, tailor-made actions are needed to tackle specific drivers of LMS, to treat groups affected and to curb manifestations of LMS within given contexts. The impacts of individual policies are very limited, which calls for integrated context-sensitive approaches combining financial incentives, regulation, monitoring and improving access to quality public services.
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Annex 1. Variables of the theoretical framework

Tables provided below complement the theoretical framework of this study (see Figure 1). More specifically, Table 8 and Table 9 concern the ‘contexts’ component and outline the operationalisation of the generic and specific contextual features listed in Figure 1. Table 10 concerns the ‘outcomes’ component and lists expected policy impacts on LMS in more detail.

**Table 8. An outline of generic contextual features**

<table>
<thead>
<tr>
<th>Types</th>
<th>Categories</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic and business factors (related to labour demand)</strong></td>
<td>Related to structural change (macro level)</td>
<td>• Country position within the international division of labour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost versus quality-based international competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The scope of skill-biased and routine-biased technical change in the country (OSM risks)</td>
</tr>
<tr>
<td></td>
<td>Related to characteristics of the production systems and path dependence (macro level)</td>
<td>• Sectoral industry concentration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Predominant sectors in the economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Demand for skilled workforce</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Occupational and skills distribution by industry sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Economy’s composition by company size</td>
</tr>
<tr>
<td></td>
<td>Related to changes in business models, work organisation systems and HR management practices (meso level)</td>
<td>• Polyvalence of company management and labour-use strategies prioritising competitiveness to labour market considerations and related to:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Selection of workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Investment in skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Rewards to employees (for instance, pay individualisation practices)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>o Retention of workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Autonomy of firms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Extent of cooperation practices</td>
</tr>
<tr>
<td><strong>Societal characteristics (related to labour supply)</strong></td>
<td>Composition of a population (macro level)</td>
<td>Based on:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Educational attainment levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Skills and competencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Age</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ethnicity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Rural-urban living/employment</td>
</tr>
<tr>
<td></td>
<td>The share of largely stigmatised groups within a population</td>
<td>Based on self-identification, related to being marginalised on the grounds of social class, migrant status, prior criminal convictions, health condition, etc.</td>
</tr>
<tr>
<td><strong>Initial institutional conditions</strong></td>
<td>Related to employment protection legislation (labour market flexibility rates)</td>
<td>• Characteristics of hiring and firing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Existence and variety of legal contractual arrangements</td>
</tr>
</tbody>
</table>
### Types

### Categories

### Variables

#### Related to wage setting systems
- Existence of a minimum wage
- Level of a minimum wage

#### Related to labour market policies
- Existence of generous passive policies:
  - Unemployment compensation system
  - Policies favouring early retirement
- Extent of active policies in place:
  - Training
  - Placement services
  - Subsidies
- In-work benefits

#### Related to institutional arrangements for collective action
- Employee bargaining power (existence, power and orientation of trade unions, including trade union membership levels)
- Existence, power and orientation of employers' organisations
- Coverage by collective agreements

#### Other
- Family policy
- Tax systems
- Welfare and education systems

### Cultural frameworks and social norms
- Embedded tradition of the division of family responsibilities
- Cultural norms concerning work-life balance
- Prevalence of discrimination (based on race, ethnicity, gender, age, disability, social class, etc.) versus favoured integration of vulnerable groups
- Existence of favourable social norms related to the use of care services for children, the elderly and the disabled
- Other cultural/social norms that may influence decisions on education, occupational choices and mobility

Source: Compiled by the authors based on the synthesis of academic literature, other online resources, internal materials provided by Eurofound; validated by external experts
Table 9. An outline of specific contextual features

<table>
<thead>
<tr>
<th>Types</th>
<th>Categories</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics of the target group</td>
<td>Sociodemographic characteristics of a target group</td>
<td>• Age</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Gender</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Ethnicity and migrant background</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Education, skills/competencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Work experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Social class</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Living and working location (rural/urban)</td>
</tr>
<tr>
<td>Personal and cultural preferences of a target group</td>
<td>Preferences regarding:</td>
<td>• Education</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Occupational choice</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Occupational/sectoral/regional mobility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Work-life balance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Household division of labour</td>
</tr>
<tr>
<td>Other characteristics relevant within the context of a given policy measure</td>
<td>For instance, prior convictions, health condition, etc.</td>
<td></td>
</tr>
<tr>
<td>Organisational contexts</td>
<td>Related to capabilities of key actors to implement the policy measure</td>
<td>• Effectiveness of communication/collaboration/networking among key actors (if necessary to implement the policy measure)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Key actors’ capabilities to effectively involve and consult other stakeholders to curb their resistance (if any) to change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sufficiency of allocated human, financial resources to implement the policy measure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• A convincing narrative for change (key actors’ capabilities to prepare a convincing argument for the need and benefits of change, which is necessary to effectively reach target groups and gain support of relevant parties)</td>
</tr>
<tr>
<td>Related to institutional/political settings</td>
<td>Policy measures in focus among the priorities on the organisational/local agenda</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The scope of political support to implement the policy measure</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors based on the synthesis of academic literature, other online resources, internal materials provided by Eurofound; validated by external experts
Table 10. Expected impacts on LMS

<table>
<thead>
<tr>
<th>Related to labour market transitions</th>
<th>Expected impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Decreased overall share of non-standard contractual arrangements (temporary, part-time contracts)/atypical employment levels</td>
<td></td>
</tr>
<tr>
<td>• Increased employment rates (by groups)</td>
<td></td>
</tr>
<tr>
<td>• Proportion of transitions by contract type</td>
<td></td>
</tr>
<tr>
<td>• Proportion of transitions by pay levels</td>
<td></td>
</tr>
<tr>
<td>• Proportion of transitions to employment</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related to working/employment conditions</th>
<th>Expected impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased job and employment quality:</td>
<td></td>
</tr>
<tr>
<td>o Improved access to training (by contract type, groups)</td>
<td></td>
</tr>
<tr>
<td>o Increased autonomy of employees</td>
<td></td>
</tr>
<tr>
<td>o Improved occupational health and safety (by contract type, groups)</td>
<td></td>
</tr>
<tr>
<td>o Enhanced physical environment</td>
<td></td>
</tr>
<tr>
<td>o Reduced work intensity</td>
<td></td>
</tr>
<tr>
<td>o Improved social environment</td>
<td></td>
</tr>
<tr>
<td>o Improved working time flexibility (by contract type, groups) and work-life balance</td>
<td></td>
</tr>
<tr>
<td>o Increased career advancement prospects</td>
<td></td>
</tr>
<tr>
<td>• Improved employee participation (by contract) and inclusiveness of employee representation regimes</td>
<td></td>
</tr>
<tr>
<td>• Boosted access to social security and higher levels of social security coverage (by contract type, groups)</td>
<td></td>
</tr>
<tr>
<td>• Higher job/employment security:</td>
<td></td>
</tr>
<tr>
<td>o Institutional employment security (Employment Protection Legislation index)</td>
<td></td>
</tr>
<tr>
<td>o Sense of security workers have</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Related to income</th>
<th>Expected impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased overall income and wage levels</td>
<td></td>
</tr>
<tr>
<td>• Reduced pay gaps (by contract type, gender, sectors/occupations, companies)</td>
<td></td>
</tr>
<tr>
<td>• Downturned overall income inequality (at individual level, after redistribution) and volatility</td>
<td></td>
</tr>
<tr>
<td>• Lower levels of in-work poverty risk</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted by the authors based on Eurofound expert workshop on LMS; validated by external experts
Annex 2. Overview and assessment of the evaluations collected

Most of the case studies relied on evidence collected in evaluations where different counterfactual data analysis methods were used, most often difference in differences statistical techniques. The use of this method makes it possible to construct treatment and control groups and to measure the impact of a measure by assessing whether statistically significant differences exist between the groups in terms of employment outcomes. This method was usually applied to administrative and survey data. Other methods used across the evaluations included desk-based research, interviews with stakeholders, and surveys. No counterfactual analysis was conducted in the evaluations collected for the four case studies: federal labour market programme ‘Perspective 50plus’ (Germany); the scheme for auto-entrepreneurs (France); the Lift Programme – the Welsh Government project (UK); and Access to Work (UK). Nevertheless, econometric techniques to test causal relationships were used in the German case study, while the remaining three relied on other robust quantitative and qualitative data analysis methods.

Overall, the findings of the evaluations can be considered robust as they used acknowledged evaluation techniques and combined qualitative and quantitative data from different sources to produce reliable conclusions. Many of the evaluations also put an emphasis on consulting the main stakeholder groups affected by the policy measures, ensuring good representation of their views within overall data collection and analysis activities.

While most evaluations explored the employment effects of the measures, few assessed policy impacts on LMS in more detail. Reasonable grounds for that exist. First, many of the policy measures selected for this study do not have an explicit objective to combat LMS. Although this does not deny the measures’ potential to generate impacts on labour market mobility, in most cases, it made evaluators of selected measures focus on other types of policy effects. Second, even if measuring LMS had been prioritised by the commissioners of evaluations, it would have been challenging to achieve. As of 2019, neither a clearly established definition of LMS nor an agreed set of indicators to measure it exist. Such lack of an agreed-upon approach is well illustrated by ILO (2016). Furthermore, to assess a wide range of upward and downward labour market transitions, detailed longitudinal data, which are hard to access, are needed. Third, it is challenging to attribute the fluctuations of LMS to specific policy measures. Given the complexity of the phenomenon, changes in labour market mobility patterns often result from a combination of intertwined factors rather than one source of influence.

Against this background, conclusions on the success of some selected measures in tackling LMS are made in this report on the basis of indirect evidence, drawing on the operational definition of LMS.
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