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Fredriksson, Daniel

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# Moving targets: Target groups of active labour market policies and transitions to employment in Europe

Fredriksson D. Moving targets: Target groups of active labour market policies and transitions to employment in Europe

This study drew on recurrent debates related to labour market mobility among the unemployed and those outside the labour force and asked to what extent active labour market policies (ALMP) increase employment in these two groups. By utilising new programme-level data on ALMP, the study analysed the impact of core programmes directed towards registered unemployed; peripheral programmes that target the inactive part of the working age population; and mixed programmes targeting both groups. The programme data were combined with individual-level panel data from the European Survey on Income and Living Conditions and analysed using multilevel analysis. The main results show that both resources devoted to programmes and their size were related to employment transitions. Transitions among the unemployed were mainly associated with spending on core programmes, whereas the inactive seemed to benefit from increased spending on all types of programmes, as well as increased scope of mixed programmes.

**Daniel Fredriksson** 

Swedish Institute for Social Research, Stockholm University, Stockholm, Sweden

Key words: ALMP, social policy, employment, unemployment, comparative analysis, labour market mobility

Daniel Fredriksson, Swedish Institute for Social Research, Stockholm University, Stockholm 10691, Sweden  
E-mail: daniel.fredriksson@sofi.su.se

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## Introduction

For a good part of recent decades, the European Union (EU) has promoted the idea of active inclusion, which is defined as enabling citizens, particularly the disadvantaged, to fully participate in society (European Commission, 2008). To achieve this, the EU has formulated the targets related to the performance of European labour markets and in the most recent plan for European economic and social development – the Horizon 2020 growth strategy – one headline target states that 75% of the working age population in the EU should be employed by 2020. A central element in the EU's strategy for attaining this target is implementation of active labour market policies (ALMPs). The most recent figures from Eurostat show an average employment rate of 72% (Eurostat, 2018), but with considerable variation across countries, which indicates that more effective efforts may be needed to activate the citizens and help them into employment.

Most research concerning the impact of ALMPs focuses either on the programme content (e.g., employment or training) or on the demographic characteristics of programme participants (e.g., youth or immigrants) (Card, Kluve, & Weber, 2010; Kluve, 2010; Lechner & Wunsch, 2009). While these are important dimensions, they neglect that ALMPs may also target individuals

according to their labour force status (Cronert, 2019). For the unemployed, governments typically aim to increase the likelihood of unemployed persons finding employment as quickly as possible. With respect to the inactive part of the population, policies can support individuals to become at least active participants of the labour force and subsequently find employment (Mailand, 2008).

The distinction between the unemployed and the inactive reflects an older academic debate as to whether labour market mobility among unemployed and those outside the labour force differs significantly, and whether it is justified to talk about two distinct groups (e.g., Flinn & Heckman, 1983). The prevailing conclusion in the literature is that this is indeed the case (for recent examples, see: Eichhorst, Konle-Seidl, Koslowski, & Marx, 2011; Jones & Riddell, 2017). From a policy perspective, it would consequently seem obvious that ALMPs should be designed to target each group separately. Yet, analyses of the impact ALMPs may have in relation to the employment chances of these two distinct target groups are rarely performed. The purpose of this study was to investigate the relationship between ALMPs and transitions into employment among the unemployed and inactive. Do ALMPs such as training, subsidised

employment and job creation have different employment effects once we consider that programmes may also target groups that have different labour market positions?

Answering this question can provide information necessary to reach the employment target set out in the 2020 growth strategy. Which strategies should countries pursue in the design of their ALMPs? If there are marked differences in employment effects across groups, should the member states, for example, focus their ALMP efforts towards the group that is lagging behind or the group that seems to benefit more? Similarly, should member states focus on a particular type of intervention, such as subsidised employment, for the inactive, but other interventions, such as training, for the unemployed? Although such policy priorities are important given that governments have limited resources, these questions have rarely been asked.

The relationship between employment transitions and ALMP was analysed utilising a new policy level data set that includes the detailed information related to target groups and the structure of most national and regional labour market programmes in the EU since 1998. The programme level data set was combined with panel data from the EU Statistics on Income and Living Conditions (EU-SILC) which contains individual-level information regarding labour market status and other characteristics of citizens residing in the EU. The data were analysed using multilevel analysis.

The article begins by discussing how ALMPs can be delineated according to different target groups. The subsequent sections focus on data and introduce some methodological considerations. The penultimate section presents the results. The article concludes with a discussion of the main findings.

### Target groups and types of ALMPs

ALMPs have several different dimensions; for example, who they target, how many participants the programme encompasses, how participation is remunerated and what type of intervention they involve. Countries may also target their policies using criteria such as age, gender and family status of programme participants (Kluve, 2010). However, programmes can also focus on broader target groups such as inactive or unemployed citizens.

If we regard unemployment and inactivity as the two main distinctions of labour force statuses around which ALMPs are organised, we can distinguish three possible combinations of programmes: programmes targeting the unemployed, the inactive, or both groups (Cronert, 2019). In this study, these were labelled 'core', 'peripheral', and 'mixed'

programmes, respectively. Within each broad classification, we can further distinguish between the type of intervention involved, i.e., training or job creation. This enables us to analyse whether some types of interventions have more favourable outcomes for certain groups.

### Core programmes and the unemployed

Core programmes can be defined as labour market interventions available for registered unemployed, and should mostly affect the employment chances in this group. The unemployed are typically expected to be closer to securing a job than are the inactive. With that said, there is substantial variation in the group of unemployed, where, for example, long-term unemployment is associated with 'scarring' effects and a decreasing likelihood of transition to employment due to, for example, negative signalling of longer unemployment spells (Cockx & Picchio, 2013; Strandh & Nordlund, 2008). In cases where unemployed individuals do not find employment, they might also become 'discouraged workers', and thus undergo a transition from unemployment to inactivity (Jones & Riddell, 2006). Here, labour market policies have been shown to reduce the discouraged worker effect and retain the unemployed in the labour force (Johansson, 2001). Core programmes that target the registered unemployed are the most common design of labour market programmes in the European context and are generally found in all countries.

There is considerable variation of programmes in the EU, both within and across countries. Some are general and extensive in scope, while others may encompass only narrowly defined groups of unemployed and have comparatively few participants. While there is no space to recount the wide variety of programmes that exist across the EU, most programmes still fall into the familiar categories of training or employment programmes. Training schemes are supposed to increase employment chances by imbuing individuals with new and desirable skills. Employment programmes can, in turn, be divided into employment subsidies and job creation, where the former refer to various types of wage subsidies provided to employers when recruiting programme participants, and the latter encompasses publicly funded jobs (European Commission, 2017).

### Peripheral programmes and the inactive

The pathway to employment is arguably less straightforward for inactive individuals than for the unemployed. As a group, the inactive are more heterogeneous compared with the unemployed, and even if this implies that some inactive individuals might be closer to the labour market, the inactive generally have lower transition rates to employment than the unemployed

(Eichhorst et al., 2011) and are most often in need of more support to find employment (Carcillo & Grubb, 2006).

Peripheral programmes focus on individuals positioned outside or on the border of the labour force, i.e., the periphery (Halleröd, Ekbrand, & Bengtsson, 2015; Jones & Riddell, 2006). Yet, they do come in similar forms as core programmes, and there are peripheral training schemes and employment subsidies also in this category. One exception is that there are no job creation schemes that target only the inactive part of the working age population. Not every European country has programmes that specifically target the inactive. More so than core and mixed policies, peripheral programmes are designed to address the situation of specific sub-groups of the target population, such as inactive women in countries with low levels of female labour force participation (Rubery, Smith, Anxo, & Flood, 2001). Other groups that peripheral programmes often aim to reach are individuals with disabilities, where policies may be designed to provide work experience through internships in regular workplaces or various forms of sheltered employment (European Commission, 2017).

#### Mixed programmes and encompassing policies

Mixed programmes cater both to the unemployed and to the inactive, and hence are available to both groups. Thus, mixed programmes aim to increase the employment chances of participants, regardless of activity status. Mixed programmes also come in various forms, such as training schemes, employment subsidies and job creation programmes. By explicitly providing access for the inactive as well as the unemployed, mixed programmes may signify a more encompassing policy agenda, but can also reflect differences across countries with respect to how the needs of the unemployed and the inactive are assessed. Some countries could thus organise ALMPs from the perspective that the needs of the unemployed are different from those of the inactive, whereas other countries identify similar needs and thus provide the same programmes for both groups, i.e., mixed programmes. Mixed programmes are fairly common across the EU, albeit not to the same extent as core programmes (European Commission, 2017). The overall composition among core, peripheral and mixed programmes can be seen in Table 1, further on in the text.

### Data and measurement

#### Labour market programme data

This study drew on institutional indicators of labour market policies from the EU (European Commission, 2017; Eurostat, 2013), which is a relatively new data set containing information on most labour market

programmes in the EU Member States and Norway since 1998. The data are a combination of quantitative and qualitative indicators collected from national governments where information is available for specific labour market programmes on a yearly basis. In total, between 1998 and 2013, there were approximately 1,000 different ALMP programmes in the data. The quantitative part of the data is used to construct the frequently used aggregate ALMP expenditure measures in Eurostat, covering a range of interventions. The disaggregated analyses focus on training, direct job creation and employment subsidies.<sup>1</sup> For each programme there are descriptions of programme type, for example training, as well as spending and the number of participants. The qualitative indicators are, however, what set the data apart as they allow categorisation of programmes not only in terms of content, but also whether these interventions target the unemployed or the inactive, or what is called ‘operational target groups’.

The operational target groups consist of four main categories, *registered unemployed, other registered jobseekers, not registered and employed*. Registered unemployed refers to programmes aimed at ‘persons considered as registered unemployed according to national definitions’. Other registered jobseekers refer to interventions that target ‘all persons registered with the public employment services (PES) as jobseekers but who are not considered as registered unemployed according to national definitions’. Not registered indicates ‘interventions targeted at groups who are not in employment or where registration with the PES is not a prerequisite for participation’. Employed indicates that an intervention is targeted specifically at persons who are already in employment (Eurostat, 2013, p. 45).

I utilised the information on operational target groups to designate programmes that target the group of registered unemployed as core programmes and programmes that target other registered jobseekers, or those not registered as peripheral programmes as these are assumed to target mainly the inactive. The mixed category includes programmes that target the registered unemployed and one or both of the two target groups ‘other registered jobseekers’ or those ‘not registered’.

In principle, there should be qualitative differences between jobseekers and registered unemployed in the programme data, where jobseekers are defined as ‘inactive’ since they are not considered registered unemployed (Eurostat, 2013). However, it should be acknowledged that there were some indications of

<sup>1</sup> Other interventions commonly counted as ALMP include, for example, public employment services (PES), but the programme-level information related to PES was not sufficiently detailed to include in disaggregated analyses. For more comprehensive information, see Eurostat (2013).

Table 1. Overview of core, peripheral and mixed labour market programmes. Averages between 2003–2013.

	Core programmes				Peripheral programmes				Mixed programmes			
	Average spending (per part.)	Median spending (per part.)	Participant ratio (%)	Average number of programmes	Average spending (per part.)	Median spending (per part.)	Participant ratio (%)	Average number of programmes	Average spending (per part.)	Median spending (per part.)	Participant ratio (%)	Average number of programmes
Austria	9.47	9.26	1.11	18.9	0.00	0.00	0.00	0.0	6.51	5.72	1.04	10.8
Belgium	6.17	4.68	0.91	41.8	0.00	0.00	0.00	0.0	5.45	2.37	0.39	25.5
Bulgaria	2.54	1.67	0.21	36.1	0.26	0.26	0.00	0.1	1.66	1.66	0.00	0.6
Cyprus	9.80	8.98	0.08	3.5	31.38	31.38	0.11	0.8	9.55	7.45	1.05	9.8
Czech Republic	0.14	0.12	0.76	10.6	0.00	0.00	0.00	0.0	1.43	1.43	0.01	0.5
Denmark	1.81	1.89	2.52	12.5	2.01	1.58	0.75	3.0	1.15	1.23	3.12	2.3
Estonia	4.34	3.26	0.86	7.5	0.00	0.00	0.00	0.0	2.69	1.31	0.10	3.4
Finland	8.17	6.67	1.56	20.1	9.03	9.03	0.24	1.0	18.37	12.67	0.64	6.5
France	10.19	7.62	1.30	15.5	0.00	0.00	0.00	0.0	10.63	5.78	0.60	29.6
Greece	10.31	7.83	0.27	30.8	0.00	0.00	0.00	0.0	0.14	0.14	0.00	0.2
Hungary	0.04	0.01	0.62	14.8	0.00	0.00	0.00	0.0	0.02	0.01	0.39	3.4
Ireland	7.35	6.96	5.98	3.7	0.54	0.54	0.08	0.2	11.99	11.01	0.40	19.3
Italy	13.75	6.66	0.42	36.8	3.18	3.18	0.00	1.0	19.97	5.37	0.32	7.1
Latvia	4.95	3.69	0.82	11.6	0.95	0.95	0.07	0.5	5.30	5.30	0.36	0.9
Lithuania	5.08	3.70	0.64	7.7	17.74	17.74	0.02	0.8	3.33	3.38	0.33	2.1
Luxembourg	14.33	7.59	1.48	11.3	0.00	0.00	0.00	0.0	15.56	14.74	0.53	6.1
Malta	14.32	8.11	1.37	6.4	0.00	0.00	0.00	0.0	11.33	5.03	0.17	6.6
Netherlands	14.37	9.44	1.87	13.8	0.00	0.00	0.00	0.0	8.30	7.44	2.55	7.8
Norway	1.20	1.16	0.20	4.6	2.79	2.74	0.40	6.0	1.70	1.80	1.76	6.4
Poland	1.35	0.72	0.54	18.0	0.27	0.27	0.02	0.9	1.91	1.69	0.11	9.8
Portugal	9.01	5.71	0.65	26.1	3.79	2.87	0.03	3.1	14.59	5.70	0.23	12.7
Romania	0.84	0.56	0.35	14.8	0.33	0.33	0.00	1.3	0.63	0.50	0.07	2.6
Slovakia	3.22	2.89	0.80	12.7	0.00	0.00	0.00	0.0	4.19	3.88	0.92	2.9
Slovenia	18.13	5.46	0.36	26.0	0.00	0.00	0.00	0.0	2.29	2.29	0.10	0.9
Spain	10.76	4.66	1.59	26.1	0.00	0.00	0.00	0.0	3.08	3.08	0.00	0.3
Sweden	2.90	1.61	0.43	9.0	0.03	0.03	0.23	0.3	1.10	1.09	1.62	23.6
United Kingdom	9.08	4.82	0.89	14.0	0.00	0.00	0.00	0.0	35.66	24.03	0.10	2.5

Note: Spending defined in constant 2019 Euros (in thousands) adjusted for PPP. Participant ratio refers to number of programme participants divided by the sum of unemployed and inactive.

overlap between classifications, especially concerning core and mixed policies. As noted, the operational target group for each intervention is defined, but there are also detailed descriptions of each intervention. Here, some programme descriptions discuss jobseekers in relation to programmes that are denoted as targeting only the registered unemployed, that is, programmes that are, therefore, classified as core programmes. This may have implications for interpreting the results since inactive individuals could potentially participate in some core programmes. It has been difficult to apply alternative classifications, that is, such as mixed, for programmes to which this applies because of the different formats of programme descriptions across countries and years. Any alternative coding must here be done manually, which has proved cumbersome due to the large number of programmes. I return to this issue in the empirical analysis.

After categorisation of all programmes, I created three sets of independent variables. First, average spending per programme participant measured in 2019 euros adjusted for Purchasing Power Parity (PPP) for each target category (core, peripheral and mixed) was calculated and aggregated into average annual spending per participant. However, since utilising the aggregates of average spending may obscure programmes with high spending and low number of participants or vice versa, median expenditure per participant was also calculated. An additional problem of using spending is that high spending can reflect inefficiencies in programme implementation or be driven by small programme sizes. A complementary proxy for ALMP effort is, hence, to disregard spending altogether, and instead focus on the number of individuals involved in the programmes, or what can be called the 'scope' or availability of programmes (Cronert, 2019). The third set of independent variables was, therefore, measured as average participant ratios, where the number of participants from the programme data were divided by the total number of unemployed individuals and of inactive individuals, gathered from Armingeon et al. (2018). Subsequently, a distinction was made between content of policy, that is, training, job creation and employment subsidies, for each target category. The overall categories constituted more observations than when separated by type of intervention, as there were some programmes that combined, for example, training and employment subsidies. To avoid counting such programmes twice, these were excluded when modelling the effects according to programme content. Since spending is right-skewed, and to reduce the influence of outliers, I took the natural log of annual spending when entering spending variables into the empirical models.

Table 1 shows averages between 2003 and 2013 for the three sets of independent variables, as well as the average number of programmes. In most descriptions of ALMP effort, spending patterns according to welfare regimes are often observed, with high-spending Nordic welfare states, low-spending liberal welfare states and the continental European welfare states somewhere in between (e.g., OECD, 2007; Weishaupt, 2011). When adjusting spending for PPPs, such welfare regime patterns are less obvious. There is considerable variation across countries and ostensible regimes, with median expenditure typically being lower than the average expenditure. What is evident, however, is that countries have chosen different approaches regarding which groups to be targeted by ALMPs. The presence of peripheral programmes is, with some exceptions, observed mostly in Nordic countries. This could be an indication of a higher ambition of policies in that peripheral programmes seek to address the situation for the groups furthest from the labour market. However, there are also some unexpected countries, for example Cyprus and Lithuania, which have very high spending per participant on peripheral policies. As noted above, this could, to some extent, be driven by small programme size, which is indicated by low participant ratios and low number of peripheral programmes in these cases. However, the lack of peripheral programmes may also indicate that classification of such programmes is less precise. Since it is difficult to determine if that is the case, results related to this category should be interpreted more cautiously. It should also be noted that Table 1 shows averages for the period under analysis, 2003–2013, which obscures changes over time.

A deficiency difficult to overcome is that the programme data do not cover local, i.e., municipal, ALMPs. Such programmes may be an important factor in countries that implement ALMPs mainly at the municipal level, which typically is more common in relation to social assistance recipients. While the criteria for income support can differ across countries, individuals claiming social assistance benefits are typically required to be registered with the PES to be able to receive income support. This might consequently be less of a problem in this study as these individuals are, therefore, considered registered unemployed (Borghi & Van Berkel, 2007; Eichhorst et al., 2011).

#### Individual-level data

The labour market programme data were combined with longitudinal panel data from the EU-SILC.<sup>2</sup> The

<sup>2</sup> The use of EU-SILC for this study was approved by the Committee on Statistical Confidentiality. Contract number: 84/2016-EU-SILC.

longitudinal panels have a 4-year rotating structure where individuals and households are, at most, in the sample for 4 years. This means that individuals that entered the survey in 2003 were observed until they exited the survey in 2006, entrants in 2004 were observed until 2007, and so on. I used all panels from 2003 to 2013, and analysed individuals who had participated in at least three waves.<sup>3</sup>

I analysed unemployed and inactive individuals of 'primary' working age (25–55), thus excluding students and individuals closer to retirement. In total, I analysed approximately 150,000 respondents. Overall household response rates were fairly similar across panels, although with a slight decrease over the years. In 2010, the average response rate was approximately 82%, with Denmark having the lowest response rate (37%) and Romania the highest (96%) (Eurostat, 2012).<sup>4</sup> Longitudinal response rates were, unfortunately, not possible to calculate as the necessary information is not available in the data disseminated to researchers by Eurostat (see Verma, Betti, & Gagliardi, 2010).

The dependent variable was defined as making a transition from unemployment or inactivity to employment (which also included part-time employment). Activity status was self-reported and respondents were asked to give their monthly main activity during the last year from a set of alternatives. Unemployment was represented by one alternative: '*unemployed*'. It should be noted that this differed from the classification of the macro-level policy data, which are based on registered unemployment. Up until 2009, inactivity was represented by a single response alternative '*inactive*', which subsequently has become more detailed. Currently, inactivity can be divided into *disabled*, *inactive due to domestic responsibilities* and *inactive for other reasons*. However, since these more detailed alternatives are available only for later years, they were combined into one inactive category. The data were then transformed from yearly to discrete time-format (person-months). Individual characteristics included in the empirical analyses were: age, gender, family type (single, two-parent family with children, single parent, cohabitating couple without children), and highest level of attained education (primary, secondary, tertiary). Duration in inactivity and/or unemployment was also included, as well as a squared term for duration in order to capture duration dependency. While there is no space to recount all differences between groups across countries, some differences between the unemployed and the inactive are notable. Women are clearly over-represented among the inactive in all countries, and in

terms of duration, the inactive typically have considerably higher duration compared with the unemployed. Descriptive statistics related to individual characteristics in the sample are available in the Online Appendix, Table A2.

In addition to the individual-level data and the macro-level policy data, the analyses also included macro-level controls. Each model included the unemployment rate and GDP growth to capture differences in business cycle fluctuations and changes in economic development. Spending on family policy at the national level was also included in that controlling for spending on family policy may be important due to its role in activating especially inactive women. All control variables were collected from the Comparative Political Data Set 1960–2016 (Armingeon et al., 2018).

### Methods of analysis

As described above, the outcome is the transition to employment from either unemployment or inactivity. Since there was no individual-level information concerning participation in ALMPs, the primary ambition of this study was not causal interpretation of effects for particular individuals, but rather an examination of associations between patterns of labour market policy effort at the country level (devoted to specific target groups) and the probability of individual transitions to employment from unemployment and inactivity at the micro-level across a large number of European countries.

The data were hierarchically structured, with person-months nested within individuals nested in country-years. The multilevel structure of the data was likely to produce a bias in both estimates and standard errors, and to account for this bias a mixed effects model with random intercepts at the country-year and person-level was estimated. Nesting within country-years (instead of within countries) partly addresses the problem of having too few countries at the highest level, which otherwise tends to produce large standard errors and confidence intervals for the included macro-level variables (Bryan & Jenkins, 2016). To account for potential time trends, year fixed effects were added (Fairbrother, 2014). I estimated linear probability models rather than logistic models for improved interpretability and computational efficiency (Mood, 2010). Subsequent models introduced random slopes of macro-level policy variables, thus allowing coefficients to differ across countries.<sup>5</sup> As cross-level interactions with labour

<sup>3</sup> Individuals are, consequently, retained in the sample for 3 to 4 years, and censored at the end of the observation window.

<sup>4</sup> Average response rates between 2006 and 2013 are available in the Online Appendix, Table A1.

<sup>5</sup> I was unable to include the longitudinal weights available in EU-SILC when using the mixed multilevel package in Stata V.15. These weights adjust for initial non-response and attrition during follow-up. Consequently, the results should be interpreted cautiously.

force status was performed, a random slope for labour force status was included at the individual level (Heisig & Schaeffer, 2019).<sup>6</sup>

The multilevel nature of the data could also be accounted for using cluster robust standard errors, which are consistent also in the presence of in-group correlations (Bryan & Jenkins, 2016; Kaminska & Wulfgramm, 2019). However, there were also repeated events in the data, where over 12% of the sample experienced two or more transitions to employment. To avoid selection effects, the estimation should, therefore, account for the fact that individuals can experience several events, and that individuals reside in different contexts. As there is no reliable way to simultaneously account for both country and within-individual correlation with cluster robust standard errors, it reinforced the choice to model these potential correlations using random intercepts and coefficients.

Another selection issue was the lack of full information related to previous experiences of the event. Since the EU-SILC panel data contain few retrospective questions, there were many cases of truncation, that is, people entering the study who were already unemployed or inactive. For these individuals, the first spell was not used in the analysis as there was no information available to determine its duration. With respect to left-censoring, the selection that might occur due to common characteristics among those with unobserved transitions was difficult to address since there are no comprehensive employment histories in EU-SILC. This is typically solved by estimating two-stage Heckman sample selection models (Heckman, 1979; Marx, Vandenbroucke, & Verbist, 2012). However, the two-stage approach requires valid predictors for selection as these should preferably be different from those used to predict the outcome in the second stage, which was not possible within the context of EU-SILC (Bushway, Johnson, & Slocum, 2007).<sup>7</sup>

**Results**

To examine the link between ALMPs and employment transitions, I estimated a series of mixed multi-level linear probability models. Table 2 reports results for core peripheral and mixed programmes measured in three different ways, i.e., average spending per participant, median spending per participant, and the participant ratio. Subsequently, I also analysed the

<sup>6</sup> The multilevel models converged when covariance structures were constrained at the individual level, which suggested low variance (Heisig & Schaeffer, 2019, p. 295). Since the results were very similar to those without an individual-level random slope, the more parsimonious results are reported.

<sup>7</sup> Including left-censored individuals, and the first spell yielded similar results to the main results in terms of direction of effects and statistical significance, although point estimates were generally smaller.

Table 2. Linear probability of transitioning to employment. Random intercepts for individual. Random intercept and slope for country-year. Year fixed effects.

	Average spending per participant			Median spending per participant			Participant rate		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Labour force status (ref. unemployed)									
Inactive	-0.07*** (0.002)	-0.05*** (0.001)	-0.06*** (0.001)	-0.06*** (0.002)	-0.05*** (0.001)	-0.06*** (0.001)	-0.05*** (0.001)	-0.05*** (0.001)	-0.05*** (0.001)
Programme orientation									
Core programmes	0.007** (0.002)	-0.003 (0.002)	0.004 (0.002)	0.009*** (0.002)	-0.002 (0.002)	0.006* (0.003)	0.002 (0.003)	-0.026 (0.016)	0.009 (0.005)
Peripheral programmes									
Mixed programmes									
Cross-level interactions									
Inactive * core	0.010*** (0.001)	0.007*** (0.001)	0.006*** (0.001)	0.010*** (0.001)	0.007*** (0.001)	0.004*** (0.001)	-0.003** (0.001)	0.001 (0.006)	0.012*** (0.001)
Inactive * peripheral									
Inactive * mixed									
Random effects (std devs.)									
Intercept (country-year)	0.013	0.004	0.026	0.008	0.040	0.022	0.031	0.037	0.022
Intercept (person)	0.098	0.098	0.097	0.098	0.098	0.098	0.098	0.098	0.098
Slope (programme)	0.013	0.009	0.007	0.019	0.010	0.010	0.021	0.012	0.022
Person-months	1,122,809	1,122,809	1,122,809	1,122,809	1,122,809	1,122,809	1,122,809	1,122,809	1,122,809
Persons	144,973	144,973	144,973	144,973	144,973	144,973	144,973	144,973	144,973
Country-years	234	234	234	234	234	234	234	234	234

Note: All models include individual- and macro-level controls. See Table A3 in the Online Appendix for full results. Standard errors in parentheses.;

\*p<0.05; \*\*p<0.01; \*\*\*p<0.001.



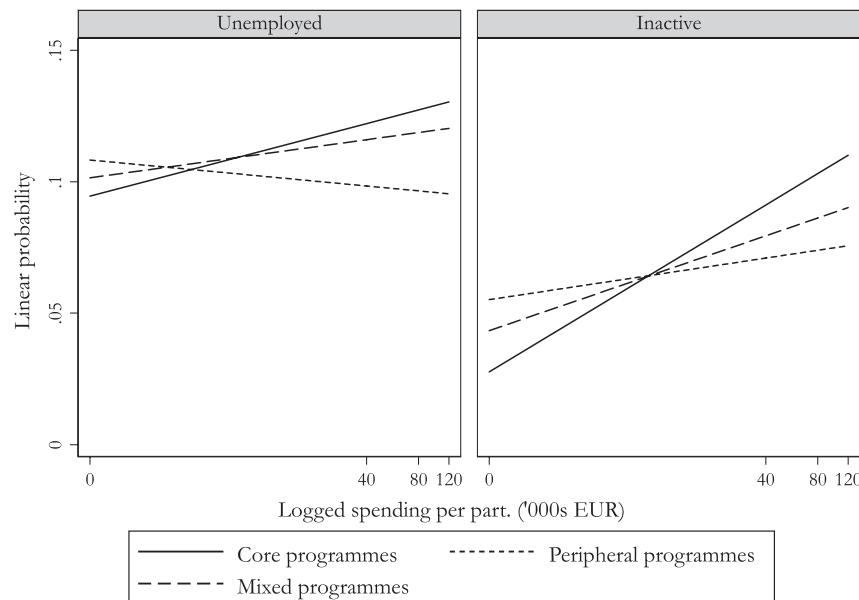


Figure 1. Predicted linear probability of transitioning to employment at different levels of average spending on core, peripheral and mixed programmes.

Note: All marginal effects are statistically significant at the 95%-level.

specific content of policies – training, employment subsidy, job creation – as well as analyses for men and women separately. Since the estimates are based on linear probability models, they can be interpreted as percentage point change in probability. However, while a positive coefficient of, for example, 0.01 thus indicates that the chance of transitioning to employment increases with one percentage point for each unit increase in the independent variables, a strictly linear interpretation of the estimates should be avoided since the independent variables might not vary in a linear fashion (Mood, 2010). The analyses thus emphasised the direction of the association, and not the exact point estimates.

The first three models in Table 2 include average spending on core, peripheral and mixed programmes.<sup>8</sup> In all models, the negative coefficients associated with labour force status implies that the chance of transitioning to employment from inactivity was clearly lower in comparison with unemployed persons. The positive coefficient associated with core programmes indicates that higher level of spending was related to greater probability of transitioning to employment. Increased spending on peripheral programmes, in contrast, seemed to reduce the probability of transitioning into employment, but was not statistically significant. Mixed policies seemed to have similar effects as core policies, but this was not statistically significant at conventional thresholds.

<sup>8</sup> The coefficients associated with core, peripheral and mixed, and their significance levels, did not change substantially when included separately or paired.

Coefficients related to macro- and individual-level variables are not shown, but are available in the Online Appendix, Table A3.<sup>9</sup>

However, spending on policies with different target groups should also be considered in relation to the labour market position, i.e., whether individuals are transitioning from unemployment or inactivity, and how these groups are affected by the policies primarily targeted towards them. This relationship is captured in interaction terms between labour market position and policy. Again, the reference category is the unemployed, so the coefficients associated with the interaction express the chances of transitioning for the inactive compared with the unemployed. To ease interpretation of these estimates, I plotted, in Figure 1, the predicted linear probabilities at different levels of logged spending per participant core, peripheral, and mixed programmes, respectively. All other variables were considered as observed. The range of spending was chosen according to the variation in the sample, from zero to maximum. It should be noted that the scale of logged spending is labelled according to its corresponding level in the figure, and that the scale is not evenly spaced due to log-transformations.

For the unemployed, it was primarily increased spending on core policies that seemed to increase the

<sup>9</sup> It can briefly be noted that women, for example, have a lower chance of transitioning to employment compared with men. There were also signs of negative duration dependence, where the positive coefficient related to duration in unemployment or inactivity was offset by the negative coefficient related to the quadratic term for duration.

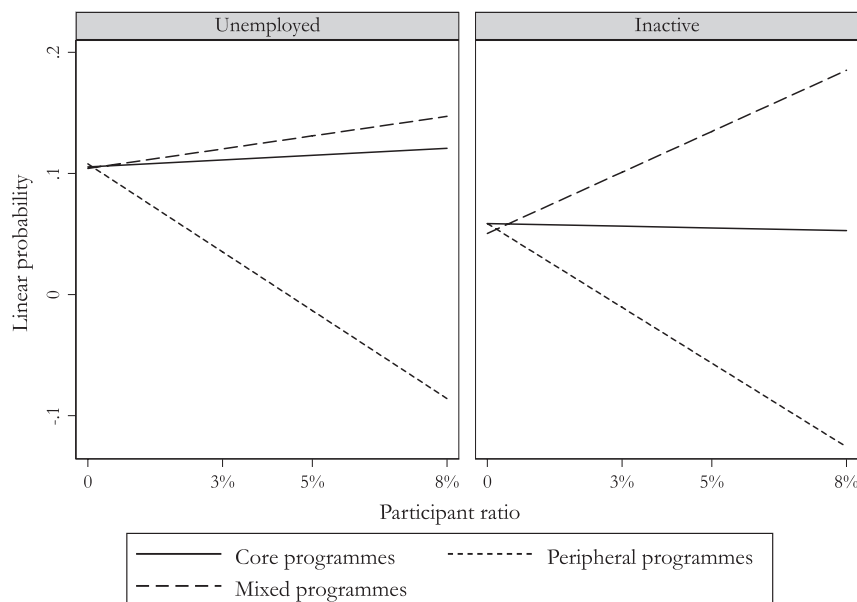


Figure 2. Predicted linear probability of transitioning to employment at different participant ratios in core, peripheral and mixed programmes.

Note: Marginal effects related to core programmes are not statistically different from zero. Marginal effects related to peripheral and mixed are statistically significant at the 95%-level.

chance of transitioning into employment. However, the marginal effects seen in Figure 1 indicate that mixed policies were statistically associated with increased probability to transition to employment, whereas increased spending on peripheral policies reduced the transition probability. The inactive had, as expected, lower transition probabilities than the unemployed, but the policy pattern was different. Increased spending on mixed and peripheral policies was associated with an increase in the probability. However, increased spending on core policies seemed to have an even stronger effect on the chance of transitioning among the inactive, even though they were not the target group of these policies. The result was somewhat counterintuitive and something I return to below.

In an effort to control for influential programmes that had either a very high spending and a low number of participants or vice versa, spending in terms of median spending per participant was analysed in Models 4 to 6. The results for median spending were similar to average spending. The main difference was that the coefficient related to mixed programmes was statistically significant. However, the coefficients related to the interaction between labour market position and median spending were virtually identical to average spending (the corresponding figure is not shown).

The last three models in Table 2 utilised the scope of programmes measured as participants in programmes divided by the total number of unemployed individuals and of inactive individuals. This provided

a complementary perspective since spending may be inherently driven by implementation issues or small programme sizes. When considering the main effects of the number of participants in core, peripheral and mixed programmes, the results indicated no relationship between participant ratios and transition probabilities. To show how effects of participant ratios differed according to labour market positions, I again plotted, in Figure 2, the linear probabilities, but now at different participant ratios, with range determined from the variation in the sample.

Increasing the number of participants (as a share of the unemployed group and the inactive group) in core programmes seemed to be unrelated to the transition probability both among the unemployed and the inactive. For peripheral programmes, increasing the number of participants seemed to decrease the transition probability among both the unemployed and the inactive. When considering mixed programmes, the latter relationship was reversed, and the transition probability instead increased with increasing participant ratios in both groups, although more pronounced among the inactive.

#### The content of programmes and differences across groups

Having established that core, peripheral and mixed programmes seemed to be related to transition probabilities, both in terms of spending and number of participants, the following analyses explored the differences between the unemployed and inactive in more detail.

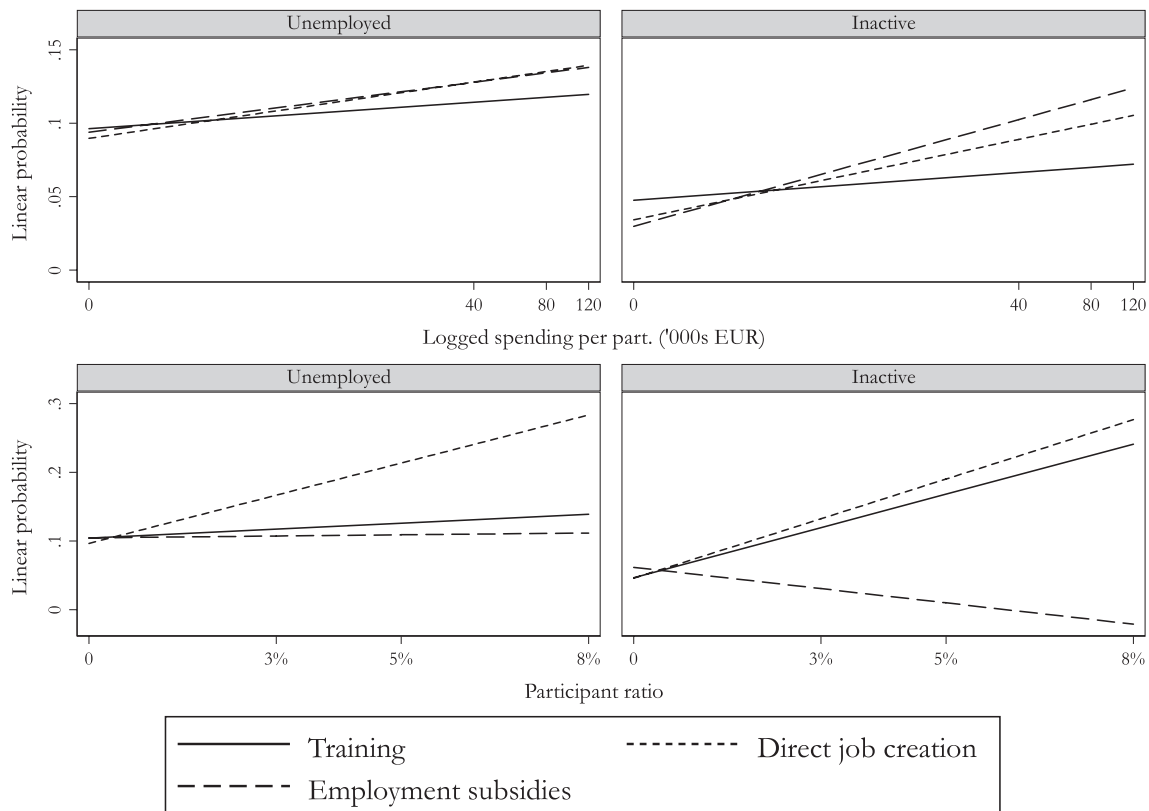


Figure 3. Predicted linear probability of transitioning to employment for different types of core programmes (average spending and participant ratio).

Note: Marginal effects related to spending on core training programmes, as well as participant ratios in training and employment subsidies for the unemployed, are not statistically different from zero. Other marginal effects are statistically significant at the 95%-level.

The first set of analyses considered the type of intervention (i.e., training, employment subsidies, job creation programmes) in addition to the target group of policies. To facilitate interpretation of the results, differences between groups were visualised in marginal effects plots, but now showing core, peripheral and mixed policies separately in Figures 3–5. I focused on average spending and participant ratios since results for median spending were very similar to average spending. The full result tables are available in the statistical Online Appendix, Tables A5 and A6.

Figure 3 shows the probability of transitioning to employment across different types of core programmes. For the unemployed, increased spending was associated with a higher probability of transitioning to employment primarily in relation to spending on job creation and employment subsidies, whereas estimates for training were not statistically significant. For the inactive, the effects of increased spending were similar. However, employment subsidies and direct job creation seemed to dramatically increase the transition probability for the inactive. These two are thus the main drivers of the counterintuitive result between inactive and core programmes observed in Figure 1. In terms of participant ratios, the unemployed seemed to

have higher probabilities only when considering the scope of direct job creation, whereas the transition probability among the inactive seemed to increase as the participant ratio in direct job creation and training programmes increased.

Figure 4 shows the predicted probability of transitioning to employment, but now in regard to different types of peripheral policies. Increased spending and increased participant ratios in peripheral programmes were associated with a decreased chance of transitioning among the unemployed, whereas among the inactive, spending barely seemed to affect transition rates. However, it seems that the inactive benefitted when the number of participants in peripheral training programmes was increased. Overall, the marginal effects related to peripheral programmes were less precise, and in many cases not statistically significant at the 95%-level. This is most likely related to the low number of peripheral programmes.

Figure 5 shows the change in probability with respect to mixed spending, i.e., policies that include both the unemployed and the inactive. It was mainly the inactive who seemed to have increased chances of transitioning to employment when countries spent more on mixed policies, although these effects were modest. Associations were more pronounced when considering

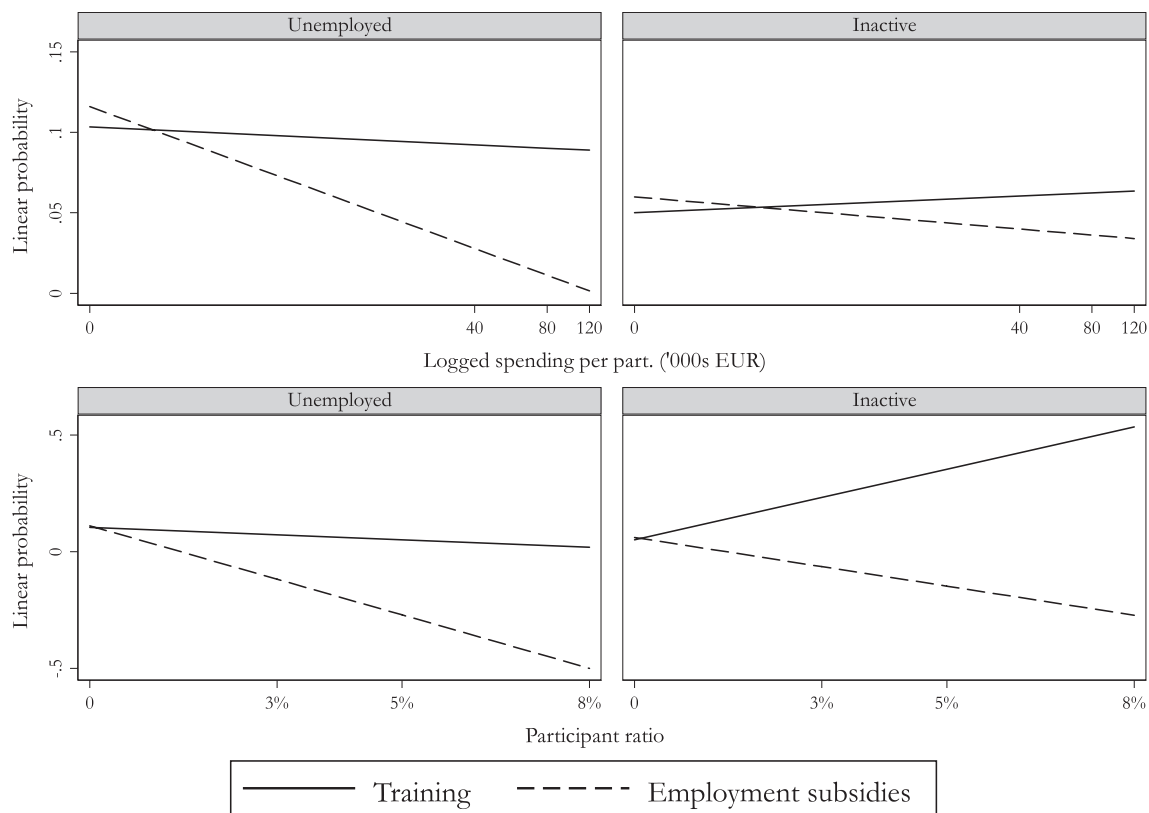


Figure 4. Predicted linear probability of transitioning to employment for different types of peripheral programmes (average spending and participant ratio).

Note: Marginal effects of spending on employment subsidies is not statistically significant at the 95%-level at higher levels of spending. Participant ratios are only statistically significant at higher levels (for both groups). There are no peripheral job creation programmes.

participant ratios, where the unemployed seemed to benefit from increasing the number of participants in training and employment subsidy programmes, whereas the probability among the inactive seemed to be unrelated to training programmes, and instead increased as the number of participants increased in direct job creation and subsidised employment.

The counterintuitive results in relation to core programmes shown in Figure 1 warrant some further investigation as the analysis might not have captured the effects correctly according to registered unemployed and registered inactive individuals. A way to test this was to analyse how the relationship changed if we considered benefit receipt among the inactive, which was available in EU-SILC. While these benefits are labelled as 'unemployment benefits', they can also include, for example, unemployment assistance, social assistance and training allowances, according to Eurostat (2010), and could therefore, possibly be available for the inactive.<sup>10</sup> However, receiving such benefits should, in

<sup>10</sup> While more than half of the inactive received some type of 'unemployment benefit', the average amount received by the inactive was much lower, about one-tenth, compared with the corresponding average amount received by the unemployed. This indicates that it was not earnings-related benefits.

most countries, have been linked to registration at the PES, and if the inactive who received benefits were more likely to transition to employment, this could be an indication that some core programmes were misclassified and available for the inactive as well. As it was not possible to distinguish the exact type of benefit, I used 'receipt of unemployment benefits' as a proxy for being registered with the PES, coded as a dummy for receipt of any benefits during a particular year.

Figure 6 shows a marginal effects calculation similar to previous figures, but limited to inactive with and without benefit reciprocity, and to core employment subsidy programmes. Since increased spending on employment subsidies was found to be associated with an increase in transition probability mainly among inactive who were receiving benefits, it might be an indication that these core programmes were in fact available for the inactive and, therefore, overlapped with mixed programmes to some degree.

A second set of analyses separated the sample by gender, as the descriptive statistics show that women were overrepresented in the sample, especially among the inactive. The full result table is available in the Online Appendix, Table A4. The effects on transition

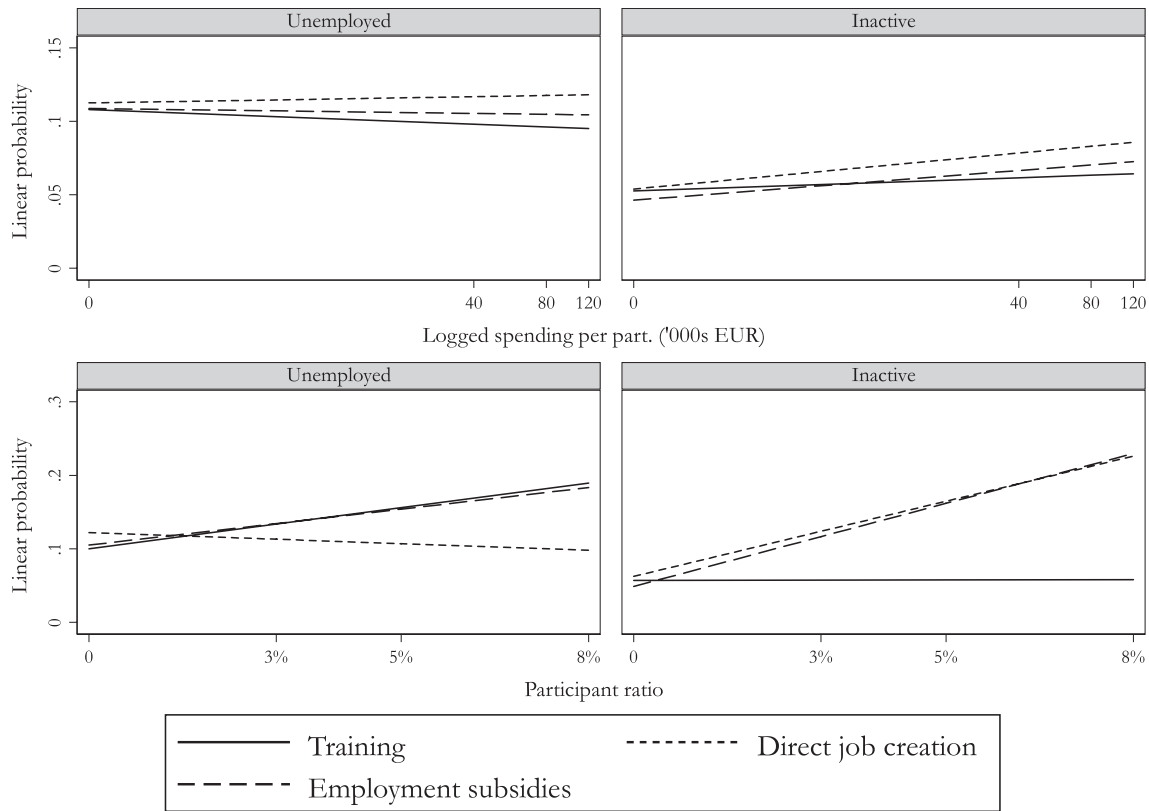


Figure 5. Predicted linear probability of transitioning to employment for different types of mixed programmes (average spending and participant ratio).

Note: All marginal effects are statistically significant at the 95%-level, with the exception of participant ratios in relation to employment subsidies and the unemployed, which is not statistically significant at the highest level.

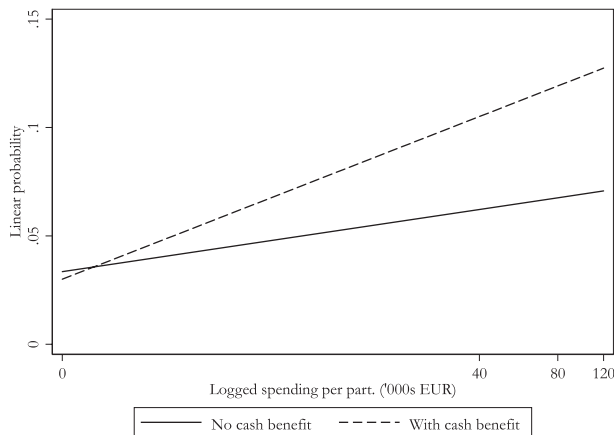


Figure 6. Probability to transition among the inactive with and without cash benefit receipt at different levels of spending on employment subsidies.

Note: All marginal effects are statistically significant at the 95%-level.

probabilities related to core, peripheral and mixed programmes remained largely the same for men and women, but with some minor differences. However, some individual-level and macro-level variables played markedly different roles, where, for example, having a family was associated with a reduced transition

probability for women, but a higher transition probability for men. The extent to which countries spent on family policy seemed to primarily increase the transition probability of women, highlighting the importance of policies that facilitate female employment beyond labour market policies.

### Discussion

The aim of this study was to explore the link between ALMPs and employment, examining whether labour market programmes had similar effects once we also considered at which target groups the programmes were aimed. I distinguished between spending per participant as well as the scope of the programmes, defined as number of programme participants as a per cent of the unemployed and of the inactive. The results from several multilevel models show that increasing spending on core and mixed programmes was positively related to employment transitions among the unemployed, whereas the inactive seemed to benefit from increased spending regardless of target group of programmes. When instead considering the scope of the programmes, these conclusions were nuanced, as results show that increased transition probability was primarily related to the scope

of mixed programmes. With that said, the results for core, peripheral and mixed policies were multifaceted, and suggest differences in terms of the strategies that countries can pursue in an effort to increase employment.

Spending on core policies was, in general, associated with increased chances to transition to employment among the unemployed, regardless of the type of intervention, but was also associated with increased employment chances among the inactive, with a similar pattern evident for the scope or availability of programmes. The drivers of these counter-intuitive results seemed to depend on particular types of programmes. Further examination, with employment subsidies as an example, showed that there was a likely overlap where programmes might have been available for the inactive even though they were described as being targeted towards the registered unemployed in the policy data.

In relation to peripheral policies, spending seemed to be, for the most part, unrelated to the probabilities of transition into employment among their main target group, the inactive. There is some evidence for an increased transition probability in respect to the scope of peripheral training programmes. Yet, regardless of measure, there were also indications of a trade-off, where results show that unemployed fared worse as spending or the number of participants in peripheral programmes increased. This could reflect that increased resources that are devoted solely to those farthest from the labour market, i.e., the inactive, come at the expense of the unemployed.

For mixed policies, it seems that both the unemployed and the inactive have increased chances of transitioning. However, for the unemployed this seems to hinge more on the number of participants in training and employment subsidies, whereas the inactive seem to benefit more from both increased spending and availability (in terms of number of participants) in job creation and employment subsidies.

### Implications

Taking stock of the results, what can this study say regarding policy implications or potential approaches that the Member States should pursue in order to reach the employment targets in the EU2020 strategy? Both spending and scope of programmes seem to play a role in increasing the transition probabilities among the unemployed and the inactive, but they do so differently, especially when considering the specific content of the policies with respect to training, employment subsidies and direct job creation. Increasing spending seems to be associated with better outcomes in relation to core programmes. This could reflect that targeting the registered unemployed is the most established way to structure labour market

programmes in a European context. Resources are, therefore, not directed towards, for example, start-up costs. In contrast, peripheral programmes are few and often fairly small. Consequently, the positive effects that were found are mostly linked to the actual number of people involved rather than spending. If providing training programmes is a priority, due to, for example, skill shortages in certain sectors, the results here suggest that these could be targeted towards the inactive, but with the proviso that this possibly produces trade-off effects whereby resources are removed from the unemployed. With that said, the small number of programmes may also indicate a lack of precision in classifying peripheral programmes, which should be further investigated before drawing any firm conclusion concerning their potential. Mixed programmes form a middle group, where spending does matter for the inactive, but where number of participants is relevant for both groups. For the inactive, mixed programmes that focus on immediate access to jobs through job creation or subsidised employment seem to matter more. This partly corroborates recent research which suggests that disadvantaged individuals, defined as individuals who do not receive any benefits, tend to fare better in 'work-first' programmes (e.g., job search) rather than in programmes that focus on human capital accumulation (Card, Kluve, & Weber, 2018).

### Limitations

An important limitation of this study is that there was no information on actual participation in labour market programmes at the individual level. There is no such comparative information in EU-SILC and, as evident in the above discussion of overlapping core and mixed programmes, this limits the type of conclusion that may be drawn. The results presented thus offer no causal interpretation for particular individuals and should be interpreted as general associations between patterns of policy and employment transitions. This limitation notwithstanding, the fact that associations were found provides motivation for further studies.

An important issue to be addressed is how the results of this study relate to the accelerating development of labour market dualisation and precarious work (e.g., Emmenegger, Häusermann, Palier, & Seeleib-Kaiser, 2012; Römer, 2017; Rueda, 2014). This study shows that countries do have programmes that cover inactive 'outsiders', i.e., individuals far from the labour market, and that these programmes in many cases seem to have beneficial effects in terms of increasing employment probabilities. With that said, the long-term effects on, for example, employment trajectories should be investigated further since the panel structure

of EU-SILC precludes any conclusions beyond short-term effects. More importantly, increasing employment as such may not necessarily lead to more 'active inclusion', since poverty among those who work does not decrease at the same time (Marx et al., 2012). It is unlikely that participants in labour market programmes transition to permanent jobs immediately, but rather that they transition to jobs with temporary contracts. While type of contract has been argued to have little impact on long-run employment prospects (e.g., Korpi & Levin, 2001), it may still contribute to increases in atypical employment and transitions to low-quality jobs, perhaps especially in relation to subsidised employment (Wulfgramm & Fervers, 2015). The continuing promotion of ALMPs as a way to achieve active inclusion would, therefore, do well to consider that policies such as ALMPs should be constructed in ways that reduce social exclusion rather than foster it (Biegert, 2019).

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### Data availability statement

The micro-data used for this study is subject to a strict confidentiality agreement that prohibits the sharing (public or otherwise) of the data. For replicability, researchers at recognized research entities can obtain the micro-data directly from Eurostat.

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## Supporting Information

Additional supporting information may be found online in the Supporting Information section at the end of the article.