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EUROPEAN EMPLOYMENT POLICY: THE
EUROPEAN COMMISSION'S APPROACH TO
UNEMPLOYMENT BENEFITS

Analysis of the Commission's approach to
unemployment benefits in the framework of the
European Employment Strategy during the first
decade of the European Semester

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ABSTRACT

Unemployment insurance is a major component of different European welfare regimes, whereby each EU member state has its own distinctive scheme. Although as a domestic fiscal and social policy, unemployment benefits fall under national competence, the European Commission has exercised pressure over this policy area already since the establishment of the European Employment Strategy (EES), and more directly within the framework of the European Semester (ES). This dissertation retraces the history of the EES since the 1990s, and then, by focusing on the ES procedures, it analyses both in qualitative and quantitative terms the Commission's approach to unemployment benefits. On the qualitative side, this study explores key EU documents (such as the yearly AGS - Annual Growth Survey and JER - Joint Employment Report) to review how the Commission addresses national unemployment benefits and how it conceptualises this social policy. Then, on the quantitative side, this dissertation analyses the endorsed Country Specific Recommendations (CSRs) that deal with unemployment benefits, with the aim of assessing whether the recommendations aim at the EU-wide convergence of specific features of this insurance scheme, thereby matching each member state's unemployment benefits scheme with the received recommendations. To this end and to improve the precision of matching, this dissertation, first, individuates several categories within the policy area of unemployment benefits, next, it assigns each CSR to one or more of these categories and, finally, determines whether the recommendations are pro-labour or pro-market. These three parts combined shed light on the direction, intensity and possible pro- or anti-labour biases of the European Commission's approach to national unemployment insurance schemes.

Key words: unemployment benefit, European employment strategy, European Commission, European Semester, AGS, JER, CSRs.

RESEARCH QUESTION: What is the Commission's approach towards unemployment benefits?

N° of words: 42.314

LIST OF ABBREVIATION

AGS = Annual Growth Survey

ALMP = Active Labour Market Policy

AMR = Alert Mechanism Report

BEPG = Broad Economic Policy Guidelines

CR = Country Report

CSR = Country Specific Recommendation

DBP = Draft Budget Plans

DG = Directorate-General

DG ECFIN = Directorate-General for Economic and Financial Affairs

DG EMPL = Directorate-General Employment, Social Affairs and Inclusion

EAR = Euro Area Recommendation

ECB = European Central Bank

ECOFIN = Economic and Financial Affairs Council

EDP = Excessive Deficit Procedure

EC = European Commission

EEC = European Economic Community

EES = European Employment Strategy

EG = Employment Policy Guideline

EMCO = Employment Committee

EMU = Economic and Monetary Union

EP = European Parliament

EPP = European People's Party

EPSCO = Employment, Social Policy, Health and Consumers Affairs Council

EPSR = European Pillar of Social Rights

ES = European Semester

ESM = European Social Model

EU = European Union

EUBS = European Unemployment Benefits System

GDP = Gross Domestic Product

IDR = In-Depth Review

IG = Integrated Guideline for Jobs and Growth

ILO = International Labour Organisation
IMF = International Money Found
JER = Joint Employment Report
MEP = Member of the European Parliament
MIP = Macroeconomic Imbalance Procedure
MTO = Medium-Term Objective
NAP = National Action Plan
NEET = Not in Employment, Education or Training
NGO = Non-Governmental Organization
NRP = National Reform Program
OECD = Organisation for Economic Cooperation and Development
OMC = Open Method of Coordination
PES = Public Employment Service
RQMV = Reverse Qualified Majority Voting
RR = Replacement Rate
SCP = Stability or Convergence Program
SER = Standard Employment Relationship
SGP = Stability and Growth Pact
SURE = Support to mitigate Unemployment Risks in an Emergency
TFEU = Treaty on the Functioning of the European Union

Introduction

Unemployment benefits play a pivotal role in social policy, aiming to provide income and various forms of support for individuals who have experienced job loss, contingent upon specific eligibility criteria. The development and implementation of this policy vary across member states, reflecting diverse welfare family structures and policy traditions. Notably, although the authority over the unemployment benefits policy lies within the competence of individual member states, the European Commission began exerting supranational influence with the establishment of the European Employment Strategy (EES) in 1997.

Within the broader EU governance framework, the EES has consistently captured the attention of scholars and policymakers. The introduction of the European Semester (ES) in 2010 further amplified the relevance of the EES and its associated policy fields, including unemployment benefits. The ES, conceived in response to the challenges posed by the 2008 global financial crisis and the eurozone crisis, aimed to address the unprecedented stress on the economic and social fabric of member states. It underscored the inadequacy of EU fiscal policy coordination at the time. As a new governance architecture, the ES streamlined existing procedures into a unified policy cycle, introducing dictated timetables to enhance pre-emptive coordination of member states' budgetary, economic, and social policies.

This restructured EU governance significantly augmented the Commission's capacity to intervene. Through a combination of soft and hard governance elements and the individualization of a common strategy to achieve shared goals, the Commission gained the means to influence policy areas traditionally under the exclusive competence of member states. Against this backdrop, the primary objective of this thesis is to meticulously explore and comprehensively understand the approach the Commission developed within the ES toward the policy area of unemployment benefits during the period from 2010 to 2020, prior to the onset of the COVID-19 pandemic.

Within the European Semester, the Commission plays a pivotal role by formulating key documents outlining broad economic and social EU strategies. Simultaneously, it issues Country Specific Recommendations (CSRs) to member states, targeting perceived weaknesses. Moreover, since the introduction of the Semester, the EES has been fully integrated into this policy cycle.

This context has seen the issuance of numerous CSRs addressing member states' unemployment benefits schemes, with the Commission also addressing this policy area in key documents. The relevance of this social policy heightened in the aftermath of the economic crisis, given the deterioration of the European labour market conditions, particularly in terms of decreasing employment and increasing unemployment rates. Despite the novelty of the European Semester, supranational influence on unemployment benefits is not entirely new, as the Commission has exerted less overt influence since the establishment of the EES.

Scholars have extensively studied the European Semester, focusing on various aspects of this governance architecture. The Semester encompasses distinctive procedures dealing with diverse subject matters, rendering it a broad framework with a wide range of topics and elements available for analysis. This dissertation aligns with a research stream concentrating on the interaction, approach, and level of attention the Commission has directed toward domestic social policy. Significantly, this study contributes to the existing body of research by addressing the gap in understanding the Commission's approach to the policy area of unemployment benefits.

The central research question guiding this study is: "What is the Commission's approach towards unemployment benefits?" To answer this question comprehensively, three hypotheses have been formulated. Together, these hypotheses encompass the relevant elements of the framework and thoroughly examine the subject matter.

The research hypotheses in this study aim to address key aspects of the Commission's approach to unemployment benefits. The first hypothesis (H₁) focuses on the consistency between the overarching trends of the European Employment Strategy and the approach developed for unemployment benefits. The second hypothesis (H₂) delves into the coherence within the Commission's own approach, examining whether the inputs embodied in strategic documents (mainly Annual Growth Surveys and Joint Employment Reports, AGSs and JERs) and Country-Specific Recommendations (CSRs) display the required uniformity. The third hypothesis (H₃) explores the potential existence of a convergence agenda promoted by the Commission concerning the features of national unemployment insurance benefits schemes.

Methodologically, this thesis adopts an innovative approach by combining qualitative and quantitative components. Initially, two literature reviews were conducted,

with the first one focusing on the policy area of unemployment benefits to understand its peculiarities and main principles. The second literature review addresses the EES, tracing its history, trends, and outcomes from its inception to the end of the period under review.

For the qualitative analysis, the study examines key EU documents formulated by the Commission within the European Semester, extracting evidence about the EES and specifically unemployment benefits. On the quantitative side, the analysis aims to study the endorsed unemployment benefits-related CSRs and the characteristics of national schemes. This involves a three-step approach. Firstly, categories are identified through the amalgamation of two key EU datasets, LabRef and the CSR database, in conjunction with information from the literature review on unemployment benefits. The goal is to pinpoint specific micro-categories within this policy field. Secondly, each CSR is assigned to a category, and its nature (pro-labour, pro-market, or neutral) is determined using a numerical scale (-1 for pro-labour, 1 for pro-market, and 0 for neutral). Thirdly, data from national unemployment insurance schemes of all member states at the start and end of the analysed period are collected from various databases.

This comprehensive methodology provides a rich set of evidence and findings, facilitating a thorough discussion of all hypotheses that ultimately address the central research question regarding the Commission's approach to unemployment benefits.

The findings indicate that the Commission approaches national unemployment benefits without a specific bias toward the particular elements of these domestic social schemes, emphasising the absence of a one-size-fits-all paradigm. Instead, the data and their discussion suggest that the Commission's recommendations in this policy area align with the broader strategy outlined within the European Employment Strategy. This alignment is further supported when examining the evolution over time of both the employment strategy and unemployment benefit inputs, revealing a consistent pattern. Additionally, the findings suggest a degree of consistency between the Commission's strategic documents and the Country Specific Recommendations.

Consequently, this dissertation concludes that the Commission's approach to unemployment benefits is coherent and closely linked to the goals of the EES and the policy instruments emphasised within it. Furthermore, in addressing this social policy, the Commission adopts a context-based model, urging national schemes to reform those features that may hinder the attainment of EES goals. However, this approach does not

lead to the imposition of an ideal model of national unemployment insurance.

The thesis is organised as follows. First, the literature review of unemployment benefits is described, along with the failed attempt to formulate a European-level unemployment insurance scheme. Then, the history of the EES is detailed. Following this, the research question is introduced, along with the contextualization and description of the three hypotheses. The subsequent chapter on the main findings is divided into two parts: the first addresses the results of the qualitative analysis, while the second presents the data gathered from the quantitative analysis. Following this, the three hypotheses are discussed in light of the evidence with the aim of answering the research question.

Literature review

Unemployment benefits are the government's tool to tackle specific negative consequences that arise from being unemployed. As the economy in modern society lies its foundation on labour and capital, unemployment can undermine the former. This condition potentially affects individuals in many ways – for example by reducing disposable income – and countries (Bieszk-Stolorz & Markowicz, 2014), as unemployment is a macroeconomic variable in itself, which may negatively affect other variables. Since the introduction of such schemes during the first half of the XX century, unemployment benefits models were built up to protect citizens from poverty and allow them a smoother transition toward their next employment. As their importance was increasingly understood, their targets and goals improved with their complexity, thus becoming a wide group of policies entangled with social and economic variables. This chapter aims to review the existing literature on unemployment benefits schemes, which is essential to comprehend and assess the Commission's perspective on them.

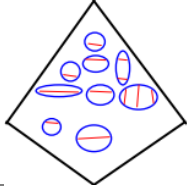
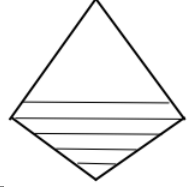
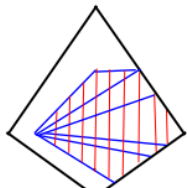
Governments started to introduce and develop unemployment insurance systems to alleviate the negative effects brought by unemployment both to the national economy and the household's disposable income (Bieszk-Stolorz & Markowicz, 2014). Moreover, unemployment benefits embed relevant distributional implications and they are considered a tool for economic stabilisation (Beblavý et al., 2015; Marimon & Zilibotti, 1999; Moffitt, 2014). In particular, they are an anti-cyclical expenditure with a good fiscal multiplier, which is automatically triggered during the phase of recession (Beblavý et al., 2015). For that reason, they are considered automatic stabilisers: if the economy is in a recession phase, they automatically increase spending helping out the decline phase of the business cycle, otherwise, not many benefits are paid and thus they do not excessively increase spending (Moffitt, 2014, p. 5).

Within the European Union, unemployment and its uneven distribution among countries represent both past and current challenges (Zeilstra & Elhorst, 2014), whose importance was further enhanced during the Eurozone crisis. Although reducing unemployment is a key priority for both the European Commission and national governments, the EU labour market has always featured fairly high unemployment rates in its history (Pissarides, 1998), which became even more critical as following the crisis these levels skyrocketed. Hence, already in the 90s, EU countries had to address the

growing unemployment as the exit rate from unemployment decreased against a stationary re-entry rate causing an increase in unemployment duration and thus long-term unemployment (Marimon & Zilibotti, 1999). Moreover, inside the EU, unemployment represents a social and economic challenge within a challenge, as the unemployment levels do not vary just among countries, but even between regions (Zeilstra & Elhorst, 2014).

2.1 Unemployment Benefits in the EU and the EUBS failed attempt

As EU member states have their own policy tradition, unemployment insurance schemes fall under this framework of widespread dissimilarities, in which member states are different in both structure and effectiveness (Beblavý et al., 2015). Moreover, each domestic scheme is different, mainly influenced by the type of welfare state the country is. The taxonomy made by Esser et al. (2013) use three dimensions to distinguish between unemployment insurance programs among EU countries, and despite its not recent is still relevant. The three dimensions are: eligibility conditions, principles for determining entitlement levels, and administration in terms of which actors carry the costs. In these terms, five ideal types of unemployment insurance schemes have been identified by the authors:

Ideal type of insurance programs	Entitlement	Benefits type	Role of the state	Examples of EU countries	Scheme examples
voluntary state-subsidised	Voluntary private membership	Flat rate and earning-related	Regulatory and supervising role often finances benefits with state subsidies	Denmark, Finland and Sweden	
targeted programs	In any case, paid at minimum levels for a long period	Flat rate	Only a subsidiary actor, chooses the thresholds	Component in the insurance schemes of all MSs	
state corporatist	Compulsory based on the contribution but separated along occupational	Statutory income protection	Regulatory and supervising over employer and employee representatives, who jointly administer the	Continental countries	

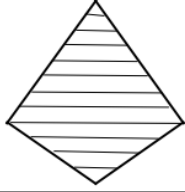
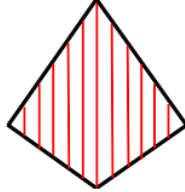
	lines		programs		
comprehensive basic security	Compulsory based on contribution for all workers	Flat rate	Regulatory and supervisory role	Ireland, Malta and the United Kingdom	
comprehensive income security	Compulsory based on contribution for all workers	Earning related	Regulatory and supervisory role	Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Portugal, Romania, Slovenia and the Slovak Republic	

Table A: Author’s elaboration and schemes example from Esser et al. (2013).

This taxonomy proposed by Esser et al. (2013) helps to highlight the key features of member states’ unemployment benefits schemes and their practical consequences. For example, comprehensive basic security schemes can assure broad coverage but under entitlement requirements such as contribution period or other types of conditionality. Instead, comprehensive income security may preserve the same broad coverage but narrowly due to the earning-related principle, which may also penalise low-income earners as their benefits may be lower than the flat rate from comprehensive basic security models. On the other hand, within state corporatist schemes, the compulsory trait is not enough to guarantee wider benefits coverage as only represented and strong labour segments are covered. This causes the exclusion of specific sectors – traditionally women and migrant labour segmentation – from the possibility of being entitled to unemployment insurance. Coverage is even tightened within voluntary state-subsidised models, while targeted programmes rely on their eligibility in mean-tested, but their effectiveness can be reduced due to the lack of information or stigma by the targeted group. Therefore, the unemployment insurance scheme from each country is characterised by its replacement rate, duration and reciprocity rate, which varies consistently among EU members.

Furthermore, in his comparative analysis, Stanescu (2015) provides an overview of the main features of member states’ unemployment benefits models. Concerning the

requirements, the author finds that registration to the job office, the capability of working, active search for a job, the end of the labour contract, age, and residency are the main ones, while EU countries vary how they quantify the contribution period, as years, months, weeks, days, and hours are used. Moreover, both the qualifying periods and expenditure of unemployment insurance are diverse among countries. According to Stanescu (2015), the diversification and lack of harmonisation between member states may have prevented the achievement of some Europe 2020 socio-economic goals and negatively impacted the quality of life of EU citizens.

Moreover, national unemployment benefits schemes are influenced by determinant variables, which are factors that shape these insurance schemes in a given society. More generally, social policy needs strong political support – as they can be extremely costly – thus, public opinion is per se a determinant (Rehm, 2011). Specifically on unemployment benefits, Di Tella & MacCulloch (2002) find mainly three aspects. Firstly, the inverse relation between benefits' generosity and unemployment, which means that higher unemployment rates may cause a fall in the benefits. Secondly, they do not notice a negative correlation between interest rates and benefits. Thirdly, only weak evidence of benefits' impoverishment during right-wing governments. According to the authors, surprisingly, the economic variables are more relevant than the political variables in determining unemployment benefits. Although these results are noteworthy, their reliance on pre-crisis data should be noted. For example, the first aspect above mentioned would have been denied in the aftermath of the COVID-19 crisis, where the higher unemployment rate was the rationale behind the benefits extension.

Moreover, Rehm (2011) points out that generous benefits are the more supported the more citizens can expect to be net beneficiaries of the insurance scheme. He recognises income and unemployment risk as the two variables for identifying whether an individual is a net beneficiary or net contributor: the higher the former and the lower the latter the more likely an individual is a net contributor, and vice-versa. In these terms, unemployment benefits are determined by both unemployment risk and income. Hence, the demand for benefits increases the more homogeneous is the risk pool, as more individuals are potential "ex-ante beneficiaries"; while it decreases with income, as an individual's cost is related to income and thus, they are potential net-loser (Rehm, 2011, p. 274).

In this context of dissimilarities, the debt crisis raised awareness of the inadequacy of national policy instruments as shock absorbers. However, even if unemployment benefits are effective shock absorption instruments, in the aftermath of the crisis several member states reduced their expenditure, which resulted in more stringent requirements to be entitled to lesser generous benefits (O’Leary et al., 2020). This shed light on a European Unemployment Benefits System (EUBS), as a potential solution to member states’ inadequacy in dealing with crisis consequences.

The idea of the EUBS after the crisis was anything but a novelty. During the theoretical exercise of making the EMU, the notion of a shared stabiliser to react anti-cyclically against asymmetrical shocks affecting one or more countries headed in the air (Beblavý et al., 2015; O’Leary et al., 2020). Before that, in the mid-70s, the idea of an instrument for stabilisation and redistribution was explored, such as a fiscal capacity for the Euro area (Corti, 2022b). The EUBS can be seen as a perfect match with this description. It is conceptually described as a supranational, automatic, institutional stabilisation mechanism with counter-cyclical stabiliser effects for symmetrical and asymmetrical shocks, but also as a provider of redistribution, income security and a concrete example of European solidarity (Corti, 2022b).

However, this idea did not make it to the end of the Maastricht Treaty, as the robustness of the EMU economic architecture was considered sufficient. That is, markets and cross-country labour mobility were withheld enough to stabilise the economy in a monetary union where asymmetric shocks were most likely rare (Beblavý et al., 2015). Looking back, this refused option could be seen as a missed opportunity, in particular from two perspectives. Firstly, the average country marginal stabilisation effect of the EUBS was estimated to range from 10% to 30% (Beblavý et al., 2015) and thus significant stabilisation effect in particular during economic crises (O’Leary et al., 2020). Secondly, the possibility that EMU’s architecture would foster divergence rather than convergence was not explored sufficiently prior to the Maastricht Treaty (Beblavý et al., 2015), which indeed resulted in cross-country evident variation in both the unemployment rates – in particular after the crisis – and unemployment benefits schemes (Esser et al., 2013).

However, as the crisis hit, in 2009 the world fell into recession for the first time after the post-war period (Keeley & Love, 2010) and the inadequacy of EU economic architecture became evident. Among the various ideas and solutions adopted, the EUBS

also found its policy window to become reality through the proposal of the Commissioner for Employment, Social Affairs and Inclusion Andor in April 2012. His idea was the introduction of a European unemployment allowance for the first six months of unemployment, which would be potentially extended autonomously by each member state as they considered appropriate. Furthermore, Commissioner Andor's willingness was also to improve the EU social inclusion and strengthen the fragile EU citizens' trust in both the EU institution and the European integration project. Despite these optimistic premises, the debate around the EUBS was one way against its implementation. For example, Zeilstra & Elhorst (2014) conclude that a common European policy to deal with unemployment is impracticable, while Corti (2022b) highlights that the opponents of the EUBS consider it as not desirable mostly for three reasons: risk of permanent transfer, institutional moral hazard, and lack of necessity.

Regarding the first point, the risk of permanent transfer means that the resources of the EUBS may flow from countries with structurally low unemployment rates to countries with higher rates permanently, which eventually will create a contraposition between net contributors and net recipients (Corti, 2022b). However, although this risk may be seen as unsolvable by national policymakers, solutions that can prevent or at least scale back the risk exist. For example, O'Leary et al. (2020) propose a long-run model, where the EUBS is triggered only when the benefits from national schemes are exhausted. In such a way, the EUBS will not be a risk-sharing scheme characterised by net contributors and net beneficiaries, but rather a model which relies on long-term imbalances. Moreover, they suggest the introduction of experience rating and/or claw-back mechanisms as possible prevention of permanent transfer. In contrast to this idea, Corti (2022b) proposes to use the short-term unemployment rate as a mechanism to avoid permanent transfers. That is, the EUBS would activate in case of variation of unemployment rates from its nation's short-run value, which presumably allows all countries at some point to become recipients and prevent national reliance on EUBS resources as they will not last in the long term. Furthermore, he also introduces the question of whether member states should equally contribute to EUBS or according to their potential benefit from it.

Concerning the second point, institutional moral hazard occurs when the institution that carries the cost is different from the institution that benefits and

implements the policy. In the context of the EUBS, this represents a key issue. This is because the cost of the EUBS would be carried out by the EU at the supranational level, while national governments would be the beneficiaries and implementers of the policy, but without the economic backlash in case of implementation gaps and failures. In this term, the EUBS may suffer from the principal-agent problem where member states can attempt to acquire as many resources from the EU as possible and try to “game the system” (O’Leary et al., 2020, p. 22). Besides, the national government may be discouraged from developing a structural and effective fiscal policy of unemployment benefits, as they can rely on the EUBS. Moreover, the institutional moral hazard issue is strictly related to the permanent transfer problem, as the permanent transfer can be the outcome of the national governments' moral hazard. For that reason, the risk of moral hazard was used as an explanation by a large majority of Eurogroup’s countries – led by the Dutch and German finance ministers – for immediately rejecting the proposal of the introduction of the EUBS by Commissioner Andor in 2012 (Corti, 2022a). To deal with this problem, the long-term model proposed by O’Leary et al. (2020) previously described could be a possible answer as member states still are required to provide an insurance scheme, which may suffer from inadequacy and ineffectiveness.

Finally, the lack of necessity has been highlighted by both the excessive burden estimated to harmonise the national unemployment benefits scheme (see Esser et al., 2013) and the lack of political consensus among member states (Corti, 2022b). Concerning the former, although the national unemployment insurance schemes of member states have been developed in each country, this development did not occur at the same speed. Hence, the introduction of an EU framework of unemployment benefits would need firstly to overcome the differences featured in each country and secondly to build up a European supranational layer (O’Leary et al., 2020). This introduction would presumably require a very high cost in terms of administrative burden, due to the rich diversity of the national insurance models. Although the similarities in the Eurogroup are higher than in the rest of the EU, the cross-national variations are still significant (Esser et al., 2013). These differences can be explained mainly by two aspects. First, each state has its own stream of interaction between labour market institutions – union density, the centralization of wage bargaining, the tax wedge and unemployment benefits – which during the years had shaped the social policy schemes, also accordingly not just national

but the regional unemployment rates (Zeilstra & Elhorst, 2014). Second, as the role of mass opinion is relevant in social policy making, national policymakers being accountable for their national voters had to follow the citizens' requests, which vary among countries and thus contribute to account for the differences among states (Rehm, 2011).

Moreover, autonomous long-term harmonisation should be excluded, as unemployment benefits programmes tend to change over time (Di Tella & MacCulloch, 2002). Instead, concerning the lack of political consensus, member states never reached a stable agreement and even rejected the idea of the EUBS, after both the proposals of Commissioner Andor and the Italian government in October 2015. Matter of fact, Italy was the only member state that actively stimulated the dialogue around the EUBS, albeit without substantial outcomes. Furthermore, even within EU institutions, the idea was opposed. For example, EPP Group Coordinator in the Employment and Social Affairs Committee of the European Parliament, MEP Csaba Óry issued a complete refusal of the possibility of the EUBS introduction as this competence should stay member states exclusive due the national differences (Corti, 2022b).

In conclusion, the EUBS has been discussed both at academic and institutional levels for its potential. It would be a fiscal instrument in the hands of the EU to absorb asymmetrical shock and a concrete example for citizens of EU presence while contrasting Euroscepticism. Despite this, the opposers to its introduction have found in the previously discussed points unsolvable nodes. However, a renewed interest in an EU unemployment insurance scheme was pointed out in July 2019 during the opening statement in the European Parliament plenary session by the current President of the European Commission Ursula von der Leyen. During this speech, she remarked on the importance of an unemployment insurance scheme within the EMU: “[...] I am aware there are different models, but we have to create the framework. And I want better protection for those who lose their jobs when our economy takes a severe hit. A European Unemployment Benefit Reinsurance Scheme – SURE will support our economies and our people in times of external shocks. Of course there are national unemployment insurances but a reinsurance scheme for these heavy external shocks is needed in Europe” (von der Leyen, 2019).

The history of the EUBS is key to highlighting the only relevant supranational

approach that a part of the Commission tried to foster in the area of unemployment benefits during the analysed period, even if unsuccessful.

2.2 Unemployment benefits: the effects of the benefits

Unemployment benefits work at different policy layers. The main goals of these schemes are to protect workers who are experiencing major income loss during their unemployment spell while stabilising the economy during the recession phases (Moffitt, 2014). However, the presence of the benefits may discourage job-seeking activities, thus increasing the unemployment duration (see Bieszk-Stolorz & Markowicz, 2014). Hence, excessive benefits generosity may cause an increase in *reservation wage* and/or a decrease in the *search effort*, which eventually will determine a decrease of job finding rates, according to the job search theory prediction (see Lalive et al., 2006). To introduce these two concepts, the reservation wage represents the wage threshold that an unemployed considers enough to accept a job and exit from unemployment and therefore unemployment benefits. Instead, the search effort represents the real effort and dedication to find a new job. Thus, the first and foremost policy challenge that unemployed benefits schemes have to face is to find a balance between protecting workers and limiting undesirable effects (Moffitt, 2014).

Furthermore, unemployment insurance schemes can affect the so-called *match quality* either positively or negatively (see Le Barbanchon, 2016). That is, benefits can allow unemployed people to refuse low-productivity jobs for which they may be overqualified to further search for higher productive ones, as they can rely on the income protection from unemployment insurance (see Marimon & Zilibotti, 1999; Nekoei & Weber, 2017). In this case, unemployed workers can avoid the *liquidity constraint problem*, which is exactly the opposite case scenario where jobless people have to accept any kind of job, even if it does not represent a suitable solution for them (Moffitt, 2014). Moreover, as job seekers are encouraged to find higher-productivity jobs, overall labour productivity increases due to this behaviour (Acemoglu & Shimer, 2000). This is the positive side of the match quality effect. Instead, the same mechanism of ‘waiting for the better’ may cause an optimistic bias towards the future and an increase of the reservation wage. This could lead to an excessive prolongation of the unemployment spell for the unemployed, who may experience human capital depreciation and employability

discrimination based on longer unemployment duration. This represents the negative side of the match quality effect.

In their paper, Hagedorn et al. (2013) highlight through a formula how these variables interact with the labour market condition on the probability of finding a job. The formula is:

$$\text{Job finding rate}_{it} = S_{it} * f(\varnothing_t) \text{ (Hagedorn et al., 2013, p. 1)}$$

It means that the probability that an individual i can find a job at the time t is directly proportional both to the search efforts of the individual i at the time t and to the aggregate labour market condition $f(\varnothing)$ at the time t . Moreover, the equation underlines that both the independent variables – S_{it} and $f(\varnothing_t)$ – must be positive to allow unemployed people to find jobs.

Focusing again on the two effects of the match quality, they embed the true dichotomy that features the unemployment benefits schemes. That is the dichotomy between the *liquidity effect* and the *moral hazard effect*, which interaction is critical to evaluate the welfare impact of unemployment social insurance on its recipients (Landais, 2015). Both these effects affect the search behaviours of the unemployed: the liquidity effect in a “welfare enchanting” way, and the moral hazard effect in a “welfare-reducing” one (Chetty, 2008, p. 221). Concerning the liquidity effect, it allows benefits recipients to not drastically reduce their consumption during the unemployment spell, thus guaranteeing a smoother consumption transition and providing subsidies that act as insurance during the uncertainty of the nonemployment period (Shimer & Werning, 2008). This effect is particularly impactful during the recession phases of the business cycle, as the benefits can uphold the aggregate demand, preventing spending depression and its consequences on the supply side.

Moreover, the liquidity effect can potentially prevent the aforementioned liquidity constraint problem. Theoretically, this effect improves the possibility for job seekers to find suitable, skill-matched, and high-productive mid/long-term jobs, which should prevent an early return in unemployment for them. Around this effect, scholars have debated if it is only theoretical and it is not significant, or if it has actually significant effect.

According to Marimon & Zilibotti (1999), the unemployment insurance programme helps the unemployed not just to find a job, but the right job, while reducing

job mismatching. However, as benefits may cause an extension of the unemployment spell, the match-quality positive effect should be positive enough to counterbalance the negative prolongation of unemployment, to be meaningful (Schmieder et al., 2016). Otherwise, a reduction of benefits may hypothetically improve the unemployment insurance scheme's effectiveness. In this regard, the research conducted by Nekoei & Webner (2017) finds that although benefits prolong the unemployment spell, they still maintain a significant positive effect on re-employment wages.

Even so, according to Le Barbanchon (2016), there is no quality improvement of the potential jobs during the unemployment spell, rather the quality of the offers decreases over time. Instead, Schmieder et al. (2016) find more mixed results. Although he notices that unemployment benefits' duration declines employment probability over time, the unemployment spell has a significant large effect on wages. However, this effect appears inconsistent, as an extension of the duration of the benefits does not significantly have a reservation wage effect. Hence, regardless of whether the match-quality effect has a positive or negative impact on wages, it discourages rapid re-entry into employment. This may lead unemployed individuals to accept non-optimal jobs soon or after the expiration of the benefits and fall into the liquidity constraint problem. This is the *moral hazard effect*.

The moral hazard effect occurs when “individuals alter their behaviour after becoming eligible for insurance payments because the programs alter their economic incentives” (Moffitt, 2014, p. 6). Hence, the moral hazard effect represents an undesirable externality of the unemployment benefits system. This is because recipients may respond only to their private interest in terms of cost-benefits, while not considering the overall social cost (Orszag & Snower, 2002). That is, decreasing their search efforts and becoming over-selective, even refusing possible suitable and socially efficient job offers to keep the insurance benefits (Marimon & Zilibotti, 1999). Hence, unemployment benefits schemes increase the unemployment spell and negatively impact the match quality of re-employment jobs. This is given by the combination of the reservation wage fall and sharp increment of search efforts by only insurance recipients – thus not all unemployment – as they get closer to benefits expiration (Arni et al., 2013; Bieszk-Stolorz & Markowicz, 2014; Katz & Meyer, 1990; Narendranathan et al., 1985). Therefore, due to the moral hazard effect, the value of being unemployed decreases as the benefits

remaining duration decreases. However, the effect of these endogenous weaknesses appears to have a smaller magnitude in the recession phase than in ordinary economic phases and even to be statistically insignificant at other times. In particular, according to German data, the benefits extension in the aftermath of the debt crisis is responsible for raising the unemployment rate by only 0.1-0.5% in early 2011 (Rothstein, 2011).

Therefore, every unemployment insurance scheme should be formulated bearing in mind the dichotomy between moral hazard effect and liquidity effect. An unwell-designed and too-generous scheme may lead to stimulating unemployment (see Katz & Meyer, 1990; Le Barbanchon, 2016), as it may reduce the search effort intensity (Orszag & Snower, 2002). Nevertheless, completely removing the moral hazard effect is intrinsically impossible within the insurance framework.

Despite this impossibility, there are solutions to decrease its influence on the overall outcome. The most known and applied is the introduction of the so-called activation measures. They work as incentives-restoration for job seekers, as they attach eligibility to unemployment benefits at a given threshold of search efforts (Arni et al., 2013). Activation measures are several and distinct. Examples of them are: registration in an employment agency, engaging in active autonomous research, requiring a minimum of job interviews during a specific period, participating in voluntary job-related activities, accepting suitable job offers, attending traineeship programs or broader participation in Active Labour Market Policies (ALMPs). In case of non-compliance, the unemployed may face warnings or imposition of reduction or suspension from the benefits, until the exclusion from the insurance programme, as the activation measures are actual entitlement requirements (Arni et al., 2013). In other words, the activation measures create a bottom value of the previously described variable S_{it} to improve the job-finding rate while contrasting the moral hazard effect. However, unemployment insurance schemes need to consider the net effect of leaving unemployment early but facing the potential risk of poor job-match quality. This latter aspect may be socially relevant, as re-employed people who are overqualified for their new low-paid jobs may struggle to maintain their consumption level and may again experience unemployment (Arni et al., 2013).

Another policy tool to contrast the moral hazard effect is the introduction of benefits taxation whose effect is to accelerate the unemployment exit rate, as it works in

the same way as the tax reduction for the employed that increases the employment rate. In his paper, Pissarides (1998) investigates this interaction. He finds that the key component is whether or not the unemployed benefits are indexed to wages. If the wages/benefits ratio is fixed, the tax cut does not have a significant impact on employment, as real wages most likely absorb the tax cut. Instead, if benefits are fixed in real terms and therefore the wages/benefits ratio changes, a tax cut does have a significant impact on employment.

In addition, another part of the literature focuses on whether and how the generosity's alteration of the already existing benefits can impact the outcome of the scheme. As the generosity of the benefits can be described by the combination of the gross/net replacement rate and actual duration of the benefit spell, an early question was which of the two if incremented or decreased affects the most the moral hazard effect. In these terms, the extension of benefits duration has a greater effect on the extension of the unemployment spell than the rise of the benefits level (Katz & Meyer, 1990). For example, the paper from Card et al. (2007) shows a lower job-finding rate if the potential duration of unemployment benefits is extended, without effects on the match quality. Again, the results obtained by Schmieder et al. (2012) follow this direction, yet highlighting the decreasing moral hazard effect of benefits extension during economic downturns compared to expansion times. Moreover, Nakajima (2012) indicates that an observed rise of the unemployment rate by 4.8% is attributable to its 29% unemployment benefits extension. That is 1.4 percentage points of the augmenting unemployment rate is caused by the extension of unemployment benefits, and even increased its contribution in the period 2009-2011 after the recession, according to the author. In this same direction, Farber & Valletta (2015) indicate a small statistically significant increase in unemployment duration and a decrease in unemployment exit due to the extension of the insurance spell.

Instead, Lalive et al. (2006) focus on both components of the benefits generosity. According to their study, both the duration extension and the increase of the net replacement rate raise the unemployment spell, the latter with a small but still significant effect. Hence, as suggested by labour market theory, benefits' extension affects both the search intensity of jobseekers and job creation decisions by employers, as it raises equilibrium wages thus leading to a sharp contraction in vacancy creation and ultimately

employment, which causes unemployment rise (Hagedorn et al., 2013). Hence, the expansion of benefits generosity may further enhance moral hazard's impact, putting additional pressure on the public spending and social cost of the unemployment insurance programme. However, the implementation of re-employment bonuses near with benefits extension policy can prevent this negative outcome (Mitman & Rabinovich, 2020).

In addition to the literature that focuses on the economic effect, there is a substantial body of literature that examines the effects of unemployment insurance schemes on the recipients. From this, it is appreciable how differently the benefits impact accordingly to the personal features of the beneficiaries. In these terms, age is a key variable and its interaction with unemployment benefits is represented by the equation $\text{more age} = \text{less impact}$. That is, benefits impact differently with age, as elderly job seekers tend to accept whatever job offer they receive, most likely to overcome the discrimination faced due to their age (Narendranathan et al., 1985). Instead, unskilled unemployed may heighten the value of being unemployed and significantly increase their reservation wage (Le Barbanchon, 2016). However, as reservation wage decreases with unemployment duration, these job seekers may fall over the moral hazard effect and eventually experience the liquidity constraint problem, even further stimulated by the weakening of benefits effect over re-employment as long the unemployment spell increases.

Finally, another part of the literature has focused on the potential health-related effects that unemployment benefits can have and is noteworthy to be briefly mentioned. This literature takes as a starting point the several studies that have linked the strong relations between job loss and significant impoverishment of both physical and mental health and even higher risk of death (see Catalano et al., 2011; Sullivan & von Wachter, 2009) and whether or not the eligibility to unemployment benefits affects this. In this context, Cylus et al. (2014) suggest that benefits' generosity can only partially relieve the negative consequences of being unemployed, as the latter is the consequence of mixed mechanisms and the loss of income from the job is only one of them as other factors play a role and are for unemployment benefits. Further insights about this topic are provided in the Appendix.

The extensive literature reviewed plays a key role in exploring the Commission's approach to unemployment benefits, as only through a careful acknowledgement of how this social scheme works it is possible to further study and critically analyse the

Commission's behaviour surrounding it. Nevertheless, to better contextualise unemployment benefits, a review of the EES history is necessary. This will highlight the role of EU social and employment policy over the years, as well as the Commission's involvement and the evolution of social and employment governance processes.

2.3 European Employment Strategy: formulation and launch of the EES

As the legacy of European integration laid its foundation on economic integration, before the 90s, economic policy had the monopoly of focus within the European Economic Community, while the field of social policy was overall left behind. In such Europe, issues such as economic competitiveness and the elimination of both trading barriers and market distortion were the main and only policies carried out at the community level. Low-skilled and inexperienced workers were the losers in a wages-decline, unsecure and gender-specific labour market, where job seeking became more challenging (Hemerijck, 2002). However, in the 90s this paradigm started to switch, as the European labour market further exposed its weakness.

Analysing the literature, five main events can be designed as actual promoters of the European Employment Strategy during the 90s. The first one was (1) the President of European Commission Delors' White Paper on Growth, Competitiveness and Employment of 1993, in which the idea of employment policy coordination started to be shaped, inspired by economic convergence. The second event was (2) the Essen European Council meeting in 1994, which essentially was a follow-up of Commissioner Delors' paper, but took the matter at the community level (Smismans, 2004). However, although these first two events failed in reaching their goal of more delegation of power to the EU and the creation of permanent structures with a long-term vision, they were able to set the issue of employment on the EU Agenda (de la Porte, 2002). The third event is represented by two elements. On one hand, there is (3) the 1994 OECD "Job Study", which promoted employment reforms, especially the re-design of unemployment benefits and employment protection schemes (Blanchard, 2005). This is mainly because unemployment was associated with unwell-designed unemployment insurance schemes that featured generous and even unlimited benefits and a lack of activation measures (Nickell, 1997). On the other hand, there is (3) the outcome of the 1996/7 Intergovernmental Conference (IGC), which highlighted employment as one of the top priorities (Johansson, 1999).

All these events contributed to enhancing and underlining the significance of an employment policy strategy within the EU, and this process culminated with (4) the Amsterdam Summit and the Luxembourg Job Summit (also called ‘Job Summit’) in 1997, where a consensus was reached around a European employment strategy (de la Porte, 2002). Finally, this agreement settled the ultimate step, as following the ‘Job Summit’, (5) the Amsterdam Treaty was signed, with the insertion of a full operational Employment Chapter, which officially launched the EES, even if the Treaty was ratified in 1999 (de la Porte, 2002). The Chapter identifies employment as a common concern and stipulates the development of member states' policy coordination procedures led by a common strategy formulated by the Council (Hemerijck, 2002).

In designing the EES, several policy actors were involved during the process that untimely delivered the achievement. Moreover, other elements in the context helped them in leveraging the window opportunity that was created during the 90s by the events previously described. Among them, Commissioner Allan Larsson from DG Employment, Social Affairs and Equal Opportunities played a key role as a policy entrepreneur (Johansson, 1999), as he was one of the main actors of the advocacy coalition around the EES. This coalition was formed by representatives of EU institutions, such as Larsson and socialist MEPs, as well as by national actors, such as the socialist and social-democratic prime minister of Denmark and Netherlands, but also centre-left governments in large states like Italy, France, Germany and the UK, and even by trade unions (Hemerijck, 2002; Johansson, 1999; Mailand, 2010). Hence, in this early stage, both the Commission and policy entrepreneurs had the possibility to influence the EES, but later on, national governments would gain firmer control of the policy process (Johansson, 1999). Finally, another informal boost to the EES may be derived from the fear that the public option linked – despite the lack of evidence – the high unemployment with the EMU criteria and started to cast doubt towards the EU integration process.

However, even in the wake of European labour market inefficiency, member states were highly reluctant to leave their supremacy over the EU in sensitive policy areas such as employment. Hence, already from the start, the idea of a common strategy and coordination on employment policy was shaped differently than the traditional EU economic policy. Therefore, a complete novelty in EU governance was designed, whose goal was to work towards a common goal, while preserving national sovereignty

(Smismans, 2004). This procedure took the form of soft policy coordination, through non-binding guidelines rather than hard governance such as regulations (de la Porte, 2002). Hence, this approach allows the Commission and Council to indicate the overall employment strategy, without increasing the undesired EU intrusiveness (Smismans, 2004), while creating a platform for member states – from which they cannot escape – where they can engage in a permanent dialogue under the ‘soft’ pressure of EU institutions, and have to explain in case of non-compliance (Weiss, 2017), engaging also in a mutual learning process.

The starting point of the EES is the Broad Economic Policy Guidelines (BEPGs) – introduced with the 1993 Amsterdam Treaty – which define the overall economic policy coordination of the EU. Following them, the Commission and the Council set the Employment Policy Guidelines (EGs), through an annual joint report on employment. The first set of EGs was designed upon four pillars: employability, development of entrepreneurship, adaptability, and equal opportunity; each one representing a major perceived weakness of the European labour market, respectively: skill gap, job creation gap, adjustment gap and gender gap (Watt, 2004). However, these guidelines were not binding such as the regulation from the Stability and Growth Pact, and each country had the overall responsibility of the policy design and implementation of them at the domestic level. Moreover, after receiving the EGs, member states have to indicate their future policy in the field of employment through the National Action Plans (NAPs). These documents are analysed by the Commission and from 2000 it had the possibility to create national recommendations in an ‘Employment Package’ (Watt, 2004).

Therefore, the EES was established to achieve a gradual de-nationalisation and Europeanisation of employment policies (Weiss, 2017), while promoting mutual learning among member states and EU institutions, towards a more skilled, trained and adaptable workforce (Ales, 2017). This framework proved that there is no contradiction between economic competitiveness and social cohesion and represented the failure of the paradigm whereby the market only can produce job-intensive economic growth (Ales, 2017; Hemerijck, 2002).

The policy coordination around the EES seemed quite successful at first glance, as between 1997 and 2001 the unemployment rate fell by 3% with significant improvement in target categories such as women, youth, older people and low-skilled

workers (Zeitlin et al., 2005). However, three elements were clear already within the very first years. First, the national impact was highly dependent on the welfare family of member states, where corporatist/continental welfare families had to make structural changes with higher costs (de la Porte, 2002). Second, the EES failed in the engagement of social partners, as they only had a limited consultative role during the agenda-setting and were subsequently excluded from the policy cycle in member states (Natali & Porte, 2009) and NAPs formulation. Third, the assessment of the real impact of the EGs on national policy-making was highly complex as both national reforms and employment guidelines always had a mutual influence on each other, in a process of two-way interaction (Zeitlin, 2002; Zeitlin et al., 2005).

2.4 European Employment Strategy: The decade of the Lisbon Strategy

However, the launch of the EES marked a prominent step in the European governance structure, which strongly stimulated other developments. The soft-governance process behind the EES was reputed as the right tool to address the coordination of social policy within the EU. Therefore, the previously described process became on its own a method that could be applied in other policy areas. Hence, this method received the title of “Open Method of Coordination” (OMC) during the Lisbon Summit in 2000 and was officially adopted under the Lisbon Strategy for different policy fields, among which employment.

The Lisbon Summit of 2000 represents one key moment in the history of the EU, as it settled key goals to improve the EU’s economy and social cohesion (de la Porte, 2002). Furthermore, it further stimulated the EES by remarking on previous concepts and adding new ones, such as employability, life-long learning, activation, making work pay and welfare to work. All these showed the decisive shift towards supply-side measures in employment policy (Hemerijck, 2002). The outcome of the Lisbon Summit was the notorious Lisbon Strategy, an ambitious ten years EU programme which aimed to make Europe “the most competitive and most dynamic knowledge-based economy in the world, capable of sustainable economic growth accompanied by quantitative and qualitative improvement of employment and greater social cohesion” (European Council, 2000). Hence, the Lisbon Strategy's employment general goals were to stimulate innovation, growth and labour-market performance across the EU regions, highlighting the

importance of the EGs for member states (Destefanis & Mastromatteo, 2012). This means that the Lisbon agenda encapsulated also the main elements of the employment strategy, remarking on activation measures for unemployment, entrepreneurship, adaptability and gender-neutral opportunity (R. Rodriguez et al., 2010). In practical terms, the most relevant long-term vision of the Lisbon Strategy in the field of employment was represented by these three key targets:

- I) EU employment rate of 70%
- II) Female employment rate over 60%
- III) Employment rate of 50% among older workers (aged 55–64)

To achieve these goals, several instruments were deployed, the most relevant was the OMC, which from this moment was applied in different policy areas embedded in the Lisbon agenda, and as mentioned, employment policy was among them. Moreover, the annual report of the Commission and Council was enhanced becoming the Joint Employment Report (JER), which continues to have the role of NAPs analyser and set the basis of the non-binding employment recommendations (Smismans, 2004). From a legal point of view, all the amendments adopted during the Lisbon Summit were directly transferred to the Lisbon Treaty on the Functioning of the European Union (TFEU), which essentially empowered the EU to establish minimum standards in almost all aspects of labour law (Weiss, 2017).

Therefore, the Lisbon Strategy represents a major evolution within the EES, as on one side it attempted to enhance the European Social Model (ESM) fostering the interaction between employment, economic and social policy; and on the other side, promoting participatory and legitimate EU governance that was lacking in these aspects (Natali & Porte, 2009). However, although the EES and the subsequent Lisbon Strategy were designed to promote a more social and less rigid employment policy, during the Lisbon Council the Economic and Financial Affairs Council (ECOFIN) played a much more relevant role than its counterpart the Employment, Social Policy, Health and Consumers Affairs Council (EPSCO) (de la Porte, 2002). This reaffirmed the economic supremacy over the social component within the EU, even during the launch of the Lisbon Strategy.

As mentioned, the OMC was promoted within the Lisbon Strategy as a new EU governance. It represents the governance process that featured the EES in the years before, where member states, the EU and stakeholders can interact. Hence, the OMC

‘extrapolates’ the framework behind the EES between 1997 and 2000, thus institutionalising and improving that process to allow the use of this method in policy fields other than employment. Furthermore, the formulation of the OMC was inspired by both the hard monetary process, featuring financial sanction from the Council in case of non-compliance (i.e., the budget deficit of 3% within the GDP of the Stability and Growth Pact) and the soft governance process of the non-binding and non-stationary recommendation from the BEPGs, where the pressure from public opinion, peers and financial market fosters the compliance (de la Porte, 2002). To provide a more comprehensive understanding of the OMC, the description proposed by Frank Vandembroucke, the at-time Belgian Minister of Pensions and Social Affairs and main designer of the OMC, is particularly insightful. He described the OMC as a mutual feedback process of planning, comparison, evaluation and adjustment of member states' policy, towards common goals (Zeitlin, 2002). Therefore, the OMC was featured with these four elements within its process:

- 1) Fixing Guidelines and Goals: the Commission is the actor entitled to develop the general idea and strategy, but both the Council and member states can intervene to influence the guidelines' design, as well as relevant social actors (Smismans, 2004). For what concerns the EES, the main guidelines were about lifelong learning, gender equality and the right balance between flexibility and security in the labour market (Zeitlin et al., 2005).
- 2) Translating Guidelines into Policies: member states were supposed to follow the guidelines under the OMC, or at least take them into account during the national policy process. In these terms, for example, the OMC was able to influence the national policy orientation in the field of unemployment benefits policy. That is, the emphasis was shifted from reducing unemployment to raising employment, thus emphasising active engagement rather than passive income support (Zeitlin et al., 2005).
- 3) Establishing Benchmarks and Indicators: as the settlement of targets represents the more concrete and quantitative aspects of the OMC, it is a critical part of this governance tool. This is because political interest may play a role in setting the benchmarks (de la Porte, 2002), and their non-achievement by member states increases the political pressure from the ‘blame and shame’ rationale exerted by the EU. Moreover, national governments strategically exploited the OMC as a source of legitimisation and blame-sharing for their agenda (Zeitlin et al., 2005). Hence, the praised OMC's ability to ‘depoliticise’ sensitive domestic policy areas was only an illusion (Barbier, 2012).
- 4) Monitoring and Evaluation: within the OMC, member states have to deal with a constant framework of comparison, examination and evaluation of the

performance of their policy and the ones from other countries (Zeitlin et al., 2005). Besides, this establishes a continuous information-sharing platform for national governments, where best practices can be acknowledged through a mutual and experiential learning process and peer-review activities among the actors.

Therefore, the OMC represented a true novelty for the EU, as it was a non-legislative model of policymaking that aimed to lead to convergence in the long run (de la Porte, 2002). After its introduction, this new soft-governance tool was praised for being able to address community issues while preserving national diversity and domestic policy tradition (Zeitlin et al., 2005). In these terms, this method was in high contrast to the classical one-size-fits-all approach usually adopted by the OECD and IMF at that time (Hemerijck, 2002). Moreover, the decentralisation aspect intrinsically embedded in the OMC (Smismans, 2004) was pointed out as a solution for the low stakeholder participation and low legitimisation previously featured in the EES. Hence, apart from employment, the OMC has applied also for EU policy coordination of social inclusion and pension.

The launch of the OMC and the first period of the Lisbon Strategy marked the first phase of the EES. During this time, the novelties of the EES launch, the Lisbon Treaty with the Employment Chapter and the OMC introduction furthered significant impetus around EU employment policy coordination. Matter of fact, between 1995 and 2004, the Commission was very active in promoting and leading the coordination process, while the OMC influence was significant and fostered the return in member states' agenda of issues such as full employment, job quality and balance between economic and social concern (Barbier, 2012).

Therefore, the first feedback after the launch of the Lisbon Strategy was very optimistic. Member states convergence towards EES guidelines was appreciable, in particular the shift from managing unemployment to raising employment growth and innovation enhancement, which resulted in an overall improvement of the EU employment labour market with 10 million new jobs created and 4 million less unemployed since 1997 (European Commission, 2002; Hemerijck, 2002). Besides, the Commission was extremely engaged in the EES policy procedures and in the mutual learning process. On one hand, it recognised the need to bring more actors within the OMC, especially at the national level where the social partners were left out of the NAPs (Watt, 2004). On the other hand, the Commission heightened the Danish example as a

successful employment strategy and best practice to follow (Hemerijck, 2002), due to the balance between flexible employment and the generous benefits system that featured this scheme.

Furthermore, although the lack of binding sanctions was initially criticised within the EES, overall, this decision was accepted as the only way to persuade national governments to place employment on the European political agenda. Hence, on the bright side, the EES was welcomed as procedurally innovative and advocating employment-oriented economic policy (Watt, 2004). However, the optimistic moment did not last long. Already in 2002, unemployment and employment rates switched between each other, thus meaning a rise in unemployment and an employment rate that stagnates. In this turn, all the limitations of the employment OMC came to the surface.

First of all, the effectiveness of employment policy coordination was very uneven depending on the country, as some had to continue in their policy orientation while others had to implement structural changes (Natali & Porte, 2009; Smismans, 2004). Moreover, despite the Commission's efforts, the goal of achieving more democracy legitimation failed, as the EES remained a narrow technocratic process within closed and high-level policymaking circles (Natali & Porte, 2009; Watt, 2004; Zeitlin et al., 2005), while either local authorities or social partners were included in governments' NAPs, thus compromising the 'open' and decentralise feature of the OMC (Smismans, 2004). Furthermore, there were very few cases of cross-national policy learning of key elements of employment coordination, such as flexibility and security (Zeitlin, 2002; Zeitlin et al., 2005). Lastly, the EGs and the BEPGs started to be inconsistent between them, as the latter stepped into the field of the former, thus producing incoherent policy recommendations (Watt, 2004).

As the Lisbon agenda approached its mid-term of 2005 and several challenges had been raised, a high-level group chaired by William Kok – a former Dutch Prime Minister – had been selected to describe the status of the strategy through a mid-term review. The high-level group created the notorious and so-called 'Kok report', which had significant influences on future developments. For what concerns employment policy, according to Kok (2004), the progress was inadequate. In particular, the document stressed the concept of flexibility and adaptability of labour markets, which both are features fostered by ALMPSs and training to acquire up-to-date skills to easily move from job to job.

Nevertheless, the document highlights the concept of security too, explicitly suggesting the need to keep the social dialogue within the European labour market. Therefore, the outcome of the Kok report on employment underlined again the importance of balancing flexibility with security. Besides, the report addressed the status of the EGs and BEPGs, thus advocating their enhancement toward more consistency and coherence. Moreover, the results of the mid-term assessment were significantly affected by the 2004 enlargement, which should not be neglected in considering the whole Lisbon Strategy (Destefanis & Mastromatteo, 2012), as the new member states labour market conditions were significantly behind the rest of Europe.

Hence, as the mid-term review provided critical evaluation, in 2005 the Commission relaunched the Lisbon Strategy, thus aiming to improve the chance of final achievement (R. Rodriguez et al., 2010). That is, both the governance procedure and agenda experienced main transformations, in particular toward more integration with the EU economic programmes related to the Stability and Growth Pact (Borrás, 2009). In this term, the 2005 re-launch and makeover had major consequences on the Lisbon Strategy employment approach. On the agenda side, the integration of the EES with programmes under the EMU caused an evident shift toward a quantitative economy focused on growth and job creation regardless of the quality, while social objectives were marginalised under these priorities (R. Rodriguez et al., 2010).

Following this direction, new priorities were established over the old ones. For example, flexicurity (flexibility + security) became more and more prominent, thus stomping out previous concepts such as job quality, gender mainstreaming and environmental dimension. On the procedure side, the keyword became 'streamlining', which means the convergence of fragmented processes in one. For what concerns the EES, at the EU level, the EGs were integrated into the BEPGs thus becoming the Integrated Guidelines for Jobs and Growth (IGs), to strengthen the former. Instead, at the national level the NAPs became the more comprehensive National Reform Programmes (NRPs), to enhance the policy coordination (Begg, 2009; R. Rodriguez et al., 2010).

As mentioned, the Commission was the primary actor in upholding the re-launch of the Lisbon Strategy. However, right in those years, i.e. 2004, the Commission changed and a new European Commission with the presidency of Commissioner José Barroso started its mandate. The Barroso administration was the main player behind the re-launch

of the Lisbon Strategy and its changes. The strong liberal profile of the new President exercised significant ideological and normative leverage in re-formulating the Lisbon approach in the direction of more cooperation with member states, thus avoiding the ‘naming and shaming’ approach, and a clearer definition of the EU and national sphere of action, which clearly pleased member states (Borrás, 2009). Moreover, this was not the only change at the EU level within the Lisbon Strategy, as the role of ECOFIN was elevated over EPSCO, thus contributing to fading social stakeholders and the overall social part of the strategy (Schelkle, 2008). Among these novelties, the key policy concept of flexicurity entered into the EES as the new paradigm for the employment Lisbon Strategy relaunch.

The concept of flexicurity became in an exceptionally short time the key element of EU employment political discourse (Keune & Jepsen, 2007). Although throughout the first phase of the Lisbon Strategy the Commission showed partial interest in the concept of flexicurity, which was debated in small academic circles or high-level policy cycles, with the relaunch of the strategy, flexicurity gained edgily importance for labour market reforms, thus achieving prominence in the social policy agenda and constantly promoted by the Commission (Hastings & Heyes, 2018; Keune, 2007). Hence, flexicurity was placed at the core of the EES as a comprehensive strategy to be shaped according to national features (Keune, 2007). This is because, the promoted paradigm of flexicurity was claimed to provide mutual reinforcement of both flexibility and security of the labour market (R. Rodriguez et al., 2010), advocating towards both the economic and social elements of employment.

However, the concept of flexicurity is by no means an innovation introduced by the Commission. Matter of fact, flexicurity originated back in the 90s, when it was first developed in the Netherlands and Denmark to improve both competitiveness and protection, thus representing both the interests of employers and workers (Hastings & Heyes, 2018; Keune, 2007). Instead, the debate around flexicurity reached the EU in the mid-90s, as both Dutch and Danish unemployment rates were among the lowest in Europe but still maintained generous unemployment benefits (Hastings & Heyes, 2018; Wilthagen & Tros, 2004).

Hence, despite its spike of relevance in 2005, within the European employment debate “flexicurity is old as the EES itself” (Mailand, 2010, p. 244). For example, the

paradigm of the right balance between a flexible and secure labour market has been addressed at several EU summits throughout the 90s, including Essen in 1994, Florence in 1996, Amsterdam in 1997, Luxemburg in 1997 and Lisbon in 2000 (Wilthagen & Tros, 2004), and the Commission dedicated a subchapter about it within its 1997 Green Paper (European Commission, 1997). Then, the revisited EGs of 2003 attributed even more relevance to it. However, the true enhancement of the flexicurity concept arrived after the re-launch of the Lisbon Strategy, especially since the Commission settled it at the core of its employment strategy in 2006 (Keune, 2007).

The same year the Commission wrote a Green Paper (European Commission, 2006), which describes the notion of flexicurity through a home-growth definition, while emphasising four elements of it: flexible and reliable contractual arrangements; effective ALMPs; comprehensive lifelong learning strategies; modern social security systems (Mailand, 2010). In drawing a community meaning of flexicurity, the Commission took clear inspiration from the so-called Danish ‘golden triangle’ of flexicurity, which has three key elements: flexible labour market, generous unemployment benefits and wide diffusion of active labour market policy. Moreover, the Commission established the lifelong learning strategy as the fourth aspect for remaining attached to the Lisbon Strategy goal of making Europe the most knowledge-based economy in the world. Finally, the flexicurity debate reached its peak in 2007, when the Council adopted the common flexicurity principles (Mailand, 2010).

More practically, flexicurity's goal is to transcend the traditional trade-off between flexibility and security and rather to combine both income and employment security with flexibility, thus recognising them as not conflicting but supportive towards an operative labour market (Bovenberg & Wilthagen, 2008). The European urge to rely on this framework was caused by the increasing diversification of contract forms of employment and the respective segmentation of access to employment and income security (European Commission, 2006).

Therefore, against this backdrop, the Council in 2007 adopted the common principles of flexicurity, representing the EU conception of flexicurity at the time. According to the Council (Council of the European Union, 2007b, p. 5), the four principles of flexicurity are:

- I) Flexicurity as a means for the Lisbon Strategy implementation

II) “Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems”

III) Overcoming segmentation through supportive measures for easier access to work

IV) Support gender equality

Hence, although the Commission recognised the flexicurity approach as applicable to the whole EU despite the intrinsic domestic differences, it acknowledged as inappropriate the one-size-fits-all approach, thus proposing different pathways toward flexicurity (Bovenberg & Wilthagen, 2008; Bredgaard et al., 2008). For that reason, within Europe, five flexicurity families were identified – the Anglo-Saxon system, the Continental system, the Nordic system, the Mediterranean, and the Eastern European one – as recognition of the wide variety of combinations of flexibility and security among member states (Bazzani, 2017).

However, the more flexicurity was debated and settled at the core of the EES, due to its promise to overcome the incompatibility between flexibility and security (Mailand, 2010), the more doubts and issues raised. First of all, although the supporters of flexicurity achieved the task of bringing it to the core of the EES and Commission strategy, they had to downplay the emphasis on topics such as employment security and the segmentation between insiders and outsiders of the labour market (Mailand, 2010). Moreover, the displacement of policy with elements of flexibility or security over a period of time was perceived as enough to fulfil the Commission’s requirement of flexicurity, which is rather a simplification (see Wilthagen & Tros, 2004).

Therefore, the Commission's approach towards flexicurity reflected the overall policy orientation which characterised the second part of the Lisbon Strategy, which was the overshadow of social protection over economic goals (Hastings & Heyes, 2018). Hence, the compatibility between this kind of flexicurity with employment protection and job security legislation cast scepticism towards this approach (Heyes, 2013). For these reasons, scholars have suggested that the Commission flexicurity paradigm was more “old wine in new bottles” to avoid the use of deregulatory terms, while in reality promoting this kind of agenda (Wilthagen & Tros, 2004, pp. 21–22), also by employing the use of new words like ‘transition’ over the taboo ‘dismissal’ (Ales, 2017, p. 126), thus concluding that flexicurity was “essentially the sugar coating on a bitter liberalization

pill” (Mailand, 2010, p. 242).

In these terms, within the framework of flexibility during the second half of the Lisbon Strategy, a clear sign of the Commission’s approach towards unemployment benefits is appreciable. With flexicurity, the Commission advocated for reducing job protection and enhancing the inevitable job transition through workers' adaptability, thus promoting the formulation of unemployment and social assistance benefits schemes based on legally binding requirements which encourage swift employment (Ales, 2017). In this direction, ALMPs and activation measures became a crucial aspect of unemployment benefits, which the Commission approached less as a ‘social right’ and more as a ‘rights and duties’ paradigm. Following this direction, the chapter of Keune (2007) highlights the ambiguity of the Commission's flexibility discourses over unemployment benefits. The author describes how the Commission argued unemployment benefits as necessary to prevent the negative income consequences during unemployment transitions while claiming their negative effects on search intensity and job acceptance activities. However, this ambiguity is unravelled by looking at the practical outcome of the Commission approach. That is, despite the Commission emphasising adequate unemployment benefits, “there is not one case where it calls for the improvement of such benefits, even though in a number of countries they are clearly very minimal in terms of replacement rates, coverage or duration” (Keune, 2007, p. 164). Therefore, in those years, the Commission displayed the concept of flexicurity aiming mainly towards the reduction of the negative effects of unemployment benefits on unemployed search intensity (Keune & Jepsen, 2007), thus enhancing flexibility over security (Keune, 2007).

As the Lisbon Strategy was closer and closer to its final assessment foregone for 2010, the evaluation of its outcome became more and more evident. Although in the first half valuation, there was space for optimism, the final assessment was rather harsh. In 2009, the Sweden Prime Minister Fredrik Reinfeldt – also President of the European Council in that year – declared the Lisbon Strategy a failure (EurActiv, 2009). The Commission's relaunch in 2005 represented a clear cut from what the Lisbon process and agenda was originally meant to be. Matter of fact, the EU social and employment momentum disappeared as the Barroso administration started its mandate at the Commission, thus prioritising fiscal consolidation over employment and social policy, which started to be increasingly depicted as a hitcher of growth (Keune & Pochet, 2023).

At the governance level, the Commission's capacity to influence policy coordination and orientation was significantly reduced in the second half of the strategy, and the pressure from the EU over member states became weak and inconsistent (Erixon, 2010). Moreover, the overall balance of influence between the Commission and member states changed emphasising the role of the latter, in a period where centre-right governments were the majority (Barbier, 2012) and the 'naming and shaming' method was not included, thus weakening the overall national pressure from the OMCs (Rodriguez et al., 2010).

About the OMC, it represented the most significant innovation of the Lisbon Strategy and despite its failure in delivering the EES in wider political discourses, it still introduced at national level policy subjects such as lifelong learning and gender equality (Rodriguez et al., 2010). However, the significance of the OMC drastically faded away during the streamlining phase which featured the Lisbon relaunch (Huguenot-Noël & Corti, 2023). That is, in the name of 'better governance', the Barroso Commission marginalised both OMC and the EGs by amalgamating different policy processes in one timing policy stream, while arbitrating towards economic actors and engaging less the Employment and Social Protection Committees (Barbier, 2012). Hence, 'streamlining' resulted in further subordination of social and employment issues over the economic ones and more control of member states, which had the possibility to overlook these matters in the more economic-oriented NRPs.

For what concerns unemployment benefits, the whole framework resulted in the promotion of 'activation policies', which were mainly used to promote stricter eligibility criteria (Barbier, 2012). Nevertheless, during the spell from 2005 and 2010, EU institutions tried to stimulate member states' policy orientation by enhancing part of the economic and employment EU procedure. In 2007, the Council through Council Recommendation adopted country-specific recommendations as follow-up of member states' NRPs to foster a more integrated approach (Council of the European Union, 2007a). Although this procedure would further institutionalise and improve in the following years, at this early stage country-specific recommendations were formulated by the Council according to the Commission guidelines. Once again, the role played by the Commission in the EES was weak under a de-regulative member states' grip, as in the 2007 recommendations towards fiscal sustainability overshadowed social policy

improvement. Furthermore, the Lisbon relaunch did not fix the lack of visibility in domestic political discourse that had featured the first half too, and the absence of effective sanctions or means of support exacerbate further the distance between the Lisbon agenda and its concrete implementation (Begg, 2009).

The targets' assessment of the strategy is also problematic at least for two reasons: on one side, the mere variables are not enough to assess the employment goals of the strategy, as they fail to grasp the quality of the labour market in terms of security and job value. On the other side, looking at the whole EU variable is misleading, as critical gaps are evident among countries. Thus, a first clear assessment is possible: the Lisbon Strategy failed to bring convergence of member states labour market conditions. However, in assessing the Lisbon target in 2010, attention should be paid to the ongoing crisis at the time. Nevertheless, although the crisis of 2008 affected employment variables, the general consensus considers that the 2010 goals would not be met even if the crisis did not hit in the first place (Rodriguez et al., 2010).

Apart from the macroeconomic variables, the Lisbon Strategy failed to deliver both economic convergence and a clear policy orientation towards social employment issues. Matter of fact, in retracing the formulation, evolution and outcome of the Lisbon process, it appears to be a badly designed and confused strategy, whose ambitions were often ambiguous and conflicting, thus causing its fading of significance within EU politics even before the crisis (Erixon, 2010). Nevertheless, as mentioned, the 2004 enlargement exacerbated further the territorial inequalities within the EU, thus thwarting the Lisbon convergence goals (Fura et al., 2017).

For what concerns flexicurity, during the last years of the Lisbon Strategy, the concept of flexicurity adopted by the EU at the time was further challenged. Despite the EU's attempt to avoid the one-size-fits-all approach, many national policies and labour market structures were fairly incompatible with the flexicurity concept, thus causing them to go through structural reform and high adaptation costs (see for Italy and Poland Gwiazda, 2011). Moreover, during the early stage of the crisis, flexicurity countries experienced a higher increase in unemployment, which fostered increasing scepticism on flexicurity and even the ILO challenged the concept (Auer, 2010). Therefore, the Commission's optimistic win-win position of flexicurity was more an overlay upon the complex trade-off between social protection and the unemployment trap (Calmfors,

2007).

In conclusion, despite the premises, the Lisbon Strategy increasingly became a promoting platform of liberalisation, privatisation and deregulations at the expense of social welfare regime and unemployment benefits schemes, which resulted in a general subordination of social goals over economic ones, thus laying the foundation for Euroscepticism (Rodriguez et al., 2010). Therefore, within the Lisbon strategy, the EES was basically another instrument in the EU toolbox to achieve economic goals. The arrival of Barroso at the Commission presidency and the main presence of centre-right and right governments emptied the rationale of the OMC, thus neglecting the original goal of the Lisbon Strategy (Degryse et al., 2013b).

Furthermore, the starting of the crisis in 2008 further exacerbated the sinking of EU social objectives from the agenda. In Europe, the Eurozone crisis can be described as a “crisis of banks and financial markets either resulting in or combined with a crisis of sovereign debts in a number of EU countries” (Crespy & Menz, 2015, p. 761). Again, the Commission still provided faith in the principle of flexicurity to face this challenge. Matter of fact, in late 2008 the Commission adopted a European Economic Recovery Plan, which emphasised addressing employment and labour market policy according to the principle of flexicurity (Heyes, 2011). However, as flexicurity had been more a trend towards less security, the crisis fostered criticism of the effectiveness of the EU flexicurity (Auer, 2010; Heyes, 2011). These increasing doubts may have played a role in designing the first response of member states to the crisis. That is, right after the first consequences of the economic downturn, member states adopted measures to boost economic activity and employment through the injection of fiscal stimuli and supporting employment by enhancing public employment ‘job-searching’ activities with more resources (Degryse et al., 2013b; Heyes, 2013). Nevertheless, following this short moment, a second phase of fiscal austerity started, in which national governments embarked on structural reform towards public expenditure reduction with supply-side reforms, thus increasing further the already existing inequalities from the previous years (Barbier, 2012; de la Porte & Pochet, 2014; Degryse et al., 2013b; Heyes, 2013). These reasons may clarify why the final systematic evaluation of the Lisbon Strategy was never conducted (Barbier, 2012).

These draconian reforms aggravated the social and employment conditions of member states' labour market. As Schömann (2014) suggests, the reforms boosted labour

market flexibility through dismissal cost reduction and simplifying procedures, and general relaxation of social policy like unemployment benefits schemes, thus causing: an increment of dismissal of workers, a spike in youth unemployment and worsening of work conditions. Moreover, the author highlights the role of the Commission as a promoter of these policies adopting a ‘one-size-fits-all’ approach, while neglecting values and principles embedded in the Lisbon Treaty and in particular in the employment Chapter. Therefore, the Commission operated as a liberal policy entrepreneur to shape and enforce austerity policy, supported by the German leadership and ECB in the EU, and by the IMF at the international level (Crespy & Menz, 2015).

Hence, the Lisbon Strategy flexicurity and policy adopted to deal with the Eurozone crisis deteriorated job and work quality (Lundvall & Lorenz, 2014), while fiscal budget reduction further incentivised governments to focus on supply-side reform to support the economy. The ‘work-first’ approach promoted by the Troika – the so-called union of Commission, ECB and IMF after their memorandum of understanding – weakened unemployment benefits and employment protection at the same time (Hastings & Heyes, 2018). During these years, the EES shaped by the IGs mainly encouraged member states to review their benefits schemes, in particular about tax and conditionality, thus causing a reduction of unemployment benefits eligibility, the introduction of ALMPs and increasing emphasis on search and acceptance of any kind of job, quality regardless (Heyes, 2011). In this framework, flexicurity lost its key relevance within EU discourses (Bekker, 2018).

However, questions can be made about both the legitimacy and rationale behind the liberal nature of the guidelines and reforms formulated and then adopted in the years of the crisis. In their paper, Degryse et al. (2013b) suggest a political explanation. According to them, in the years of the financial crisis, “one model of economic and monetary union has been converted into another” (p. 6). That is, in those years, the large majority of centre-right and right-wing governments advocated and pushed for a new vision of the monetary union, featured by straightening economic governance and reconfiguration of the ESM, thus downgrading the social dimension as an adjustment variable. In this direction, the authors claim that these liberal reforms have been officially justified by the crisis, albeit they had no relationship with the economic cycle and have been adopted to achieve the previously described goal. Moreover, this argument sheds

light on the political nature of social policy at the EU level, and how the crisis intensified this conflict (Barbier, 2012), in which economic governance has always overshadowed social enhancement. For example, the SGP's deflationary bias stimulated domestic policymakers to consider social protection as a financial burden (Heyes, 2013).

As described above, the crisis allowed the EU to increase its economic and fiscal governance. This is because, at that time, the EU's dominant narrative around the debt crisis was that national governments had adopted badly designed fiscal policies to cover their loss in competitiveness, which caused over indebtedness of several EU states (Miró, 2021). For that reason, new governance arrangements were adopted. The 'Six-Pack' and the 'Two-Pact' strengthen the Commission's economic and fiscal surveillance over national governments also by converting peer pressure to financial sanctions to prevent non-compliance (de la Porte & Pochet, 2014), while through the 'Fiscal Compact', member states are required to respect the country-specific Medium-Term Objective (MTO), which aim to foster convergence (Miró, 2021). These legislative measures laid the foundation for the new architecture governance of the EU: the European Semester.

2.5 European Employment Strategy: The European Semester and Europe2020

The European Semester was introduced to strengthen the ex-ante member states budgetary, economic and social policy coordination (Guardiancich et al., 2022; Guardiancich & Natali, 2017), thus changing the traditional 'ex-post' approach that had characterised the EU until that moment (Delivorias & Scheinert, 2019). Accordingly, the main rationale of this ex-ante coordination is rooted in allowing member states to acknowledge EU coordination strategy and take it into account in their social and economic policymaking (Clauwaert, 2013), rather than just assess national policies appropriateness with SGP and IGs' rules (Delivorias & Scheinert, 2019). Hence, the overall aim was to reduce national economic policy divergences to lead to convergence (Guidi & Guardiancich, 2018). Besides, the Semester also represented a significant novelty for the EES. That is, the whole EES takes place within the ES, in particular through the IGs, JERs, NRPs, the Country Reports (CRs) and the non-binding Country-Specific recommendations (CSRs). This latter aspect became the most significant tool on the hand of the Commission to influence national employment policy.

More practically, the ES is the evolution of the EU's processes of fiscal, economic,

employment and social policy coordination that had been developed during the 90s and 00s, such as the SGP, BEPGs, EES, the Lisbon Strategy, OMC (Verdun & Zeitlin, 2018) and the JER. That means, although the ES represents a major EU novelty, it is built on previous pre-existing procedures, which has been reformulated and developed to include dictated timescales, EU's guidelines and recommendation toward national structural reforms which included potential financial sanctions (Guidi & Guardiancich, 2018; Verdun & Zeitlin, 2018). Besides, these improved procedures featured also strengthened and more automatic sanctions for the SGP's Excessive Deficit Procedure (EDP), a new Macroeconomic Imbalance Procedure (MIP), ex-ante review by the Commission of euro area national budgets and Reverse Qualified Majority Voting (RQMV) for overturning Commission proposals under the excessive deficit and imbalance procedures (Verdun & Zeitlin, 2018). Hence, the ES encompasses the three major EU coordination mechanisms: the SGP, the MIP, and, the Europe 2020 strategy – the successor of the Lisbon Strategy – which comprehends the IGs (Delivorias & Scheinert, 2019; Tkalec, 2019). Within the Semester, these three processes work in parallel to increase the coherence among member states' national policies (de la Porte & Pochet, 2014; Efstathiou & Wolff, 2018).

Regarding the practical management of the ES, it reflects the traditional structure of the EU where the European Commission has the pivot role. That is, the Commission starts the process in November, with the so-called Autumn Pack, by initially setting the general priority of the EU within the economic and social sphere (Guidi & Guardiancich, 2018; Zeitlin & Vanhercke, 2015, 2018). This is done through the Annual Growth Survey (AGS) and the Alert Mechanism Report (AMR), in which the Commission selects member states with macroeconomic imbalances and that will be under In-Depth Reviews (IDR) later on. In particular, the AGS is the main tool for the Commission to express its view on what should be the social and economic EU priority, while the AMR is a screening device, and it constitutes the starting point of the MIP (Delivorias & Scheinert, 2019). Furthermore, the JER is attached to the AGS, thus providing an annual overview of key employment and social developments in the whole EU and also member states' reforms (Delivorias & Scheinert, 2019). However, both the AGS and JER tend to be vague in addressing member states, as remarks about specific policies and countries are imprecise and without any qualification (Gómez Urquijo, 2017).

At this moment the Commission issues also the opinion on the Draft Budget Plans

(DBPs) of the Euro-area member states. This procedure aims to assess the member states compliance with the previous year's CSRs, and if a euro country is under EDP, the compliance is further a central aspect, as the Commission can ask for the submission of a revisited draft if the noncompliance may prevent the SGP's obligations (Delivorias & Scheinert, 2019). In this direction, the Commission also provides the Euro Area Recommendations (EARs), which are non-binding economic suggestions that may be reflected in the CSRs. However, the Commission is not the only European institutional actor, the European Council and the Council of EU also play a key role. In November and December, the Council analyses the AGS and can either adopt them or further discuss them with the Commission, but only if it respects the rule of RQMV. Meanwhile, the Eurogroup – the informal meeting of Euro-zone ministers of finance – discusses the Commission's opinion on draft budget plans, to ensure future adoption by member states, which occurs in December. This 'preparatory' phase sets the base from which the ES will grow in the future months.

In January and February, the European Parliament intervenes in the Semester with the Economic Dialogue on the AGS. Although that, its role is rather passive and not prominent enough to stimulate concrete changes, as in this context the EP is a subordinate actor to the EC and the Council. Instead, in March, the European Council adopts the economic priorities based on the AGS, and then the EP carries on the economic dialogue on the Council-adopted AGS. Again, during March, the Commission publishes the CRs in which the national economic and social state of affairs is deeply analysed. The national policy implemented in those fields. The CRs embed the IDR of member states with potential economic risk, and they comprehend a detailed review of the national policy implemented in those fields (Guidi & Guardiancich, 2018). In the IDR, the Commission applies three categories – no imbalance, imbalance, and excessive imbalances – to classify the risk level based on the gravity of the imbalance (Efstathiou & Wolff, 2023).

Thereafter, in April, member states submit both their Stability or Convergence Programmes (SCPs) and their NRPs, respectively on budgetary policy and economic/social policy. The former follows SGP's economic governance rule which aims to prevent fiscal imbalances. It is called Stability or Convergence because eurozone member states do the document known as Stability Programmes in which they describe how to achieve their MTOs, while non-euro member states present the Convergence

Programmes document, where both the MTOs and additional information about their monetary policy are outlined (ec.europa.eu, 2023). Instead, the NRPs remain detailed documents where MSs present the national reforms they implemented and will adopt to reach the AGS priorities, the social goals included in the Europe 2020 strategy, and the economic sustainability objectives. Moreover, the NRPs should be based also on the IGs. Regarding the two components of this latter, the formulated BEPGs are valid for an undefined amount of time, while the EGs are designed each year (European Parliament, 2015). The NRPs also represent a reference for the CSRs.

Then, between May and June, the Commission returns as an active player by issuing Country Specific Recommendations (CSRs), which are one of the most important pieces during the ES (Copeland & Daly, 2018). Matter of fact, the CSRs are the Commission's indications on how member states should act to achieve the Semester's goals for budgetary, economic, and social policy. Moreover, CSRs may comprehend the possibility of financial sanctions in case of non-compliance by countries with excessive imbalance, as they receive MIP-relevant recommendations which are more binding and involve tighter monitoring too (Degryse et al., 2013a; Efstathiou & Wolff, 2023; Zeitlin & Vanhercke, 2015, 2018). However, the Commission is not the only actor involved in the CSR framework, as the Council and the European Council are key actors. Otherwise, the tiny balance between the supranationalism and intergovernmentalism of the ES would be shattered. In June indeed, the CSRs proposed by the Commission are discussed by the Council and in particular by ECOFIN and EPSCO. During this phase, the Council can amend the recommendation by following the 'comply or explain' rule, which demands to explain the rationale behind potential amendments (Delivorias & Scheinert, 2019; Efstathiou & Wolff, 2023; European Parliament, 2011; Guidi & Guardiancich, 2018). After the Council discussion, the European Council endorsed the final version of the CSRs in July. This is followed by the third and final part of the Economic Dialogue by the EP, where the endorsed CSRs are discussed. Member states are supposed to consider the CSRs for the agenda-setting and formulation of their policy, and then implement to achieve the ES's aim. Finally, in September and October, all EMU member states submitted the draft budgetary plans, while those countries under EDP had to also submit the Economic Partnership Programmes. The CSRs are the key component of the ES, as they are a concrete source of pressure from EU institutions to national governments and

they can influence the behaviours of the latter (Clauwaert, 2013; Copeland & Daly, 2018).

Therefore, the ES has significantly improved the EU's intrusiveness and authority in reviewing and coordinating domestic policy after the Eurozone crisis, despite it does not involve legal transfer of sovereignty (Efstathiou & Wolff, 2023; Verdun & Zeitlin, 2018; Zeitlin & Vanhercke, 2015). Moreover, the Semester emphasised the vertical multi-level governance of the EU, 'with a top-down' approach that provided visibility again to the 'blame and shame' strategy (Jessoula, 2015).

As mentioned, one of the three coordination mechanisms of the Semester is the Europe2020 Strategy for smart, inclusive, and sustainable growth, which represented the main pillar of the strategy (Pasimeni & Pasimeni, 2016). The Europe2020 Strategy was adopted in March 2010 as a replacement improvement of the previous Lisbon Strategy (Bieling, 2012). At launch, some elements were different between the two, e.g. the new strategy acknowledged the different starting points of member states, thus taking into account the different national needs (Fura et al., 2017). However, other aspects did not change, like the traditional Lisbon promotion of flexicurity to achieve full employment (Gwiazda, 2011). For that reason, even during the formulation of the Europe2020 Strategy, many doubts were cast due to the similarities with the unsuccessful predecessor. On the positive side, the new strategy was designed to strengthen the social dimension and deliver economic, social and territorial cohesion (Zeitlin & Vanhercke, 2018), thus fostering the idea that social and economic convergence go hand in hand and are both relevant to achieve sustainability (Lafuente et al., 2020). Besides, the integration of Europe2020 integration within the Semester cycle both tightened the link with the SGP (de la Porte & Pochet, 2014) and reinvigorated the OMC (Zeitlin & Vanhercke, 2015), while introducing a monitoring tool to assess member states performance towards the goals of the strategy (Pasimeni & Pasimeni, 2016).

However, on the sceptical side, just like the Lisbon Agenda, the policy areas under Europe2020 scope were in the realm of national competence and for that reason, governments' agendas play a crucial role, even emphasised by the non-binding nature of the soft-coordination process around social and employment policy (DG EMPL, 2019; Erixon, 2010; Pasimeni & Pasimeni, 2016). In addition, in the context of the Eurozone crisis, Europe2020 introduced for all member states a trilemma: reducing the public deficit while investing in the green transition, but at the same time preserving the welfare

state and public services (Pochet, 2010). For this reason, the challenging nature of Europe2020 easily predicted that one of its goals would be left behind. Moreover, at the launch of the ES, as the EU policy was still oriented towards austerity, the social element was the most penalised. Matter of fact, early analyses of Europe2020 suggested the further marginalisation of employment and social policy within the new strategy (Mailand, 2021). Therefore, although the Semester through its CSRs appeared to be a significant enhancement of the EES (Copeland & ter Haar, 2013), the overall view was sceptical, also due to the failure of the Lisbon goals (Bieling, 2012).

As the Semester represented a key development of EU governance, a wider literature discusses the characteristics of this wide policy cycle. Early debates were related to the accountability and legitimacy of the Semester, its effectiveness, the CSRs, the EP and national parliaments' role within this process, as well as the role of the regions (Delivorias & Scheinert, 2019). Instead, Verdun & Zeitlin (2018) analyse the new governance settled by the ES and its consequences along three different axes, namely the technocratic-democratic, the supranational-intergovernmental, and the economic-social.

Regarding the legitimacy, the Semester appears weak, especially during the first cycles, where both EP and national parliaments were scarcely involved in the process (Granelli et al., 2012). The introduction of the Economic Dialogue only partially improved the EP position, while at the national level, the domestic parliaments do not fully exploit the opportunities provided by the Semester (Verdun & Zeitlin, 2018).

Instead, the governance of the Semester was in itself a more dynamic process, which significantly influenced the EES. In the immediate aftermath of the crisis, the EU economically oriented actors – the Directorate-General for Economic and Financial Affairs (DG ECFIN), the ECB, Business Europe and their networks at the national level – had the pivot role and oriented the governance towards sustainability of public finance, while the socially oriented actors – DG Employment and Social Affairs (DG EMPL), the European Trade Union Confederation and social NGOs with weaker networks at the national level – continued to shove their agenda of solidarity, fairness and equity but still supported the main sustainability planning (de la Porte & Pochet, 2014). Hence, the Semester formulation occurred in a framework where the social actors were subordinated over economic ones (Copeland & Daly, 2018), thus fostering critics around the dominance of economic policy actors during the decision-making process of the ES

(Zeitlin & Vanhercke, 2018). Therefore, despite the premises, at the start of the new architecture under the Semester was simply an extension of the previous EU governance ruled by economic goals over social and employment ones.

Following this direction, the paper of Copeland & Daly (2018) provides key elements, also through several interviews. The authors describe the Barroso Commissions as responsible for downgrading social Europe as a market-correcting project, by strengthening EU surveillance over national budgetary and economic policy rather than tackling the social consequences that emerged from the crisis. Hence, the core of the Commission's strategy was budgetary discipline. The paper highlights that this context significantly constrains the roster of social policy options available, also due to the initial absence of the OMC at the launch of Europe2020. However, the authors shed light on the role of Commissioner Andor – DG EMPL between 2009 and 2014 – in exerting political pressure to improve the market-correcting strategy and the enhancement of the Social Protection Committee within the Semester procedures, as well as the re-introduction of the OMC. Thence, the paper conclude that the Commission austerity approach was reflected in the vast majority of market-making CSRs, which however were still mixed with market-correcting recommendations, due to the influence played by social actors and their capacity to learn and adapt in the environment, as well as their promotion of moderate social goals and the lack of member states' consensus on how to orient EU social policy.

Furthermore, the pressure from social actors gained momentum in 2012. That is, President Barroso acknowledged the presence of a social emergency in some countries (Copeland & Daly, 2018), and launched the Employment Package to support Europe2020 and reinvigorate the stagnant EES. The most salient component of this package was the Youth Employment Package, whose main focus was the NEET category (Not in Employment, Education or Training); however, although this latter element had its own fund, the Employment Package was not embedded within the Semester, thus losing relevance (Mailand, 2021). Once again, the Barroso Commission failed to bring in its agenda social questions, and throughout the first five years of the Semester, the Barroso approach increasingly lost credibility, especially after the evident failures of the austerity strategy and the progressive expansion of Eurosceptic rhetoric (Keune & Pochet, 2023).

Instead, concerning the EES within the Semester, despite the traditional

complexity in assessing the actual influence, the EES impact on national governments appears to be low. This is because the EGs are bilaterally negotiated with member states, which rarely change their priorities, while within the CSRs process, member states still play a role through the Council (Copeland & ter Haar, 2013). Matter of fact, the Council amendments have a substantive relevance in modifying the CSRs drafted by the Commission, in particular with regard to politically costly reforms and in asserting emphasis on national policy-making tradition (Tkalec, 2019). Nevertheless, this Council alteration should not be considered rigid, as in the realm of pension the Council does not significantly change the proposed CSRs, which still prioritised budgetary sustainability (Guidi & Guardiancich, 2018).

Moreover, the employment governance under the Semester was further weakened by the exclusion of non-governmental stakeholders and the overall exclusion of social actors in the formulation and review of the NRPs (Zeitlin & Vanhercke, 2015), which represented an issue since the establishment of the EES. Besides, due to the ES inclusion, the OMC in the framework of the SGP shifted from weak oversight to strong surveillance and hard sanctions, while the Social OMC significance was further impoverished (Copeland & Daly, 2015). This was a consequence of the Semester, as it increased EU influence on employment policy, but the EU policy orientation was towards social goal subordination over economic competitiveness and fiscal discipline (Vesan et al., 2021).

Furthermore, during the early cycles of the Semester, social and employment policies were once again overshadowed, as their main coordination mechanism within the ES, namely Europe2020, was extremely weak and ambiguous. At launch, Europe2020 maintained the inadequateness of the previous Lisbon Strategy (Lundvall & Lorenz, 2011), thus contributing to marginalising and sidelining social OMCs and social discourses at the EU level (Barbier, 2012). Moreover, Europe2020 lacked political support from the Barroso Commission, except from Commissioner Andor, who promoted the 'Agenda for new skills and jobs' in the framework of the strategy, whose implementation never followed (Crespy & Menz, 2015). In addition, the 2020 strategy was focused on policy areas in which EU institutions do not have strong influence over the policy design and implementation (Erixon, 2010), and it essentially propended towards supply-side economic policy (Bieling, 2012).

Regarding the concrete effectiveness of the Semester through the CSRs, common

concerns were around the possibility that the EU coordination would bring ambiguous and contrasting goals, such as austerity and growth through investments (Copeland & James, 2014). However, at launch, the Semester was filled mainly with economic policy and, since the crisis, the concept of economic policy has been widened to include the policy area of poverty, pension, healthcare and labour, thus enabling an economic reading of this social policy (Bekker, 2013, 2015). Hence, this framework further exacerbates social goals subordination over economic and budgetary stability, while empowering the Commission to adopt a prescriptive ‘one-size-fits-all’ approach (Zeitlin & Vanhercke, 2018). For what concern unemployment benefits the generic EU policy orientation was towards the implementation of activation measures (Degryse et al., 2013a). Moreover, while CSRs regarding fiscal policy contain numbered targets, other social-oriented policy recommendations are vague without any target identification (see for poverty policy Gómez Urquijo, 2017).

Instead, for what concerns the CSRs’ effect on domestic reforms, the Semester's impact on reality was extremely harsh. Despite the optimistic premises, the initial CSRs had only a low impact on national policy and the Semester seemed not so different from the coordination mechanisms it replaced (Guardiancich et al., 2022). This trend did not change in the next cycles, as the limited initial implementation of CSRs even worsened (Darvas & Leandro, 2015), with a significant deterioration after the streamlining of the Country-Specific Recommendations introduced by the Juncker Commission, which reduced their number and length (Efstathiou & Wolff, 2018). Moreover, although country and topic area are significant variables, there is no evidence that CSRs under MIP have faster implementation than others, and instead, member states with excessive imbalance have experienced a more significant deterioration of CSRs’ implementation rate (Efstathiou & Wolff, 2023, 2018).

Hence, generally speaking, various analyses of the Semester from 2010 to 2019 have found its ineffectiveness in delivering and enforcing EU fiscal and macroeconomic imbalance rules (Darvas & Leandro, 2015), thus suggesting a reconsideration of it (Efstathiou & Wolff, 2018), as EU institutions cannot rely optimistically on the implementation from member states (Efstathiou & Wolff, 2023), whose national policymakers are accountable to their parliaments and domestic interest that vary among countries (Darvas & Leandro, 2023), which have broad discretion and compromise the

effectiveness and the supervision potential of the Semester (Gómez Urquijo, 2017). This general trend does not vary for social policy (see for pension Guardiancich et al., 2022), as within the social and employment policy area only 5% of the CSRs were fully implemented during the Europe2020 strategy. However, the great majority of social/employment recommendations within the Semester did actually translate in some way into national reforms (DG EMPL, 2019).

About the content of the CSRs, the first cycles of the Semester reflected the overall zeitgeist of those years. That is, the policy orientation of the CSRs was mainly towards anti-welfare state and market-making rationale, under the economists' mainstream perception of the ESM as a cause for public finance deterioration (Copeland & Daly, 2018; Degryse et al., 2013a). Hence, the CSRs fostered an EES under the 'work-first' approach, in which social benefits were oriented toward as 'quid pro quo' logic to push unemployed to any kind of employment, thus losing in job quality and neglecting once again the goals of Europe2020 (Bazzani, 2017). Moreover, the traditional flexicurity concept was still persistent and played a significant role in the Semester (Bekker, 2018). Therefore, the EES assimilation within the Semester did not result in an enhancement of employment policy, but rather a loss of identity due to the economic governance predominance (Barnard, 2014), thus downplaying the European social and employment agenda as "a mere rhetorical exercise" (Crespy & Menz, 2015, p. 765).

However, as the imbalance between social and economic goals and actors was in plain sight within the Semester, yet in 2012-2013 a partial comeback of employment policy was possible (Mailand, 2021) through the pressure of social policy players and other contextual elements (see Copeland & Daly, 2018). Besides, as aforementioned, during the first five years of the Semester, the Barroso approach lost its credibility. This context was reflected in the 2013 CSRs, which were more diversified and local-based, as well as less unidirectional (Degryse et al., 2013a). Matter of fact, in 2013, the Commission claimed its aim to strengthen the social dimension of the EU (Bekker, 2015), which resulted in a limited but still existing "post-crisis recalibration of fiscal policy away from the orthodox austerity beliefs" (Miró, 2021, p. 1243).

These were the first pieces of evidence for the process that scholars have defined as 'Socialisation of the Semester'. In this direction, the inductive analysis of the AGSs' priorities made by Miró (2021) highlights three periods between 2011 and 2018.

According to the author, the first period up-until 2011 had ‘fiscal consolidation’ as priority; in the second spell from 2012 to 2014, the main objectives were persistent, but with other broad goals such as ‘tackling unemployment and the social consequences of the crisis’; while in the third period 2015-2018 ‘fiscal responsibility’ was only the third priority behind ‘boosting investment’ (p. 1228). Both this change in priorities and the overall socialisation of the Semester were particularly enhanced in 2014, as in November Barroso finished its mandate and Juncker became the president of the Commission.

2.6 European Employment Strategy: the Juncker Commission and the socialisation of the Semester debate

From the beginning, Juncker made clear his commitment towards the ESM. Matter of fact, already in one of his speeches as candidate President of the Commission, he stressed the need to address the social impact of previous structural reforms and the importance of avoiding social protection subordination over economic goals (Juncker, 2014). With Juncker, the Commission advocated for reviving the social dimension through more market-correcting policy and a relaunch of the social dialogue in three main policy areas: equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion (Copeland & Daly, 2018; Keune & Pochet, 2023). Hence, Juncker stimulated a new approach that aimed both to correct the mistakes made during the crisis and place ‘left-behind’ EU citizens in the Commission agenda (Vesan et al., 2021). Moreover, the new Commission promptly addressed the Semester and its low effectiveness, as in 2015 Juncker communicated his determination to ‘revamp’ the ES (Crespy & Vanheuverzwijn, 2016). This effort was translated into significant innovation and ‘streamlining’ of the Semester cycle (Zeitlin & Vanhercke, 2018).

Furthermore, as President Juncker was the first – and only – president chosen through the Spitzenkandidaten process, he reframed his Commission as political to legitimise a new model of leadership from the Commission (Kassim & Laffan, 2019). Nevertheless, all these new impetus towards an EU more socially oriented were also a consequence of the raising of political discontent after the austerity and EU institutions' awareness about it (Copeland & Daly, 2018), thus creating the premises for a less struggling promotion of EU social policy. An example of that is the long-term unemployment initiative, which was proposed by the Commission, and it went through

the decision-making process in a short time and without too many hitches, although the initiative was weak and less demanding for member states (Mailand, 2021).

However, the key development happened in September 2015. That is when Juncker announced the European Pillar of Social Rights (EPSR), which also entered within the context of the EES, as it emphasised how the crisis management weakened protective rights for workers due to the inadequacy of the EU labour and social rights framework (Weiss, 2017). Besides, as the paper of Mailand (2021) highlights through its interviews, the Commission and in particular Juncker was the sole initiator and policy entrepreneur, while member states did not play a role in advancing this initiative. In addition, the EPSR became an extremely relevant initiative, contrary to the long-term unemployment one. Moreover, the author sheds light on the Commission's openness towards social partners and the increased influence of DG-EMPL, which partially rebalanced EU governance. Therefore, the EPSR aimed to relaunch the EU social agenda by including almost exclusively non-legally binding 'principles and rights', while responding to the EU legitimacy crisis after austerity (Mailand, 2021; Vesan & Corti, 2022).

More practically, the EPSR includes three categories (before mentioned), which identify 20 principles and rights that place citizens at the core, as well as fair working conditions and social protection and inclusion, without assuming a 'one-size-fits-all' approach but acknowledging the national divergences (European Commission, 2017). In the context of the EES, the category 'equal opportunity and access to the labour market' is particularly relevant, as it addresses workers at the margin of the labour market, long-term unemployed and those who do not have access to or have restricted access to social benefits (Keune & Pochet, 2023) and unemployment benefits. Overall, the goal was to enhance and improve member states' social rights.

However, despite its assumed novelty, the EPSR introduced in the Semester only the 'Social Scoreboard', which was essentially an updated list of the social indicators, while at the governance level, the Pillar was built up on the OMC framework, thus not introducing significant innovation in the social sphere (Carella & Graziano, 2022). Therefore, the Pillar was still the traditional soft-governance mechanism within the ESM. Nevertheless, the rationale of the EPSR was more to be a reference framework for member states coordination and development in the labour market and welfare policy

areas (Delivorias & Scheinert, 2019).

For what concerns the concrete effects of this major Juncker initiative, scholars are inclined towards a significant positive judgement. According to Keune & Pochet (2023), “a clear revival of Social Europe can be observed in terms of social Directives, Recommendations, and other forms of regulation [...]” (p. 178), although they address the negative social effect rather than the root causes of the European model. In the same direction, Vesan & Corti (2022) underline that the EPSR gave a new impetus to the EU social and employment agenda, while Vesan & Pansardi (2021) suggest that since 2015, in the EU, the rights-based language has experienced a positive trend, which culminated in 2018 as it overcomes the use of social-retrenchment language, thus indicating more relevance of EU social policy. Moreover, for what concerns the EES, the analysis provided by Huguenot-Noël & Corti (2023) claims that “[...] EU employment policy initiatives enacted after the adoption of the Social Pillar have, overall, proven largely inclusive as they have aimed to expand the scope of welfare provisions beyond ‘traditional’ beneficiaries” (p.197), thus underlying the revamping of the EU social agenda through the EPSR. Besides, despite the traditional doubts over the effectiveness of non-binding soft governance initiatives in stimulating national policy, a concrete enhancement of the employment policy is visible. In particular, in 2015, activity rate, youth unemployment, and long-term unemployment became indicators for the MIP scoreboards and in 2018 the ‘Social Pillar Box’ was introduced, which monitors member states’ performance according to the headline indicators of the Social Scoreboards (Vesan et al., 2021).

In addition, the impetus launched by Juncker and his EPSR was solid, as the von der Leyen Commission continued and improved this approach, thus creating reliable continuity (Copeland, 2022). Therefore, the Juncker Commission has stimulated the slow and timid path of the progressive change of EU governance towards a less economic-centred approach. Moreover, since the crisis, the EU employment agenda has progressed including the goal of social empowerment of EU citizens, in particular after the adoption of the EPSR in 2017 (Huguenot-Noël & Corti, 2023).

However, all this background has further complicated the debate around the socialisation of the Semester. According to this process, social and employment actors and goals increased their relevance within the ES, which predominantly was a policy

coordination cycle with a core of economic actors and goals during its first years. Hence, this academic debate splits those who support the idea of progressive social awareness within the Semester, and who claim that such a process is either insignificant or non-existent.

According to Zeitlin & Vanhercke (2015, 2018), the post-crisis austerity policy triggered a rapid erosion of EU citizens' support for the EU, which was evident both through the falling level of public support shown in the Eurobarometer surveys and from elections won by Eurosceptic parties within the member states. This has led to a significant rebalancing between social, economic and employment policy orientation within the Semester. In this direction, between 2011 and 2016, the authors underline the partial but progressive socialisation of the ES, both in policy content and in governance procedure through the reflexive learning and creative adaptation of social actors and employment actors. In particular, they highlight three elements as evidence of this process: growing emphasis on social objectives within both AGSs and CSRs; intensification of the EU monitoring activity over national reforms by social and employment policy actors; progressive enhancement of social and economic policy actors – especially the Employment and Social Protection Committees – over the economic ones in drafting, reviewing, and modifying the CSRs. Therefore, over time, social goals and actors have become more significant and predominant in influencing the Semester cycles (Verdun & Zeitlin, 2018).

Again, the paper of Vesan et al. (2021) suggests that in the period between 2011 and 2019, the social dimension of the Semester is radically changed through a progressive reinforcement and consolidation of the ongoing trends rather than a sharp change. The evidence presented in their paper indicates a first period between 2012-2014 in which social protection prescriptions were limited within the Semester, and a second phase from 2015 to 2019 in which they have rapidly increased, together with social investment prescriptions. Hence, the authors recognise the Juncker entrepreneurship impulses in fostering the socialisation process of the Semester. Moreover, this socialisation process appears more evident during the phase of policy formulation within the ES, rather than the implementation (Mailand, 2021).

For what concerns the EES, the socialisation of the Semester reflects the multi-step process that has led towards the establishment of the Enhanced Coordination in the

field of Employment through several actions from the EU – such as the 2013 Regulation on the European Social Fund, the 2015 and 2018 EGs, some communication from the Commission and other – that highlighted ‘inclusive growth’ as the keyword for employment policy (Ales, 2017). However, although progress has been made, employment policy within the EU remains fragmented and insufficient, while the possibility of introducing hard governance in this policy area has become even more unlikely (Weiss, 2017).

Instead, as mentioned, the existence of a true process of EU socialisation does not persuade the entire literature. According to Graziano & Hartlapp (2019), although acknowledging the empirical difficulty in measuring social Europe, there is an evident decline trend for what concerns it. In this direction, the authors suggest that new regulative EU social policy directives have declined in absolute numbers, as both EU institutions and national governments have supported other policies, despite the increased public opinion support towards a more socially concerned EU. Besides, the authors highlight that the Commission's entrepreneurial capacity in the area of social policy has been limited by the national interests of member states, thus underlining the intergovernmental predominance over the supranational one. Similarly, Copeland (2022) indicates that despite the Commission having some success, the social reforms have focused on non-contentious policy rather than new legislative agreements due to the numerous hitches within the social governance procedures. Furthermore, Crespy & Vanheuverzwijn (2016) recall the asymmetry between hard mechanisms for fiscal discipline reinforcement and soft governance in the field of social policy, as well as the increased influence of fiscal and economic actors over social policy.

Therefore, the socialisation of the EU and respectively of the Semester, together with the relevance of the ESM and the EES are still an ongoing debate, with regard to governance procedures, actors involved and ultimately goals. As evidence is provided by both sides of the debate, the assessment proposed by Copeland & Daly (2018) and Keune & Pochet (2023) appears to be comprehensive of both. According to the authors, on one hand, social actors have advanced the social agenda notwithstanding the unfavourable condition, thus enabling a conditional and contingent progress of EU socialisation policy. Nevertheless, on the other hand, the political contestation over EU social policy was predominant and the EU policy process has been dominated by market functioning

recommendations and reforms, thus promoting competition and labour market flexibility. Similar conclusions are reached by Haas et al. (2021), as they pointed out neither a ‘neoliberal EU’ nor a ‘social Europe’, as the Semester combines both fiscal rigours and social protection, thus recommending a mix that the authors describe as ‘flexicurity’ but without a concrete progressive socialisation of the Semester.

Research Question

The aim of this study is to understand the Commission's policy orientation and perception towards the policy field of unemployment benefits, as well as the presence of bias and patterns. For these reasons, the research question of this thesis is:

- *What is the Commission's approach towards unemployment benefits?*

In particular, the period under review is the first decade since the introduction of the European Semester, namely from 2010 to 2020 (prior to the COVID-19 pandemic), as from that time, the EES has been completely expressed through the governance process of this policy cycle, and the policy field of unemployment benefits fall right under the employment strategy. In this direction, three hypotheses have been formulated to address the research question. These hypotheses provide different and unique points of view, which altogether comprehensively address the Commission's approach towards unemployment benefits, taking as a starting point the overall EES and its major trends over the years. A brief contextualisation and description of these hypotheses are now provided.

As the retraced history has shown, the EES has been a dynamic process from its inception, with the Commission playing both the role of being influenced and influencer. Since 1997, distinctive trends emerged and followed each other, significantly impacting the EES governance and orientation, thus consequently affecting the approach towards unemployment benefits.

For example, after the launch of the Lisbon Strategy, the Commission's policy orientation towards unemployment benefits was influenced by a shift in focus from reducing unemployment to raising employment, thus promoting active engagement over passive income support (Zeitlin et al., 2005). Instead, following the Lisbon relaunch, the Commission through its view of flexicurity advocated for less job protection, and social assistance schemes tied to activation measures and with stringent eligibility, while only theoretically emphasising the adequacy of unemployment benefits, as practically no concrete recommendation in such direction proposed advocated by the Commission (see Ales, 2017; Barbier, 2012; Keune, 2007). Hence, in those years, the Commission approached unemployment benefits less as a 'social right' and more as a 'rights and duties' paradigm.

Moreover, the introduction of the European Semester in 2010 was in itself the

starting point of several other trends around the EES and its interaction with the Commission. As described, the main debate around the Semester concerns whether and in what shapes there has been a progressive socialisation of it over time (see for example Graziano & Hartlapp, 2019; Zeitlin & Vanhercke, 2018). Although this is still a debate without a definitive conclusion and thus there is not a broad theory, a feeble socialisation process exists within the Semester (see Mailand, 2021; Vesan et al., 2021), but it does not overcome the prevalence of economic and liberal mechanisms that govern the EU (see Crespy & Vanheuverzwijn, 2016; Haas et al., 2021). Overall, the results highlight the presence of a mix of market-making and market-correcting approaches adopted by the Commission (Copeland & Daly, 2018), coupled with the overtime increasing relevance of the latter both within EU documents (see for example Haas et al., 2021; Miró, 2021) and for the CSRs (Verdun & Zeitlin, 2018), which reflects the weak socialisation process, without overturning the traditional supremacy of the fiscal-liberal EU governance.

In addition, although flexicurity disappeared from the broad EU discourses after the Lisbon Strategy, its relevance still persisted within the Semester and consequently in the EES. This is the argument proposed by Bekker (2018), whereby the flexicurity concept was still persistent and played a significant role in the Semester, while Haas et al. (2021) suggest that the mix of recommendations that emerge from the Semester reflects the concept of flexicurity. Hence, flexicurity appears to be still an actual trend embraced by the Commission for achieving the goal of the EES.

Therefore, this thesis aims to study the approach of the Commission towards unemployment benefits exactly within this framework of analysis, thus exploring the potential consistency between this policy area and the overall EES expressed through the Semester. Therefore, the first hypothesis of this study is:

- **H₁:** *The Commission's approach towards unemployment benefits mirrors the trends of the overall EES.*

Moreover, methodologically, this thesis analyses two distinctive EU governance outputs within the Semester. On one side, the EU documents that set the broad priorities and review the current state of affairs of member states – e.g. AGSs, JERs, EGs – through a qualitative study. On the other hand, the endorsed CSRs are analysed through a more quantitative analysis. Hence, despite their different nature, as these two types of outcomes outline a wide slice of the EES, they should be coherent with each other. In this context,

Zeitlin & Vanhercke (2015, 2018) highlight the growing emphasis on social objectives within both AGSs and CSRs, while Keune & Pochet (2023) suggest that Directives, Recommendations, and other forms of regulation all reflected the progressive revival of Social Europe, whilst Miró (2021) indicates the falling centrality of fiscal consolidation within the AGS from 2011 to 2018. Again, Verdun & Zeitlin (2018) emphasise that within the whole Semester cycle similar kinds of goals – in particular the social ones – became more predominant. Hence, from that is inferable a degree of coherence within the Semester outputs.

Therefore, another aim of this study is to seek whether or not this trend of coherence is reflected in the Commission's approach towards unemployment benefits and thus if the two types of analysed documents are consistent with each other. Hence, the second hypothesis is:

- **H₂:** *Unemployment benefits-related CSRs are consistent with the approach outlined by the AGSs and JERs.*

Lastly, another trend concerns the framework of the EU social convergence. This refers to the Commission's goal of influencing member states' welfare schemes towards uniform characteristics, thereby encouraging the convergence of national systems to an ideal model, even in policy areas outside the EU's jurisdiction. Thus, in the framework of this study, this is represented by whether the Commission addresses national unemployment benefits schemes through a one-size-fits-all approach favouring similar features, or rather by considering country-specific features and policy traditions. In this regard, this thesis looks at this framework through the endorsed CSRs. Hence the third hypothesis is:

- **H₃:** *The Commission's recommendations point to an ideal unemployment benefits scheme.*

As mentioned, these hypotheses shed light on the way the Commission addresses unemployment benefits, and ultimately its approach towards this policy area. To reject or accept them, a specific and comprehensive methodology has been adopted and it is now described.

Methodology

The methodology employed to address the hypotheses and ultimately comprehend the Commission's approach to unemployment benefits takes into account the several opportunities and tools the Commission has in its favour to influence the EU governance process. These are the documents elaborated by the Commission to shape the EU agenda and national policymaking towards the wider EU social-economic strategy. Hence, these EU documents are key not just to understand the promoted EES, but also to assess the role that the Commission assigns to unemployment benefits schemes.

In this framework, this study resorted to both qualitative and quantitative analysis of the documents, tailored to their respective features. Specifically, a qualitative approach is adopted for most of the documents due to their primarily descriptive and prescriptive nature, thus making qualitative analysis a solid method. This is the case for the following EU documents: Annual Growth Surveys (AGSs) and Joint Employment Reports (JERs) from 2011 to 2020; Employment Guidelines (EGs) of 2010, 2015 and 2020; the main documents of the Europe2020 Strategy. Therefore, the mentioned documents have been qualitatively examined to capture all the nuances around unemployment benefits schemes, thus making a great deal of attention to the Commission's orientation and broad approaches towards them.

Instead, a quantitative approach has been developed to analyse the CSRs concerning unemployment benefits endorsed by the Council. In this case, a quantitative method results more accurately as the CSRs can represent feasible data, which can be collected and analysed to assess the overall approach adopted upon unemployment benefits as the Semester's output. To this end, quantitative analysis has been developed through a three-step approach. The first step is the individualisation of precise categories within the unemployment benefits policy area taking as a starting point both the already existing classification made by the Labour Market Reforms Database (LabRef) and from the CSR database, and then matching all CSRs to their respective category. After that, the second step is the assignment of the policy orientation of each CSR through a value that assesses whether the recommendations are pro-labour (-1), pro-market (1), or neutral (0). Lastly, the third step is the identification of potential patterns from the Commission to influence national unemployment benefits schemes towards an ideal model. To this end,

data from national unemployment insurance schemes of all member states have been collected during the period of analysis.

This methodology compressively tackles the hypotheses. EU documents and CSRs provide the basis to evaluate whether unemployment benefits are addressed with an approach that is consistent with the overall one adopted by the EES, thus addressing H₁. Moreover, this joint analysis allows the assumptions around H₂ to be highlighted and discussed, while the national data are essential to address H₃.

As the quantitative component of the analysis is designed on a three-step approach, a detailed description of each step is now provided. The first part embeds the process of categories' individualisation, the second part highlights the assessment of the policy orientation of the recommendations, and the third one addresses the collection of national data.

1. Individualisation of the categories and match with the CSRs

The starting point of the category individualisation is the already existing LabRef classification and the CSR database. The LabRef is the EU Labour Market Reforms Database that offers comprehensive information on the EU labour market among which national reforms. It was created in 2005 and is a joint project managed by the European Commission, and the DG EMPL in collaboration with the Employment Committee (EMCO). This database is particularly relevant because unemployment benefits policy is one of the nine areas in which LabRef gathers data and sorts all the reforms belonging to this realm into 5 categories, which are: net replacement rate, duration of unemployment benefits, coverage and eligibility conditions, search and job availability requirements, and others. However, although this division may be helpful to recognise different aspects of this policy field initially, it does not fit in a more complex analysis structure. These categories appear indeed vague and inconsistent with regard to the CSRs. For that reason, the process of categories' individualisation takes into consideration the LabRef division but aims to extend it in a more complex and accurate way through the individualisation of more micro-categories.

In addition, the two datasets deal differently with unemployment benefits as a policy field. Within the LabRef, unemployment benefits are recognised as a distinct policy area. Instead, the CSR database considers unemployment benefits recommendations as part of other policy domains, according to the one that is most

addressed in the recommendation. Hence, the same CSR may deal with different aspects of its own policy domains, while embedding aspects of the unemployment insurance policy area. For that reason, within this framework, the focus point is the sub-CSR. That is, the single part that addresses the unemployment benefits scheme, in a vaster given CSR.

Practically speaking, this sub-CSR of 2014 to France: *“Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability”* is part of CSR n. 6, which belongs to the policy area “Active labour market policy”. Instead, this sub-CSR of 2017 issued to Hungary: *“Improve the adequacy and coverage of social assistance and the duration of the unemployment benefits”* is part of CSR n. 3, which is part of the policy area “Poverty reduction & social inclusion”. Again, this sub-CSR received by the Netherlands in 2014: *“Implement reforms of employment protection legislation and the unemployment benefit system, and further address labour market rigidities”* is part of CSR n. 4, which is within the policy area “Employment protection legislation & framework for labour contracts”.

Thus, the first step of the categories’ individualisation aims to grasp every feature and element that assembles the unemployment benefits systems arrangement. The process behind their creation has followed a step-based approach, from the theoretical to the practical level. The first step was a provisory individualisation of categories that focused on the more general and evident aspects. Then, this initial categorisation was put under the stress test to verify if it was suitable to classify the recommendations from the CSR database. This procedure gave feedback on the weaknesses and strengths of the initial categories. After acknowledging them, a new set of categories was created to improve the initial ones. Contrary to before, these new categories have been tested with the more detailed LabRef database, to recognise whether or not they can correctly represent the reform events. Although some early categories presented issues, others were robust enough to classify the reforms in specific policy areas rightly. Once again, relying on the feedback registered, the imperfect categories were improved, and the other ones perfected. Lastly, before the last official categorisation, a great deal of attention has been put into homogenised categories, thus they can represent data from both datasets while maintaining the initial rationale.

Finally, the last aspect of this step is the assignation of each CSR to the respective

category, which better embeds the core/aim of the recommendations.

2. Assessment of the policy orientation of the recommendations

Although the categories highlight the policy area, each single sub-CSR has its own policy direction. Hence, to address the hypotheses, the second step was to create indicators of the policy direction thus allowing future operationalisations. Following the same methodology adopted by Guardiancich & Guidi (in press) to gauge the policy direction, all sub-CSRs have been marked according to their policy direction. That is, if the recommendation fosters an increase, or decrease, or has a negligible impact on the social protection granted to unemployed individuals from the unemployment benefits. In other words, when the sub-CSR has an increasing effect, they are “pro-labour”, as it aims towards more security for the unemployed from the social system, whereby they are less dependent on the market. For example, benefits extension or reduction of eligibility requirements have this impact.

On the contrary, a recommendation that has a decreasing effect is “pro-market”, as it is market-making and leads towards commodification, thus increasing the dependency of unemployed individuals on the market. For example, the introduction of activation measures or reducing benefits generosity has this impact. Lastly, regulative reforms are marked as “neutral” when they do not concretely embed either of the previous effects or may have only a marginal one.

According to this classification, each recommendation is assigned with a value of -1 in case they are ‘pro-labour’; a value of 0 in case they are ‘neutral’ or non-significant; or a value of 1 if they are ‘pro-market’.

3. Member states’ unemployment benefits data collection

Finally, to address the H3, data and information on domestic unemployment benefits schemes of all member states have been gathered at the start and at the end of the period of analysis – 2010 and 2019/2020 – to visualise potential existing patterns across the EU and Commission’s bias towards an ideal unemployment insurance scheme. These data concern the most salient features, which are: coverage of unemployment insurance schemes, duration of the benefits, gross replacement rate, contribution and qualifying period, and related expenditures.

To collect these data, the following databases have been consulted.

- I) The Social Political Indicator SPIN, which is a database administrated by Stockholm University that gathers much social policy information of many countries (among them all the EU member states), to provide data for comparative and longitudinal research on causes and consequences of welfare states. In particular, the Social Insurance Entitlements Dataset SIED (version June 2023) has been employed to collect the required information, as it provides, among others, data about national unemployment insurance (Nelson et al., 2020).
- II) The Mutual Information System on Social Protection MISSOC, which includes information on social protection systems and their organisation of all member states as well as other countries of the European Economic Area. This database embeds comparative tables with descriptive information about social protection legislation, benefits, and requirements (MISSOC, 2023).
- III) The data from the Organisation for Economic Cooperation and Development OECD, in particular, the ‘Country Policy description’ about ‘benefits and wages’ of each EU member state for the years in consideration have been analysed to gather the proper information (OECD, 2023).
- IV) Eurostat, which is the statistical office of the EU and the official EU database. For this case, the gathered data are from the ‘Social Protection’ and ‘Labour Force Survey’ sections (online coding: spr & lfsa) (Eurostat, 2023).

Main Findings

5.1 Findings from the EU Documents

Before the description of the main findings regarding the EU documents, a brief overview of the EES's goals that emerged from them is key to better contextualise the next description. Broadly speaking, three main goals can be highlighted in the period between 2010 and 2020 that were fostered and pursued by the Commission as well as EU institutions in general. These goals are:

- I. Foster employment in EU labour markets in a logic of economic and employment growth by ensuring both quantity and quality jobs through a balance between flexibility and security.
- II. Promote people empowerment through lifelong learning and skill-enhancing activities to improve workers' human capital and be better integrated and engaged in the labour market, while also incentive both school and adult education to avoid respectively early exit from school and low-skilled unmodernised labour supply.
- III. Development of adequate and modern social and employment protection schemes whose coverage is effective to protect people and all the categories of workers during the limited spell they are out from the labour market, for then promptly activating them through the participation in activation measures to ensure a swift escape from unemployment, poverty, and social exclusion.

In the analysed period, these interlinked employment goals found a context to be stable and re-confirmed over time; however, the approach and tools of these achievements have in some cases experienced adjustments and changes. In this context, member states' unemployment benefits scheme was one of the policy tools that the Commission strived to exert influence to reach those goals.

From the analysis of the documents, four major frameworks of assessment have been highlighted, which provide the 'first pack' of evidence for the hypotheses. These four frameworks are: the temporal dimension of the policy and its change over time, the own feature of the unemployment insurance, the link and the interaction with other main policies, and the main policy targets.

1. Temporal dimension of unemployment benefits and its change over time

The Commission's approach to unemployment insurance policy areas has

experienced significant changes between 2010 and 2020. These variations happened in these two distinctive but linked axes: the relevance, and the balance between flexibility and social protection.

For what concerns the relevance evolution over time, the Commission has increasingly recognised the importance of unemployment benefits. That is, this policy area shifted from being considered peripheral and grouped with other social policies to receiving considerable attention also in terms of focus towards its own peculiar features, which have been increasingly detailed.

This process is mostly noticeable mainly from 2017-2018, as in these years the results of the benchmark activity over national unemployment benefits schemes started to be first introduced in the JER (2017) and then in the ES cycle (2018). This highlights an increase of interest in this policy field, which culminated with the 2020 Commission proposal of a European Unemployment Benefit Reinsurance Scheme – SURE to support national unemployment insurance schemes during strong economic shocks, as well as with the first appearance of unemployment benefits within the 2020 EGs.

Instead, the balance between flexibility and security framework shifted towards an enhancement of social awareness. That is, prior to 2016/2017, budget constraints and flexibility elements were predominant over social protection ones, while after these years the balance switched and security partially overshadowed flexibility, thus promoting the extension of concepts like coverage and benefits adequacy. This trend is even more evident after the results of the JER benchmarking activity in 2018, and it has a peak in 2019/2020 where the importance of unemployment benefits to support the unemployed during the jobless spell is highly remarked.

However, in the period of analysis, the Commission did not drastically change its approach to unemployment benefits, rather it slightly adjusted its approach in parallel with the more social-oriented EES, thus fostering a ‘pro-labour’ approach over the previous pro-market and pure flexibility one. Furthermore, this trend was further enhanced by the increased relevance one described before, as more space dedicated to unemployment benefits automatically translated into more room for social aspects. Nevertheless, the link and conditionality with ALMPs are heavily present and significant throughout the whole period.

2. Own features of unemployment insurance

Despite the increased relevance, not all EU documents address unemployment insurance with the same emphasis and in most cases this policy area is mentioned without a deeper scrutiny. Except for JERs and specific AGSs, the Commission barely mentioned unemployment benefits or addressed them with vagueness and by following the traditional mantra of “member states should improve adequacy and coverage while ensuring incentives to escape from unemployment”, without going any further. Hence, the peculiar features of unemployment benefits have been rarely discussed by the Commission, with the two exceptions mentioned, and especially the JER unemployment benefits benchmarking activity of 2016. A description of the Commission orientation of each feature is provided.

Coverage) Throughout the period under review, the Commission has consistently focused on the element of coverage, thereby advocating for unemployment insurance schemes that can provide eligibility for all types of workers. This commitment was expressed through advocating for the modernisation of social schemes and further highlighted as non-standard workers became the main driver for employment. However, EU coverage has remained stagnant at 1/3 of the unemployed from 2016 to 2020, indicating that improvements in coverage are either not yet visible or non-significant.

Length of qualifying period) The most highlighted eligibility requirement to access unemployment benefits is the qualifying period and the required contribution period. The qualifying period refers to the spell of time in which multiple separate contribution periods – in other words, different jobs – can be considered for the final counting of benefits eligibility. This means that more required work record in less qualifying period is translated into less coverage and a smaller number of recipients, as well as less length of benefits period. Within this framework, not unlike for coverage, the Commission approach that can be deduced is towards the extension of the qualifying period to allow precarious workers who face frequent dismissals to still fulfil the contribution period requirement for becoming benefits recipients.

Benefits spell) Another unemployment benefits feature is the duration for which they are provided. In this regard, the Commission's approach is towards the right balance between an adequate benefits length and an excessive spell, which may provoke benefits dependency and hinder employability. The rationale behind this approach is to avoid unemployed workers' skill deterioration that decreases the probability of employment re-

entry. Hence, the benefits spell should not deter people from being engaged and active in the labour market.

Replacement rate) The replacement rate measures the income proportion that is preserved after the dismissal. In the same vein as the benefits spell, the role of replacement rate is underlined likewise. Matter of fact, the Commission highlights that this element should provide adequate income support while avoiding disincentives to unemployed search efforts. Hence, again, the Commission's approach seeks a balance between security and risk of moral hazard.

Job search & availability requirement, and benefits sanctions) The last key feature that the documents highlight is the presence of job-search and availability requirements that unemployed must comply with to maintain the benefits entitlement and not receive sanctions. Broadly speaking, these elements are the components of the activation measures, which represent the element of unemployment benefits that promote job seekers' active engagement. In this context, the Commission emphasises the need for activation measures to effectively involve beneficiaries, thereby promoting rapid reintegration into the labour market and encouraging participation in skill development training programs. In addition, to mitigate benefits dependency and moral hazard among the eligible unemployed, the implementation of benefits sanctions in case of non-compliance is underlined.

These are the main own features of the unemployment benefits that the Commission addresses and provides a sort of policy orientation in the analysed documents.

3. Link and the interaction with other main policies

The Commission primarily associates unemployment benefits with two other main policy areas: ALMPs and social assistance schemes. Regarding ALMPs, the Commission grants key importance to them as an essential complementary policy that should operate in synergy with unemployment benefits, as they are the core component of activation measures and represent the element of active engagement. Nevertheless, from the documents, it appears evident that the Commission confers more focus on the ALMPs than the unemployment benefits. This is because in the majority of cases, and in particular in the first half of the period under review, the main priority is attributed to improving employment, thus overall promoting ALMPs over social benefits, along with

the ones from unemployment insurance. Furthermore, before 2016, the interaction between ALMPs and unemployment benefits reflected the ‘first job’ approach, as employment was mainly considered at a quantitative level. However, factors such as the increases in skill and job mismatches in national labour markets, the need to improve skills in particular for low-skilled workers, and the growing need to promote education, shifted the paradigm towards a ‘better job’ approach, without compromising the employability of the unemployed. Hence, the new core concept became ‘mutual responsibility’, in which the unemployed have the responsibility to engage actively with the labour market and preserve their employability, while the state provides adequate support in terms of income and services to uphold workers during their nonemployment spell.

Concerning social assistance schemes, unemployment benefits are one of the social schemes that member states employ within their welfare state. Despite that in many instances unemployment benefits are comprehended in more broad recommendations regarding social assistance schemes, a major difference can be deduced from the documents. That is, unemployment benefits are depicted as a tool designed to support the short-term unemployed and make them back to work as soon as possible, thus promoting re-employment and flexibility. Instead, other social assistance schemes – such as minimum income – are emphasised to address poverty and social exclusion, thus encouraging coverage and adequacy improvement and social security. Nevertheless, both unemployment benefits and social assistance schemes are extremely interlinked, and, on several occasions, the former is included in the latter, and moreover, they both share the relevance with the link with activation measures.

4. Main policy targets

Within the documents, the Commission emphasises the role of unemployment benefits in addressing three policy targets: long-term unemployed, youth unemployed, and non-standard workers. All these categories are relevant for unemployment insurance as all these three categories represented hot issues after the eurozone crisis and in the years later. Hence, these groups were mainly a part of the main policy targets of the EES at that time, rather than a peculiar focus of unemployment benefits schemes.

Regarding long-term and youth unemployment, from the documents is inferable that the Commission approaches these categories by promoting unemployment insurance

schemes that avoid benefits dependency and keep job seekers engaged and active in the labour market through the strengthening of tailored activation measures. Nevertheless, the security component is still important, as benefits are outlined to provide enough support to involve both youth and long-term unemployed in training and lifelong learning activities to enhance their skill and be more competitive within the labour market. Despite this focus, unemployment benefits were not the main policy tool the Commission leveraged to deal with these two groups, as ALMP and social assistance schemes were more emphasised to address them.

Contrary to this, the issue of atypical workers has been particularly addressed by the Commission through unemployment benefits. This group saw an exponential increase in numbers in the years following the crisis, to the point that employment has been pushed mainly by non-SER contracts, such as temporary and part-time. In this context, the Commission mainly encourages member states to modernise their unemployment benefits schemes, to tackle the high labour market segmentation that features national labour markets. The modernisation advocated by the Commission mainly aimed to shift the traditional paradigm whereby unemployment insurance assumes a long-term, full-time relationship between a worker and a single employer, which leaves out many workers thus causing labour market segmentation. To do so, the documents promote the extension of the qualifying period, which should grant workers who experienced discontinuous careers to have access to benefits. This approach is even more evident and significant after 2018.

AGS & JER analysis in detail

As previously stated, among all EU documents mentioned before, only the AGSs and JERs provide detailed insights into the Commission's approach to unemployment benefits. Hence, these documents structured the primary basis for the described frameworks of assessment, and to additionally support them, a year-by-year analysis of these documents is provided in the Appendix, offering more depth and detailed information about the findings.

5.2 Findings from the Country-Specific Recommendation

This second part of the findings reflects the quantitative side of this analysis. It is developed in a three-step approach, whereby the first is represented by the

individualisation of categories and the matching of the endorsed CSRs with them, while the second one is the assignment of the policy orientation of each CSR, and finally, the third step is the data gathering of member states' unemployment benefits data.

Concerning the categories' individualisation, a first grouping of the LabRef categories has been necessary. This procedure enables the creation of three wider groups that embed the wider features of policy within the unemployment benefits area. For that reason, this type of category is broad and not precise.

Hence, a further division into two other types of categories was needed to allow a smoother category breakdown. This operation has been made relying on two types of categories: meso and micro. The 'meso-category' aims to narrow down the focus, thus permitting a more theoretical distinction among the various LabRef classifications. Although this separation creates more distinct categories, their interaction with the more complex and mixed reality is still inconsistent. Hence, the 'micro-category' has been individualised to enhance the classification. This group of categories aims to bridge the theoretical aspects of the meso-category to reality through the individualisation of narrow and precise categories, which describe the core area/aim of the recommendations. Therefore, within this group, there are the actual categories utilised for the categorisation.

The categorisation highlights that unemployment benefits-related CSRs have been issued to nine countries during the period of analysis, for a total of 56 sub-CSRs. Those countries are: Belgium, Bulgaria, France, Hungary, Ireland, Italy, Lithuania, Netherlands and Spain. In addition, several micro-categories are empty, meaning that no CSRs have been issued in the related policy area. As the first and second steps are linked with each other, for simplicity their outcomes are presented together in Table B, which displays the category breakdown and the countries that received a recommendation in the respective category, sorted by years and the overall policy direction. This latter is determined by the net sum of the value of the recommendations. Since the policy direction is either -1, 0 or +1, the overall direction is represented by the net sum of all the CSRs: if the net sum is positive, the overall direction is 'pro-labour', otherwise, when the net sum is negative, the overall direction is towards 'pro-market', if the sum is 0, the policy direction is neutral, as all the pro-labour recommendations are compensated by the 'pro-market'.

Table B represents the starting point of this part of the study, as from the data collected more in-depth analyses are possible. The main findings around the

categorisation and the policy direction assignment are presented taking into account different elements around the recommendations. In particular, these elements are:

- i. the years and the evolution over time, in which the number of CSRs and their policy direction are analysed by looking at the year they have been issued;
- ii. the countries, in which member states that have received recommendations are analysed, and in addition, the results of the third step of the quantitative analysis – the gathering of domestic data about unemployment benefits schemes – are presented;
- iii. the categories, in which the individualised categories are presented and described, with particular focus on the ones that have matched with the CSRs along with their overall policy direction.

Table B: Breakdown of unemployment benefits recommendations EU-28 (2011-19)

LABREF classification	Breakdown by meso-category	Breakdown by micro-category	Countries with CSRs	Number of CSRs
Coverage and eligibility conditions & Search and job availability requirements	Qualifying period (work / unemployment)	Required reference period / contributions	/	0
		Unemployment duration / long-term unemployment	/	0
	Previous / current job	Workers under non-SER contracts	IT, ES	4
		Individuals not covered by unemployment insurance	/	0
	Personal traits	Unemployed women	/	0
		Vulnerable individuals / households	BE, BG	2
		Older workers	BE, BG	2
	Other types of conditionality	Participation in activation measures	BG, HU, IT, LT, ES	6
		Residence	/	0
		Means-testing	/	0
Gross / Net replacement rate & Duration of unemployment benefits	Benefit adequacy	Gross / Net replacement rate	BE, FR HU, LT	9
		Coverage (generic)	BG, HU, LT	6
		Duration of fruition	NL HU, IE	7
Unemployment benefits – Other	Social assistance	Social investment programmes	<i>LT</i>	1
		Social assistance schemes for the unemployed	BG, HU, LT	11
	Regulation of Public Employment Services	Regulation of Public Employment Services	IT <i>BG, ES</i>	3
	Financial sustainability	Financial sustainability (subsidies / taxation)	FR, IT	5
	Other administrative regulations	Other administrative regulations	/	0
Total			BE, BG, FR, HU, IE, IT, LT, NL, ES	56 sub-CSR

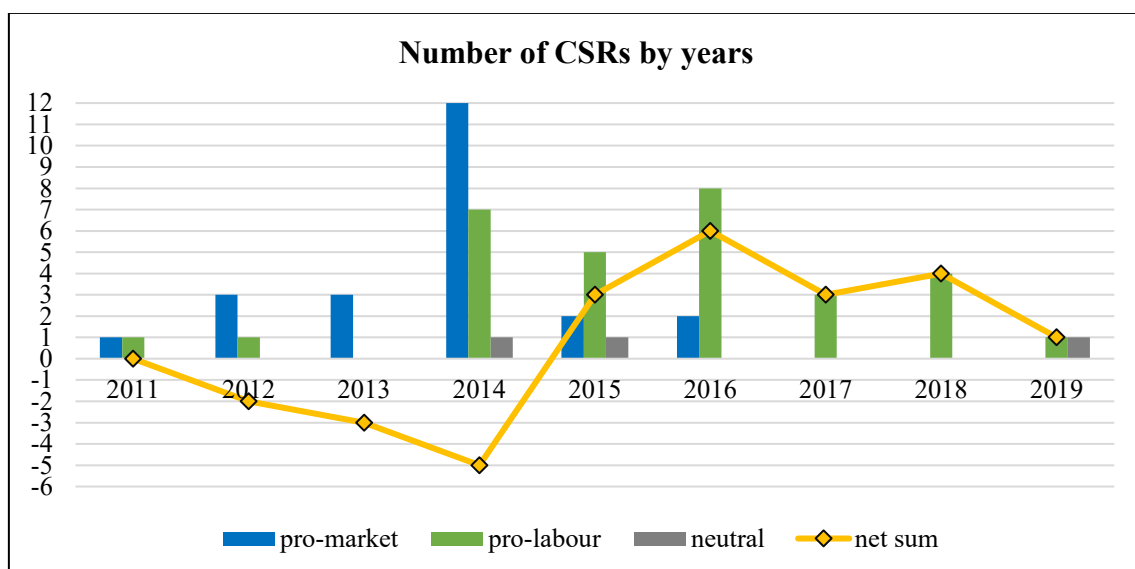
Note: Countries are categorised according to the net effect of recommendations/reforms as follows: -1 **pro-market – bold**; 1 pro-labour – normal; 0 *neutral – italics*.

Years and Evolution over time

Figure 1 shows the sum of the CSRs by year while highlighting their policy direction. As the data displays, the number of CSRs follows a wave pattern over the years, in which at the start the recommendations' number is low, then increases in the middle years, and slightly drops again in the last years of the period of analysis. The middle-increasing trend is evident after 2014, and it remains strong in 2015 and 2016 too, while decreasing in the years after. Hence, 2014 is the year with more recommendations.

In addition, the policy orientation experienced a more evident trend over the year. This change is represented by a clear shift from the predominance of anti-labour recommendations to pro-labour ones. That is, between 2012 and 2014 the majority of CSRs issued were anti-labour, especially in 2013 when not a single pro-labour recommendation was issued, while starting from 2015, pro-labour CSRs began to dominate, thus overrunning the anti-labour ones, at the point that in from 2017 to 2019 no anti-labour recommendation have been issued at all. Instead, neural recommendations are very few for the whole period, thus underlining the centrality of the policy orientation element.

Figure 1: Number of CSRs by years. The net sum expresses the overall policy direction.



Countries

Figure 2 shows the data concerning the CSRs and the respective countries in which they were issued. As mentioned, only nine countries received unemployment benefits-related recommendations in the period of analysis. In this context, Hungary and

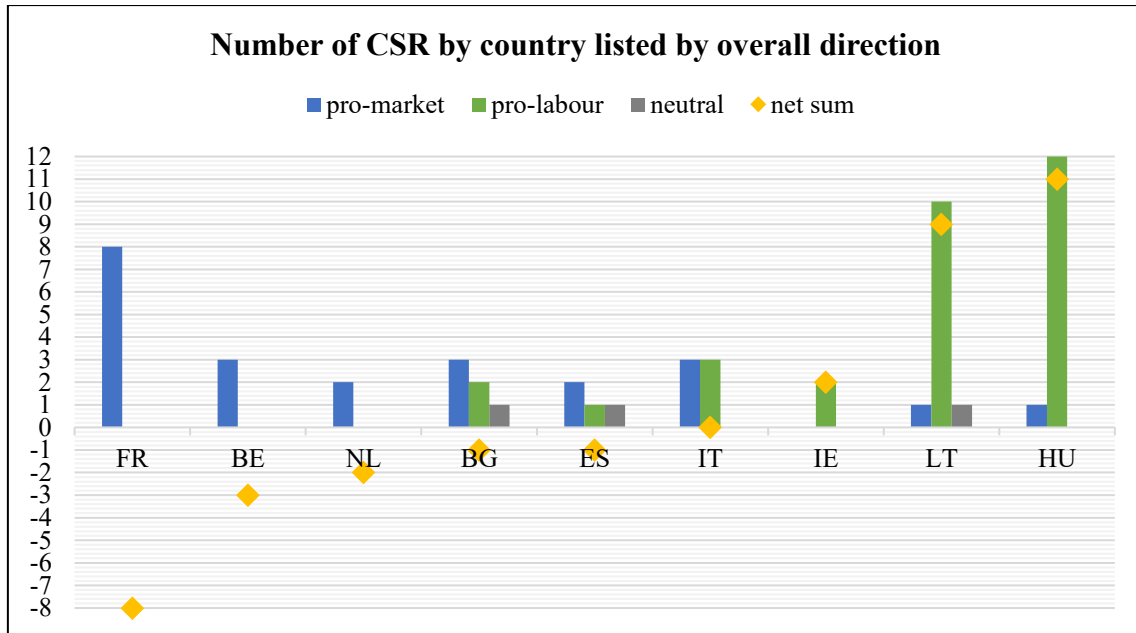
Lithuania were the two countries with the most issued recommendations, closely followed by France. According to the data, France, Netherlands, and Belgium received only pro-market recommendations, while only pro-labour ones were issued to Ireland.

Hungary and Lithuania received by far the greatest number of pro-labour recommendations, while the CSRs were more mixed for the other countries, except for the three states with only pro-market recommendations. Regarding this latter point, the Netherlands and Belgium received only a few pro-market CSRs, whereas more than double of recommendations in the same policy direction were issued to France. Hence, the more evident trends are appreciable for Hungary and Lithuania regarding pro-labour, and for France regarding pro-market. Again, the neutral recommendations do not highlight any significant pattern or trend, thus confirming their marginality.

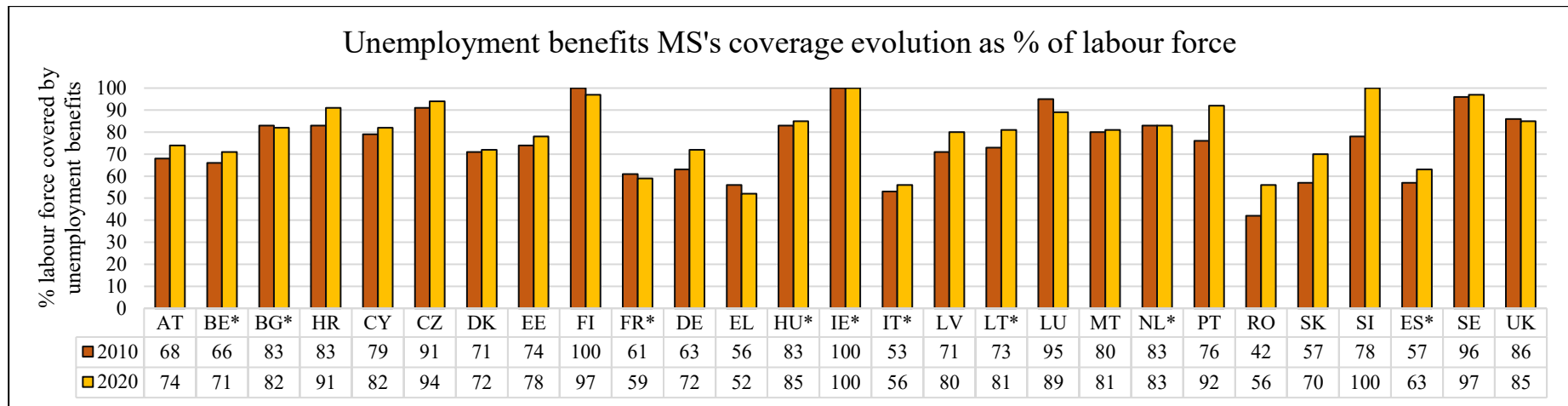
Instead, Italy, Bulgaria and Spain received mixed recommendations throughout the analysed period. However, while to Bulgaria and Spain the sum of CSRs points towards pro-market, for Italy the recommendations for both policy directions are the same, thus resulting in the overall sum as neutral.

To better understand the policy orientation pattern of these countries, as well as potential Commission bias towards an ideal system, the evolution over time of national main features of all EU member states' unemployment insurance have been gathered. The various results are presented in Figures 3, which shows the national data on coverage, duration, replacement rate, both qualifying and contribution periods, and related expenditures. Member states marked with an asterisk are those that received unemployment benefits-related CSRs. This cross-country comparison over time is useful to explore member states' overall policy direction while addressing H₃ about the potential convergence.

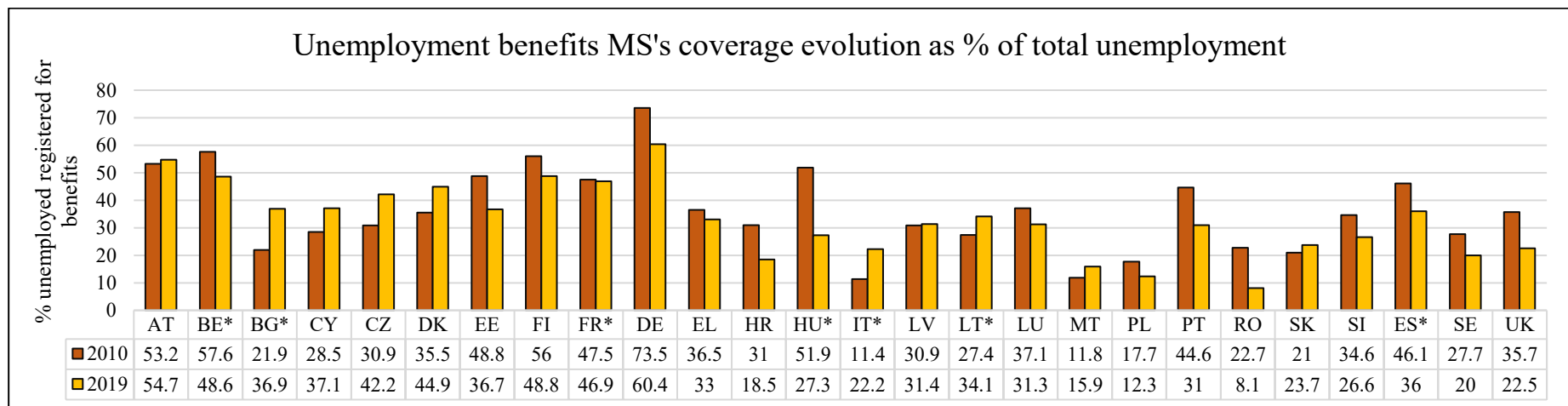
Figure 2: Number of CSRs by country. The net sum expresses the overall policy direction.



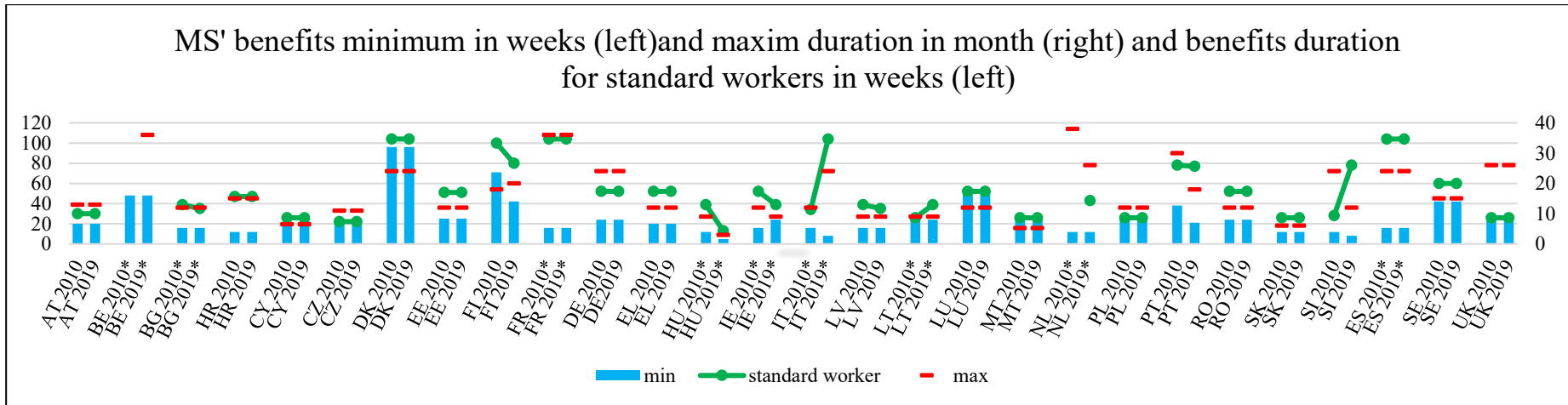
Figures 3



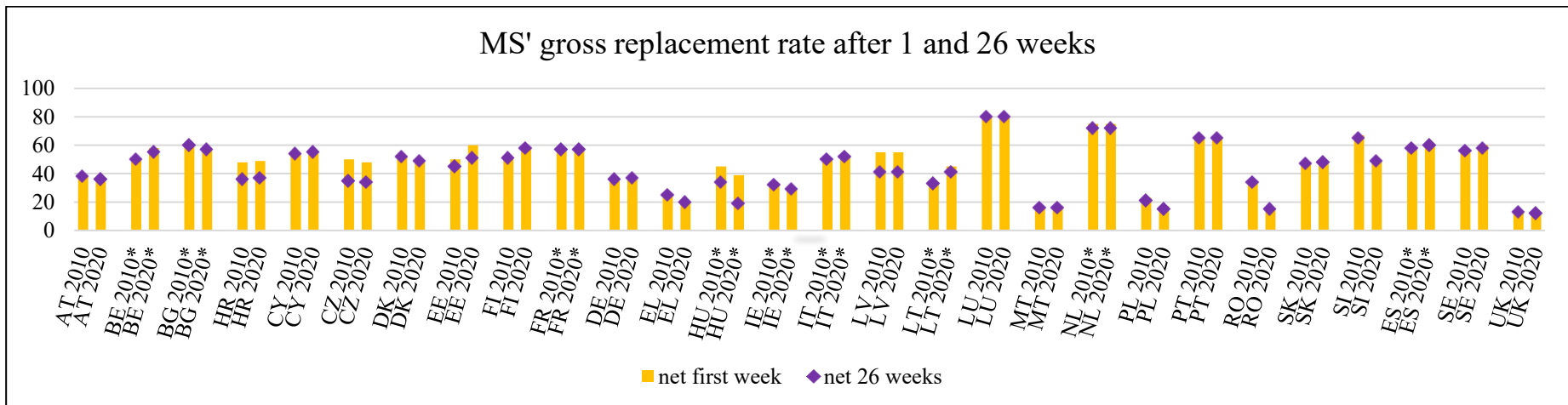
Note: Figure 3.1.1, unemployment benefits coverage ratio as a proportion of the labour force. Based on SIED data (SPIN).



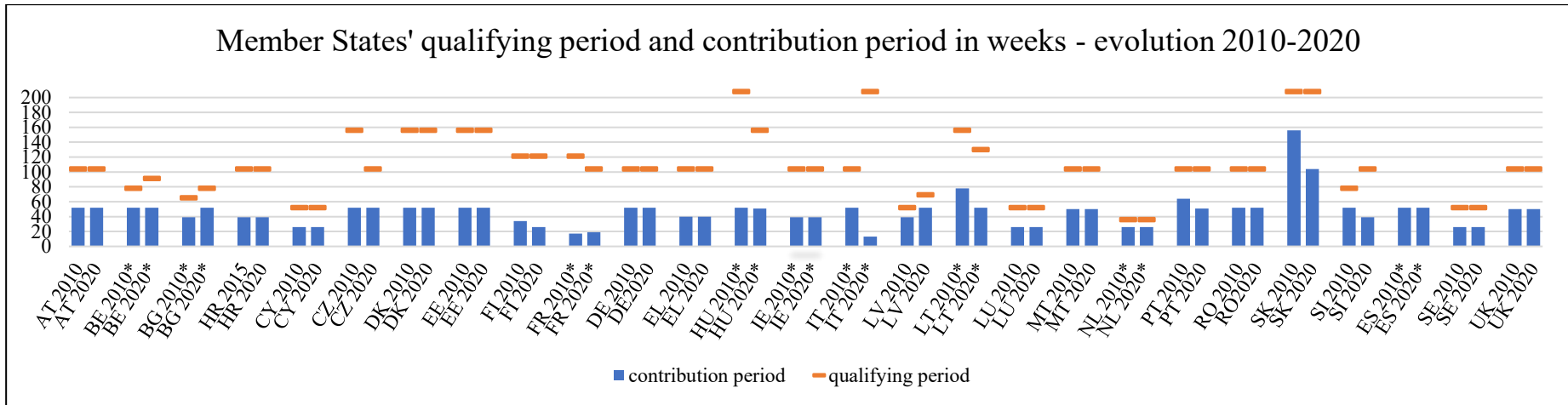
Note: Figure 3.1.2, unemployment benefits coverage ratio as a proportion of total unemployment. NL and IE data are not available. Based on Eurostat data (online coding: lfsa_ugadra).



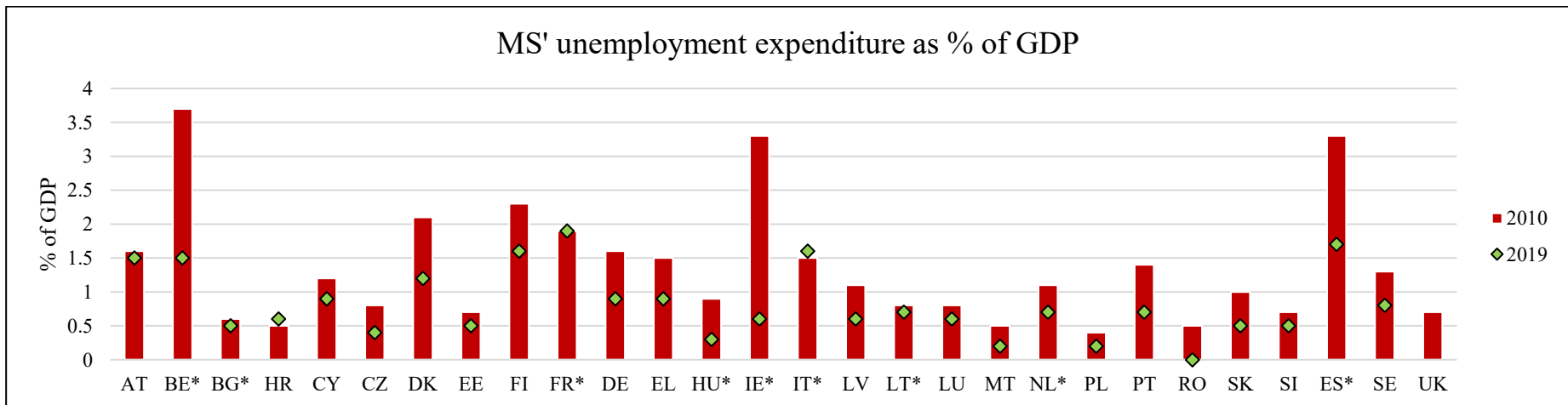
Note: Figure 3.2, benefits minimum duration in weeks and maximum duration in months, and duration for a standard worker (single industrial worker with a work record maximised at 156 weeks or three years). Based on MISSOC, OECD and SIED (SPIN) data. BE standard worker duration is out-of-graph (520), and NL standard worker 2010 data is not available.



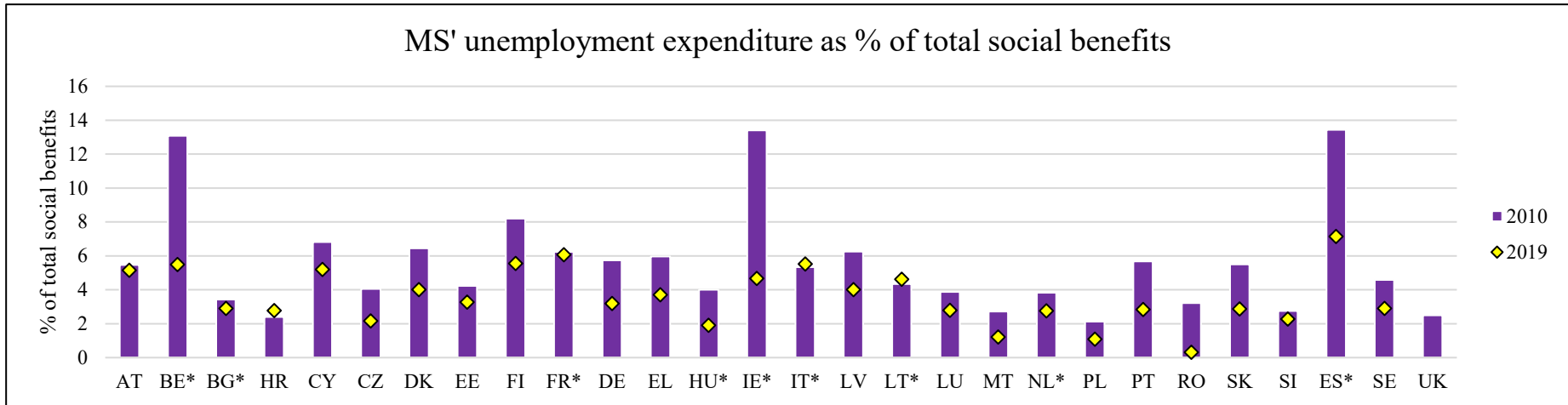
Note: Figure 3.3, Standard gross first week and 26-week replacement rate, single worker. Based on SIED data (SPIN).



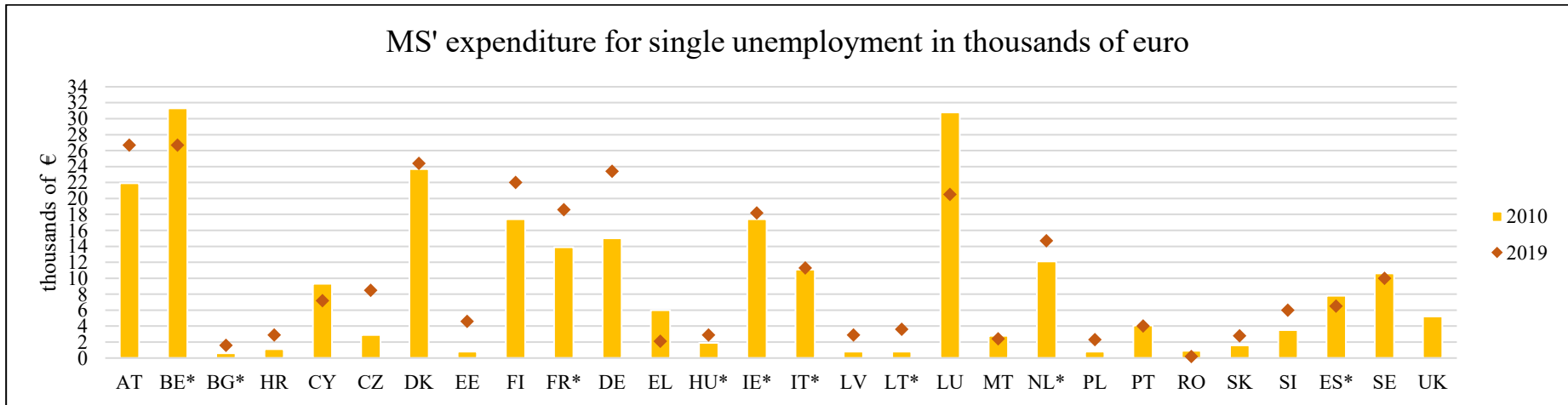
Note: Figure 3.4, qualifying and contribution periods in weeks. Based on SIED data (SPIN). ES 2010 and 2020 qualifying period is out-of-graph (321).



Note: Figure 3.5.1, unemployment benefits expenditure as a percentage of GDP. Based on Eurostat data (online coding: spr_exp_sum). UK 2019 data are not available.



Note: Figure 3.5.2, unemployment benefits expenditure as a percentage of total benefits expenditure. Based on Eurostat data (online coding: spr_exp_sum). UK 2019 data are not available.



Note: Figure 3.5.3, expenditure for each unemployed. Based on computation from Eurostat data (online coding: UNE_RT_M / teilm010). UK 2019 data are not available.

To analyse the results presented in Figure 2, a contextualisation of each country that received unemployment benefits-related recommendations is provided.

France received only pro-market recommendations either in the category of replacement rate or financial sustainability. Looking at the national data, France's replacement rate is among the highest, but still in line with the majority of other countries (Figure 3.3). Similarly, the expenditures are not significantly higher than other member states (Figure 3.5.2 and 3.5.3), except for unemployment expenditure as % of GDP (Figure 3.5.1), as in 2019 France is the member state with the highest percentage.

Regarding the other variables, France is within the lower range of both coverage values (Figure 3.1.1 and 3.1.2), but it has one of the highest maximum benefits spells and it is the country that grants the longest fruition for the standard industrial worker (Figure 3.2). In addition, the contribution period in 2010 was the lowest, while it slightly increased in 2019 (Figure 3.4).

Hence, France's unemployment benefits system appears quite generous with fairly high expenditure particularly in 2019, as it is the only country with high expenditure that does not experience a decrease in unemployment-related expenditure in the analysed period. Although the replacement rate is not particularly above the average (Figure 3.3), other generosity aspects may have triggered the recommendation in this context, such as the duration and the low contribution period, thus highlighting that the CSRs may address specific elements to tackle the overall context, even if this specific element does not show particular out of core trends.

For what concerns Belgium, it received recommendations about its replacement rate, as well as both vulnerable individuals and older workers. The data suggests that there are no significant tendencies around the replacement rate (Figure 3.3). However, Belgium's unemployment expenditures were one of the highest in 2010, almost double than the average value, and then experienced a significant drop over the years, as the expenditure reached similar values to other member states in 2019 (Figure 3.5).

Moreover, Belgium's benefits duration is extremely high – in 2010 potentially unlimited – (Figure 3.2) while the qualifying period increased over time, as at the start it was slightly low (Figure 3.4). In this case, the rationale behind the predominant pro-market nature of Belgium's recommendations is the consequence of a generous scheme in terms of fruition's length and high unemployment-related expenditure. Again, the

CSRs seem to address the context indirectly, as the categories of the recommendations do not directly relate to the domestic variables.

Instead, the Netherlands received CSRs only regarding the duration of the benefits. In this case, the data shows that in 2010 this country had the highest maximum benefits duration across the whole EU, while the minimum one is among the lowest. In this regard, the maximum duration experienced a significant decrease over the years, thus becoming more in line with the value of the rest of the countries (Figure 3.2). Hence, most likely, the recommendations addressed the benefits spell intending to decrease the maximum duration of fruition.

Concerning the other variables, the Netherlands has a quite high replacement rate but is still near the average (Figure 3.3), while the qualifying period is among the lowest (Figure 3.4). The expenditures are not significantly different from the ones of other countries, and they follow the trend of overall reduction, except for the expenditure for each unemployed, which increased (Figure 3.5).

Overall, the Netherlands has a quite ‘average’ unemployment benefits scheme and the only variable that was significantly more generous than other member states has been addressed through pro-market CSRs.

Instead, Bulgaria received mixed recommendations, as vulnerable individuals, older workers, and participation in activation measures are pro-market, while coverage and social assistance schemes are pro-labour. Regarding the two coverage variables, Bulgaria performs differently: the % of the labour force that is covered by unemployment insurance is high (Figure 3.1.1), but the percentage of unemployed who are covered and are receiving benefits was among the lowest in 2010. In this regard, the recommendations around coverage are not unexpected, as the Commission employs the latter variable to deal with unemployment insurance coverage, meaning that Bulgaria was the bottom country concerning insurance coverage. In this case, the CSRs reached their goal, as the % of insurance coverage significantly improved over time, and in 2019 Bulgaria was not the lowest one in the EU (Figure 3.1.2). Instead, Bulgarian unemployment expenditures were in the lowest range, which may partially highlight the rationale behind the pro-labour unemployment assistance recommendations (Figure 3.5), while all pro-market CSRs probably underline the weak engagement of the unemployed in the labour market and the lack of participation in activation measures.

Concerning other variables, the data does not show any significant trends, as the Bulgarian unemployment benefits system is more or less on average with other member states. Hence, also in this case, the CSRs addressed the variable that was particularly low in 2010 (coverage), and then focused on activation measures both broadly and specifically of vulnerable categories of unemployed. However, the overall poor expenditures have not been directly tackled.

Hence, the mix of recommendations highlights that the unemployment insurance scheme of Bulgaria did not provide enough coverage or adequate support, while the unemployed effort to escape nonemployment was not sufficiently supported or stimulated. In this case, coverage was the issue, and it was directly addressed by the CSRs. Nevertheless, the net sum of recommendations is pro-market, notwithstanding that the scheme was not particularly inclined to the generosity as the previous ones.

Concerning Spain, it received pro-market recommendations about the participation in activation measures, and pro-labour ones about the coverage of workers under non-SER contracts. In this case, the coverage as % of the labour force is more important, as it highlights the percentage of workers who are able to contribute and be eligible for the insurance in future. In this direction, Spain was indeed one of the countries with the lowest coverage, which slightly improved during the period of analysis, while the other coverage variable deteriorated (Figure 3.1.1). At the same time, the CSR addressed the weak unemployed participation in activation measures.

Regarding the other variables, the data suggests that Spain has a quite generous unemployment benefits scheme, as the duration of fruition for standard workers is among the highest (Figure 3.2), while the qualifying period is by far the broadest (Figure 3.4). Instead, except for the single unemployed, the other expenditures were extremely high in 2010 and followed the pattern of harsh cuts (Figure 3.5.1 and 3.5.2) similar to Belgium, however without any recommendations towards fiscal sustainability.

Hence, Spain's recommendations represent a mix of pro-market and pro-labour, as this national unemployment benefits scheme struggles with the coverage and activation measures, but it is still generous, which partially explains the overall net sum towards pro-market. However, in this case, the recommendations do not address the qualifying period, notwithstanding it is much higher than the one of other countries.

Italy is a peculiar case, as it experienced major changes in its labour market

legislation during the analysed period, especially in 2012. It received several pro-labour recommendations around the inclusion of non-SER workers in the unemployment insurance, while fiscal sustainability, participation in activation measures and regulation of the PES were addressed through pro-market CSRs. Concerning these latter, like Bulgaria and Spain, the active engagement of the unemployed was an issue too for Italy. Moreover, the data does not suggest any motivation for the PES recommendations, which is most likely a consequence of the Italian reforms. With regard to the inclusion of non-SER workers, Italy did actually have the lowest % of unemployed covered by benefits (3.1.2), as well as one of the second lowest percentage of workers who can contribute and participate in the insurance programme (Figure 3.1.2) in 2010. Instead, all the unemployment-related expenditures do not highlight any particular explanation for the pro-market recommendation received, as Italian spending was more or less at the EU average. However, Italy was one of the rare cases in which the expenditure in 2019 was higher than in 2010 (Figure 3.5), but this increment is not as significant as the cuts before described.

About the other variables, Italy is again a peculiar case. Matter of fact, the minimum duration was low in 2010 but even decreased in 2019, in contrast to both maximum and standard worker's benefits duration, which significantly increased, to the point that the latter experienced the sharpest rise across the EU in the analysed period (Figure 3.2). Instead, in 2010 Italian contribution and qualifying periods were similar to other member states, but drastically changed, as in 2019 the contribution period is the lowest and the qualifying period is among the highest (Figure 3.4).

Hence, Italy did receive pro-labour recommendations in one of its weak spots, but the pro-market fiscal sustainability recommendation is not backed by the data, unlike the cases of France and Belgium. In addition, other variables of this domestic unemployment insurance scheme actually moved towards a divergence, without any recommendations contrasting it.

Ireland is the only case with received only pro-labour CSRs and just concerning the benefits spell. Both at the start and at the end, all the Irish variables about the duration of fruition were not significantly different from other member states. However, the minimum duration increased while both the maximum and the standard worker's benefits duration significantly decreased (Figure 3.2); this latter is a trend noticeable only in

Ireland and Hungary, which both received pro-labour recommendations about it.

Regarding the other variables, Irish unemployment insurance schemes allow all types of workers to participate in the scheme (Figure 3.1.1), while the replacement rate is slightly below the average (Figure 3.3). Instead, likewise France and Belgium, Ireland experienced a sharp cut in benefits expenditure, without significantly changing the expense for each unemployed (Figure 3.5). However, no fiscal sustainability recommendation was issued in this case, most likely because Ireland had planned the spending cut thus preventing and anticipating potential recommendations of this type.

Hence, Ireland's pro-labour recommendations are not the consequence of insufficient or excessive features of the unemployed insurance scheme, but most likely a response to the decreased ceiling and standard worker's benefits spell.

For what concerns Lithuania, this country received just one pro-market CSR regarding the participation in activation measures, while pro-labour recommendations were issued about coverage, replacement rates, and social assistance schemes. Regarding coverage, Lithuania's percentage of unemployed that was covered by the benefits was among the lowest in 2010, and slightly improved over the years (3.1.2), and the same trend occurred for the gross replacement rate too (Figure 3.3). Similarly, the expense for single unemployed significantly improved, as well as the % of unemployment benefits over the total amount of social benefits (Figure 3.5.2 and 3.5.3), while the percentage of GDP dedicated to unemployment expenditure remained the same (Figure 3.5.1). These raises may reflect the effort to develop adequate social assistance schemes for the unemployed.

The other Lithuanian variables are not significant in terms of being particularly above or below the other member states. Nevertheless, both the qualifying period and contribution period have been lowered (Figure 3.4), thus allowing workers with frequent dismissal to easily reach eligibility.

Therefore, in this case, the predominant pro-labour recommendations' orientation should be ascribed to the inadequacy of the Lithuanian unemployment benefits scheme at the start of the period, as it suffered from weak coverage and poor adequacy. However, no domestic variables were significantly the lowest or the highest, and other countries had similar variables but still did not receive any CSRs.

Lastly, Hungary was the member state with the most predominance of pro-labour

recommendations. Not unlike Lithuania, the only pro-market CSR is about participation in activation measures, thus highlighting also in this case the issue of active engagement of the unemployed. Instead, the pro-labour recommendations comprehend all the micro-categories of benefits adequacy, as well as social assistance schemes for the unemployed. Analysing the Hungarian data, a solid part of the labour force is covered by unemployment insurance (Figure 3.5.1), but over the years the country experienced a drastic reduction of the percentage of unemployed who are covered by benefits by almost half (Figure 3.5.2), which is the more drastic coverage drop of the whole period. In this same direction, the gross replacement rate in both the first and 26th week decreased, especially the latter (Figure 3.3), while all the variables that measure the duration of the benefits drastically decreased and reached by far the bottom value across the EU (Figure 3.2). Again, the expenditures for the unemployed drastically decreased as a percentage of both GDP and the sum of social benefits, even if the starting point was not above the average (Figure 3.5.1 and 3.5.2). Only the expenditure for single unemployed slightly increased (Figure 3.5.3).

In this same direction, the qualifying period decreased, against a contribution period that did not change (Figure 3.4). Hence, in the background of these pro-market shifts, the recommendations fostered instead a pro-labour approach, thus contrasting the domestic one. Therefore, the predominance of pro-labour CSRs for Hungary can be attributed to the weak ability of this unemployment benefits scheme to provide support for its recipients.

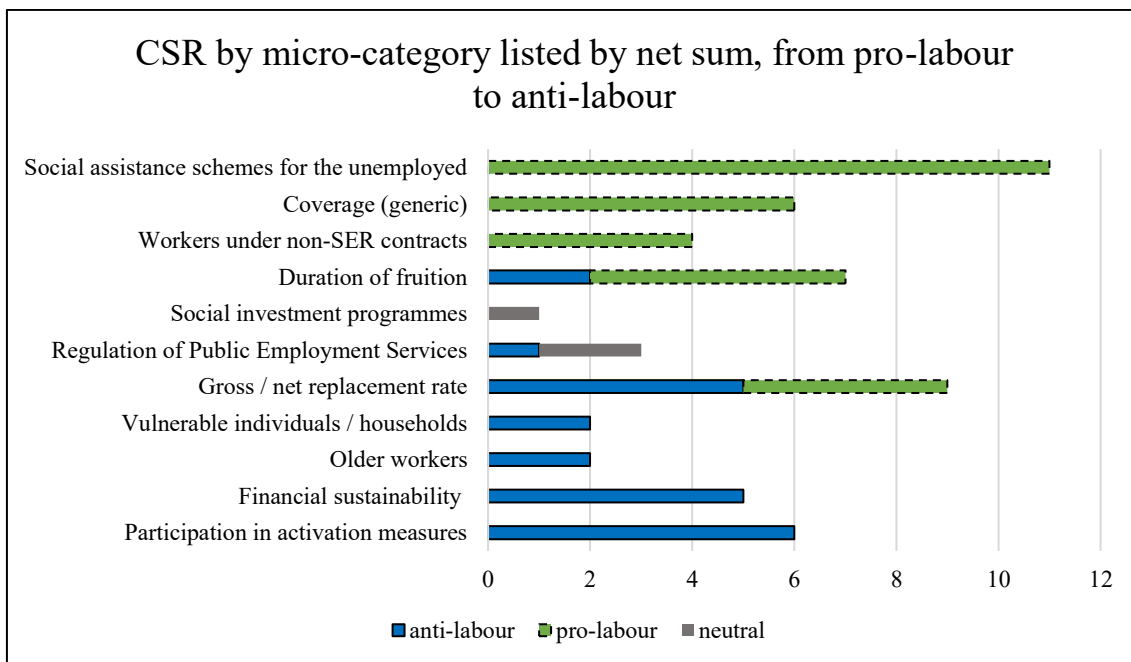
Micro-category

Figure 4 presents the micro-categories along with their respective CSRs, listed according to their policy orientation, thus showing in specific cases a clear pattern of specific micro-categories, which have a strong or unidirectional policy orientation of their recommendations. To explore more in detail both the micro-categories per se and their policy orientation, a description of the categories is provided, with examples from the CSRs.

The next part is organised as follows: as represented in Table B, the LabRef grouping and all the meso-categories are explained, while only the *micro-categories* that received CSRs are described. The other micro-categories descriptions are available in the

Appendix, with examples of reforms from LabRef. Moreover, Table C in the Appendix provides both ideal types and examples of pro-labour and pro-market measures by category.

Figure 4: micro-categories listed by the net sum of the recommendation policy direction value.



The first grouping is represented by the union of the LabRef categories: *coverage and eligibility conditions* and *search and job availability requirements*. This wider classification answers the question: “Who is eligible for the benefits?” and for that reason, within this category, the keyword is “eligibility”, as, for example, the restriction of requirements leads towards a tightening of the eligible pool of individuals. The entitlement conditions can be several and different as they may be work-related, deal with specific individuals’ traits, or are connected with the unemployment spell per se. Nevertheless, the eligibility can be partial or total, meaning that a portion of the benefits can be restricted to specific requirements, which do not automatically exclude the entitlement of the overall insurance. Four meso-categories have been singled out in this grouping.

The first one is the ‘Qualifying period (work/unemployment)’ category, which pulls together all the eligibility conditions that are time-related, thus highlighting a threshold in terms of time that an individual needs to exceed to meet this requirement.

According to Stanescu (2015), the qualifying periods are one of the main distinctive features of each national unemployment insurance scheme. In this case, no micro-categories received CSRs.

The second is the ‘Previous/current job’ category, which attaches eligibility requirements to the kinds of jobs an individual has or had. This is because, within a country’s labour regulation, not all types of jobs provide the opportunity to contribute to unemployment insurance. Hence, the entitlement of benefits may be restricted according to the contract workers have, which inevitably affects the broad coverage of the insurance. Within this meso-category, one micro-category received recommendations.

Workers under non-SER contracts: This micro-category deals with the eligibility for workers who perform non-mainstream jobs or are employed in non-standard employment relationships (SER). Not all segmentations of the labour market are equally secure and represented at the institutional level and thus not all workers can access the unemployment insurance scheme. Traditionally, jobs that mainly employ migrants and women, and recently part-time and self-employed workers are the ones that suffer from this exclusion. After the crisis, the rapid expansion of atypical contracts exacerbates this issue even further. For that reason, within almost each JER and AGS, the Commission calls towards the modernisation of national unemployment benefits, thereby promoting the enlargement of the insurance to include more labour force segmentations. An example is part of the CSR n. 5 issued to Italy in 2014: “*Work towards a more comprehensive social protection for the unemployed [...]*”. As Figure 4 shows, this micro-category embeds only pro-labour CSRs. This reflects the Commission’s strategy to extend the overall recipients pool for unemployment benefits, in response to the growing number of non-standard workers, who do not have access to insurance due to their atypical work contracts (e.g. part-time, self-employed, etc...).

The third meso-category in the first LabRef grouping is ‘Personal traits’. Within this meso-category, the eligibility requirements are attached to individuals’ personal traits. That is when the entitlement is provided by one feature that is intrinsically attached to the individual, without the possibility for other persons to hold this specific characteristic unless they have the specific traits. This particular entitlement is often introduced to permit the access of a specific benefits portion to a selected target group only. Two micro-categories received recommendations within this meso-category.

Vulnerable individuals/households: within this micro-category, the individual feature is a personal vulnerability in terms of at-risk poverty and social exclusion. In other words, when a person is facing economic difficulties, even worsened by unemployment. As shown in Figure 4, the policy direction of this micro-category is pro-market, and even if at first glance this may appear a surprising outcome, it rather follows a rational justification. As pointed out by Le Barbanchon (2016), unemployed unskilled workers and vulnerable individuals may heighten the value of being benefits recipients and significantly increase their reservation wage, which may lead to an increase in the nonemployment spell. In the same way, the JERs call for the improvement of activation policy and ALMPs participation of these target groups, to avoid benefits dependency and the distancing from the labour market. An example of this framework is this part of CSR n.5 issued to Belgium in 2012, which fosters a better link between unemployment benefits and participation in activation measures: “[...] *strengthen the focus of employment support and activation policies on [...] vulnerable groups*”.

Older workers: Elderly individuals represent a specific category of workers that can potentially be very weak within the labour market, especially in case of unforeseen dismissal. In addition, as suggested by Narendranathan et al. (1985), older job seekers may suffer from low employment probability as a consequence of discrimination due to their age, and at the same time, the positive effects of benefits appear to be limited the more the unemployed is older. In these terms, the predominant pro-market policy direction of recommendations (Figure 4) has a similar rationale to the previous micro-category, as they address this framework to improve the participation of older workers in the labour market through tailored activation measures. For example, part of the CSR n. 3 issued to Bulgaria in 2014: “*Improve the efficiency of the Employment Agency by developing a performance monitoring system and better targeting [...] elderly workers*”.

The last meso-category of the first LabRef grouping is the ‘Other types of conditionality’ category. It embeds other kinds of entitlement requirements that do not have any common base/feature among them, but still represent conditionality to fulfil to be eligible for the benefits or being part of the desired target group. Just one micro-category has been addressed with recommendations.

Participation in activation measures: The activation measures are a key component within the framework of unemployment benefits as they are multi-purposes

and indispensable for full-functional unemployment insurance. They can be understood as eligibility requirements as they are attached to benefits entitlement to be fulfilled by recipients, whereby non-compliance triggers benefit reductions, suspension, or withdrawal. Hence, the first and foremost purpose of activation measures is to stimulate good practices for job seekers, thus increasing the probability of re-employment. In other words, activation measures require all benefits recipients a certain value of search effort, thus trying to achieve a quick exit from unemployment (Arni et al., 2013). Furthermore, activation measures are several and different among them. They can range from the more traditional registration at the governmental unemployment office and receiving from it suitable job offers (Moffitt, 2014), to more elaborate activities such as a minimum number of job interviews in a given time and participation in ALMPs. In addition, activation measures embed the so-called job availability requirements, which are constraints for an unemployed recipient to accept a suitable job offer, thus working against the moral hazard risk (Arni et al., 2013). Moreover, one more component of the activation measures is the job seekers' involvement in social capital investment programs. These are training and educational activities with the goal to enhance the employability of the unemployed, by teaching and giving them expertise in specific sectors. In this context, individuals during their benefits recipient spell can attend these activities to improve their positioning in the labour market, while continuing to receive the benefits. In these terms, activation measures also foster up-and-re-skilling as well as lifelong learning, which are all key elements in the EES expressed in all the JERs. Therefore, this wide micro-category gathers all the CSRs that address in some way the broad area of activation measures, whose presence and strictness lower the recipients' reliance on the benefits, thus making these recommendations predominantly pro-market. An example of this kind is this part of the Spanish CSR n. 3 of 2014: “[...] *strengthen the job-search requirement in unemployment benefits [...]*”. For these reasons, the activation measures' rationale is towards the active engagement of insurance recipients to bring them back to employment as soon as possible.

The second LabRef grouping is the combination of the classification *net replacement rate* and *duration of unemployment benefits*. This association relies on the strict relation between the two LabRef classifications, as both of them deal with a major element of the unemployment insurance scheme: the generosity of the benefits. Hence,

this classification answers the question “How many benefits? How much and how long?”. Following this direction, the keyword in this group is “adequacy”. In this direction, only one meso-category has been individualised in this grouping: ‘Benefits adequacy’. This is because both benefits spell and replacement rate are the components that enable the insurance to provide social security for the unemployed. Hence, they highlight the adequateness of the scheme in accomplishing its mandate of smothering the jobless spell of individuals who are experiencing it, by preventing both a drastic reduction of consumption levels and more macro-economically a depression of the aggregate demand, through the cautious balancing between providing income support and avoiding benefits dependency and excessive prolongation of the nonemployment spell. All three micro-categories in this meso-category received recommendations.

Gross / Net replacement rate: The replacement rate defines the “How much?” component of unemployment benefits, and it is used to measure the benefits level that the insurance will grant. It is attached to past earnings or a national earnings index (Moffitt, 2014), and it represents the ratio between the previous wage and the benefits received from unemployment insurance. Moreover, the replacement rate can be fixed and constant or flexible as benefits are fixed in real terms, and also it can be measured in gross or net replacement rate, which depends on whether taxes are considered in the computation: the former is based on gross income, while the latter on net income. As it is a key feature of each unemployment benefits scheme (Stanescu, 2015), CSRs addressed this element while attempting to balance the risk of moral hazard and income support provided for the recipients. Matter of fact, as Figure 4 shows, the replacement rate has been addressed through a mix of pro-labour and pro-market recommendations, with an overall net sum towards the former type. However, this mix does not highlight a clear pattern also vis-à-vis the national data (Figure 3.3), thus underling that the recommendations are most likely context-based rather than following specific bias. An example is part of the CSR n. 2 issued to Lithuania in 2016, as it states: “*Improve [...] adequacy of unemployment benefits [...]*”. Despite the vagueness of the recommendations, in this specific case, this CSR fits well within this micro-category as the 2015 and 2016 Country Report of Lithuania highlighted that cash assistance represents a challenge for the country.

Duration of fruition: this micro-category deals with the other component of insurance adequacy and defines the “How long?” part. Within the unemployment benefits

framework, the aspect of benefits' duration plays a massive role as it indicates the period in which recipients receive benefits if they are eligible. This variable plays a crucial role within the whole unemployment benefits scheme, as scholars such as Katz & Meyer (1990) and Farber & Valletta (2015) have highlighted the negative effects of benefits duration and the extension of the nonemployment spell. Hence, again, the adequacy of the benefits' duration is a complicated and insidious compromise between the positive and negative consequences that derive from it. Moreover, the mix between pro-market and pro-labour recommendations around this micro-category mirrors this overall compromise without underlining particular bias (Figure 4). An example of these recommendations is this part of the CSR n. 4 issued to Hungary in 2014: “*Consider increasing the period of eligibility for unemployment benefits, taking into account the average time required to find new employment [...]*”. Nevertheless, looking at the national variables, countries that received recommendations in this micro-category were featured with values that deviated from the overall average of other member states. However, not the totality of such states received this kind of CSR.

Coverage (generic): Some CSRs are extremely generic and vague on their target/area, without any hints provided within the Country Reports, which otherwise are key to better assigning them. In these instances, although the overall macro area is deductible, the identification within a micro-category would be inaccurate and, in most cases, controversial. Hence, this micro-category has been added to sort all recommendations that are undefined and unclear. Even so, they still fit within the current meso-category, as they deal with the broad concept of adequacy, as in this context, coverage means generically the adequacy of the benefits schemes in providing suitable unemployment protection for unemployed workers. In this context, Figure 4 shows that the CSRs address the concept of coverage exclusively through a pro-labour approach, thus emphasising the overall goal to modernise the unemployment insurance schemes to allow more segments of the labour market to enjoy such social protection. An example of one of them is this part of the CSR n. 3 issued in 2014 to Hungary: “*Improve the effective coverage of unemployment benefits [...]*”.

The third and last group correspond to the last LabRef classification alone, that is *Unemployment Benefits – Other*. LabRef employs this arrangement for all the reforms that are not related to the other groups, but still, a more precise categorisation is essential

in labelling the CSRs correctly, thus avoiding the construction of misleading data. Therefore, within this classification, four other meso-categories exist, whose goal is to highlight less noticeable unemployment benefits policy areas. Nevertheless, some of the following meso-categories are micro-categories in themselves, as further distinctions would be insignificant for the data analysis.

The first meso-category is ‘Social Assistance’. It is a side element in the unemployment benefits policy area, as its policy targets are unemployed. Moreover, social assistance is not just money transfer, but broader practices that aim to support individuals during their nonemployment spell. Hence, this meso-category gathers two micro-categories that consider these two elements of social assistance.

Social investment programmes: these programmes are the training and educational activities previously described (see *Participation in Activation measures*) and represent the non-monetary part of the social support toward the unemployed. Their goal is to enhance the employability of the jobless, thus providing concrete platforms of up-and-re-skilling according to the approach of lifelong learning with the final goal of improving the possibility of the unemployed escaping from nonemployment. For example, this part of the CSR n. 3 issued to Lithuania in 2015: “[...] improve the employability of those looking for work [...]”. However, although the JERs assign a great deal of attention to this framework of skill enhancement, only this recommendation has been individualised. Moreover, the policy orientation is neutral (Figure 4), thus underlying the mainly regulative nature of this framework.

Social assistance schemes for the unemployed: this micro-category represents the money transfer element of unemployment social assistance, which covers those who are left out of the insurance due to either unfulfilled eligibility requirements or benefits expiration. This kind of unemployment social assistance may be administered independently from unemployment insurance or be a part of it, with distinctive eligibility requirements and procedures for applying (Esser et al., 2013). An example is this part of the CSR n. 3 issued to Bulgaria in 2014: “Improve the effective coverage of [...] and social assistance”. As Figure 4 shows, this micro-category has only pro-labour recommendations, thus highlighting that they foster the improvement of social assistance schemes towards more protection, reflecting the approach of providing income support to those who are left out of unemployment insurance and most likely far from the labour

market and facing struggle to escape unemployment. Furthermore, as the number of recommendations within this micro-category is the highest, this mainly suggests that social assistance schemes are a topic particularly common in the policy area of unemployment benefits.

Regulation of Public Employment Services: this category represents both a meso and micro-category. This is because the meso-category is already defined enough, and the creation of further micro-classification would be redundant. Generally speaking, the Public Employment Services (PESs) are those public bodies that manage the registration of unemployment insurance recipients, thus providing a platform for job seeking. Although each member state has its own structure of employment services, the Commission issued some recommendations regarding them with the overall goal of improving the effectiveness of such services. For example, this part of the CSR n. 5 issued to Italy states: “[...] reinforce the coordination and performance of public employment services across the country”. This category is predominantly regulatory, with a neutral policy orientation, as these recommendations mainly aim at improving the public administration rather than embodying a pro-or-anti-labour rationale. Nevertheless, despite the PESs are a very frequent topic within the JERs, this is not the same for the CSRs.

Financial sustainability: as the previous category, this one also is both meso and micro for the same rationale described above. It gathers the recommendations that address the financial sustainability of the unemployment insurance schemes. An example is this part of the CSR n. 6 of 2014 issued to France: “Take additional measures to reform the unemployment benefit system in association with social partners, in order to guarantee its sustainability”. As Figure 4 shows, the policy direction of financial sustainability embodies the traditional EU budget constraints logic, meaning that unemployment benefits were not exempt from the widespread public spending cuts promoted at the EU level in the first half of the period under review. Matter of fact, all the CSRs of this category are pro-market, thus highlighting that fiscal sustainability aimed towards cuts of this social scheme, thus jeopardising its welfare adequacy.

Discussion

The introduction of the Semester marked a significant turning point for the EES and the role the Commission could play in shaping national social policy. Supranational influence over social policy notably increased. Unemployment benefits, embedded within the employment strategy, stand out as a particularly relevant aspect, representing a crucial national social policy.

The historical trajectory of the EES reveals that unemployment benefits, despite the domestic importance, were primarily addressed in tandem with the goals of the broad employment strategy. However, the introduction of the Employment Strategy and its subsequent evolution altered the Commission's focus on this social policy, while creating room for greater supranational influence on member states.

In this context, the research question aims to explore the Commission's approach to unemployment benefits within the framework of the EES through three hypotheses, providing a comprehensive analysis of this dynamic. The main findings, drawn from EU documents and data from CSRs, enable cross-comparison across years, sources, and recipient countries. These findings facilitate the discussion of each hypothesis and, ultimately, the assessment of the research question.

To delve into the hypotheses, the related findings of each of them are summarized, thus offering an interpretation and discussion of each to provide a thorough understanding of the Commission's stance on unemployment benefits within the EES framework.

- **H1:** *The Commission's approach towards unemployment benefits mirrors the trends of the EES.*

Hypothesis 1 explores whether the Commission aligns its approach to unemployment benefits with the main trends and goals of the EES. The identified trends are the increasing socialisation of the Semester and the enduring relevance of the flexicurity paradigm.

In terms of the socialisation trend, the analysis of documents reveals a progressive emphasis on unemployment benefits as social policy, particularly evident within the JERs following the benchmarking activity in 2017. This emphasis sheds light on distinctive features and variations among member states' unemployment benefit schemes. CSR data supports this, showing a heightened Commission interest in this area, notably during 2014-2016. The subsequent increase in recommendations post-2014 further confirms the

Commission's growing focus on unemployment benefits. Furthermore, a shift towards greater social relevance is observed in both documents and CSRs after 2015, with a notable increase in pro-labour elements concerning unemployment benefits, particularly in recommendations from 2017-2019.

Concerning the flexicurity paradigm, the analysis indicates that the Commission approaches unemployment benefits by combining elements of flexibility and security. Documents stress the importance of unemployment insurance schemes that encourage swift re-entry into employment (flexibility) while providing sufficient income support (security). Thus, the recommendations promote various elements of flexicurity, as they address aspects through flexibility (e.g., strengthening activation measures), security (e.g., expanding scheme coverage), or a combination of both (e.g., benefits duration and replacement rate).

Ultimately, the approach to unemployment benefits mirrors the main trends of the EES during the period under review and aligns with its goals. The unemployment benefits approach is developed following EES objectives, emphasising the balance between flexibility and security, promoting active engagement of the unemployed through activation measures, and later enhancing coverage and adequacy of this social scheme. This underscores the consistency of the two trends in the context of unemployment benefits and highlights the Commission's evolving internalisation of the flexicurity concept, transitioning from a predominant focus on flexibility to a more prominent emphasis on security.

As a result, Hypothesis 1 is validated. This implies that the unemployment benefits framework supports theories advocating for the progressive socialisation of the Semester and underscores the relevance of flexicurity as a key concept for the Commission.

- **H2:** *Unemployment benefits-related CSRs are consistent with the approach outlined by the AGSs and JERs.*

Hypothesis 2 aims to evaluate the consistency between two distinct yet interconnected types of Commission inputs. The previous hypothesis has already highlighted a degree of coherence between EES documents and CSRs, particularly concerning the increasing socialisation over time in the context of unemployment benefits. This second hypothesis seeks to expand this evaluation by assessing whether the CSRs issued within each micro-category align with the Commission's broader strategies

(contained in the overarching strategic documents, i.e. the AGSs and JERs).

Starting with micro-categories receiving more pro-labour recommendations, such as social assistance schemes for the unemployed, the findings suggest a clear alignment between the strategic documents and the recommendations. Both emphasise the role of social assistance schemes in combating and preventing poverty and social exclusion, aligning with the prevalence of pro-labor recommendations in CSRs.

Instead, micro-categories like replacement rate and duration of fruition exhibit a mixed approach in both strategic documents and recommendations. The overall strategy, as indicated by AGSs and JERs, encompasses both pro-labour and pro-market considerations, tailored to national unemployment insurance features. This consistency is reflected in the CSRs, which do not exhibit a predominant bias towards either approach when addressing domestic replacement rates or the duration of benefits.

Consistency is again apparent in micro-categories such as social investment programs for the unemployed and the regulation of PESs. Both are addressed by recommendations primarily through a neutral approach, mirroring the Commission's strategy that highlights the need to improve domestic public administration.

For micro-categories such as coverage of vulnerable individuals and/or older workers, financial sustainability, and participation in activation measures, exclusively pro-market CSRs address them. The findings suggest that the Commission's strategy aligns with the overall policy orientation of these recommendations, emphasising activation measures to avoid benefit dependency, addressing financial sustainability through budget cuts, and highlighting the core role of activation measures in achieving the engagement of the jobless.

Conversely, two minor inconsistencies are identified in the micro-categories related to the coverage of young and long-term unemployed. While the Commission's documents frequently mention these groups, CSRs seldom refer to them. However, the strategy for long-term unemployment aligns with activation measures and participation in ALMPs as outlined in the AGSs and JERs. Instead, in the case of youth unemployment, the strategy delineated in the Commission's documents is not fully reflected in the recommendations, given that CSRs do not address this policy target. Nevertheless, unemployment benefits are considered supplementary tools rather than the primary solution to the issue. Consequently, these two instances do not significantly impact the

hypothesis under consideration.

In conclusion, Hypothesis 2 is validated, indicating a broad strategy alignment between the Commission's strategic documents and CSRs in the realm of unemployment benefits. This coherence implies that the Commission's general inputs remain relatively consistent throughout the recommendation formulation process, maintaining its original policy orientation when adopting a pro-market, pro-labour, or mixed approach within the recommendations.

- **H3:** *The Commission's recommendations point to an ideal unemployment benefits scheme.*

The aim of this final hypothesis is to evaluate whether the recommended measures are geared toward achieving convergence in the unemployment benefits schemes of member states. Within this context, only findings related to the CSRs prove valuable in addressing the hypothesis, as the documents delineate the overarching EU strategy, without specifically delving into the details at the national level. Only JERs consistently refer to individual countries, albeit solely to depict the domestic context and highlight ongoing or planned reforms, without shedding light on the overarching potential convergence pattern. However, since Hypothesis 2 has been validated, it becomes apparent that CSRs accurately encapsulate the Commission's approach. This implies that the recommendations can still offer insights into the potential trajectory toward an ideal unemployment benefits scheme. To this end, data from member states have been systematically collected and juxtaposed with the endorsed CSRs.

Based on the findings, several observations can be drawn. In the case of France, it is notable that the country exclusively received pro-market recommendations. This is likely a response to its sustained high expenditure, in contrast to the majority of member states that witnessed a reduction in expenditure during the review period. Additionally, France maintained an overall generous unemployment benefits scheme. Similarly, Belgium was subjected only to pro-market CSRs. The country exhibited the highest unemployment expenditure/GDP ratio in 2010, and even after undergoing significant cuts over time, its overall system retained its high level of generosity. Contrastingly, the Netherlands, despite receiving solely pro-market CSRs, did not exhibit a high expenditure level as observed in the previous two cases. Instead, this country showcased a generous unemployment benefits system, attributed to having the highest values of maximum

benefits duration at the beginning of the analysed period and a relatively high gross replacement rate.

In contrast to the previous member states, Bulgaria was issued with a combination of pro-labour and pro-market recommendations, with the latter being predominant. The pro-labour CSRs stemmed from the subpar performance of the unemployment insurance scheme, which exhibited the lowest coverage in 2010. Simultaneously, the pro-market recommendations were prompted by the weak engagement of the unemployed in activation measures. Similarly, Spain received a blend of pro-labour and pro-market Country-Specific Recommendations, with the former addressing the insufficient coverage of unemployment insurance and the latter, which constituted the majority, aimed at reinforcing activation measures. However, Spain managed to maintain its moderately generous scheme even after implementing expenditure cuts, as its scheme maintained the longest qualifying period, which did not receive any recommendations. Italy also received a mix of recommendations, but the net result was neutral. Pro-labour CSRs were issued due to the overall poor coverage of the Italian unemployment scheme, while pro-market recommendations focused on activation measures and fiscal sustainability. In terms of the latter, Italy was one of the rare cases where expenditures slightly increased over time but remained comparable to other member states. Furthermore, the variables of this scheme have evolved towards greater diversification compared to those of other member states, thereby experiencing divergence rather than convergence.

Contrary to the trend observed in other member states, Lithuania's mixed recommendations are predominantly pro-labour. This result stems from both low expenditure and weak performance, likely hindering the unemployment benefits scheme from offering sufficient social coverage. Similarly, Hungary received a combination of pro-labour and pro-market CSRs, but the former overwhelmingly outnumbered the latter. This member state underwent a notable decline in all adequacy variables during the review period, including coverage as total unemployment over recipient ratio, gross replacement rate, duration of fruition, and expenditure. These changes rendered the Hungarian unemployment benefits scheme inadequate in providing income support for the unemployed, with its variables ranking among the lowest in each aspect. Consequently, Hungary received the highest number of pro-labour CSRs issued to a country. Lastly, Ireland stands out as the sole country receiving exclusively pro-labour

recommendations, albeit in significantly lower numbers than the two preceding countries. The motivation behind these CSRs is not a response to an inadequate unemployment benefits scheme but rather a reaction to Ireland's reduction of benefits duration.

Thus, contrary to the earlier hypotheses, the evaluation of Hypothesis 3 reveals a complex reality rather than a straightforward trend. On one hand, the findings suggest the presence of a convergence pattern, as recommendations often target specific variables in national unemployment benefits schemes that either appear excessively generous or fail to provide sufficient income, social support, or coverage. Notably, the aspect where this convergence pattern is most evident is in unemployment-related expenditures. Over time, the majority of countries reduced their expenditures, thus narrowing the differences among them. Despite this outcome has been significantly influenced by the improvement in employment, a trend of convergence is still apparent. In many instances, countries with higher expenditures underwent substantial cuts, while member states with lower expenditures experienced cuts, but in a less pronounced manner. Additionally, the persistent emphasis in CSRs on strengthening activation measures reflects an attempt to create more uniform benefit schemes that involve, promote, and demand active engagement from the unemployed.

However, on the other hand, three key points challenge this convergence narrative. First, several member states exhibited characteristics similar to those of the issued countries in their unemployment schemes, yet they did not receive any related CSRs. This could be partially explained by the fact that some countries had plans or formulated changes to align their unemployment insurance with the Commission's ideal type, thus avoiding recommendations. However, this explanation does not hold in cases where variables remained unchanged or did not significantly shift over the years, such as the qualifying and contribution periods in Slovakia, Luxembourg's gross replacement rate, and the minimum duration of benefits in Denmark. Second, certain elements of unemployment benefits in some member states experienced an increased divergence over time. Examples include both Romania's coverage ratios, as well as the duration of benefits and both qualifying and contribution periods in Italy. Thirdly, in certain cases, recommendations indirectly address domestic unemployment benefits schemes, probably to 'respect' the policy traditions of them. This means that CSRs may not necessarily target elements that deviate from those of other countries. Instead, they might focus on variables

that align with the majority of member states. This pattern is particularly noticeable in the cases of France and Belgium, where CSRs have addressed aspects that are more aligned with other countries, rather than those that were diverse but traditional to their national contexts.

Thus, the evidence suggests that there is no clear, pre-established convergence path stimulated by the Commission through the Country-Specific Recommendations. However, the findings do reveal a nuanced form of convergence, where overly generous unemployment benefits are addressed through a pro-market approach, while inadequate ones are dealt with through a pro-labour approach. This highlights the existence of convergence, but it aligns more with the overarching objective of the EES rather than with specific national variables, which follow a context-based approach.

In essence, instances of convergence should be viewed as a trajectory that does not necessarily advocate for the creation of identical national unemployment benefits schemes. Instead, the CSRs encourage member states to address those elements that the Commission perceives as potential hindrances to achieving the goals set by the EES. Consequently, Hypothesis 3 is not validated, as the recommendations do not point towards an ideal type of unemployment benefits, but rather they appear to aim for the development of context-specific schemes that can effectively contribute to the goals outlined by the employment strategy.

Considering this, future research could delve into other factors to investigate the key elements influencing the rationale behind CSRs. Given their context-based approach, factors such as national aspects like labour market legislation, unemployment benefits policy traditions, and macroeconomic variables could be potential features shaping this framework.

Conclusion

The objective of this dissertation was to thoroughly examine the Commission's approach to the policy area of unemployment benefits, by addressing three hypotheses. The analysis commenced with in-depth literature reviews focusing on unemployment benefits and the history of the European Employment Strategy. Subsequently, an innovative methodology was employed to gather documentary and quantitative data on the Commission's inputs to the European Semester cycle, thereby identifying policy categories specific to unemployment benefits.

The analysis suggests that, since the introduction of the European Semester, the Commission has heightened its interest and influence over national unemployment benefits schemes. The approach developed by the Commission appears intricately tied to the goals set by the EES. Moreover, rather than aiming at the convergence of specific national features of unemployment insurance toward an ideal model, the Commission's strategy follows a context-based approach. This entails encouraging member states to enhance and develop their unemployment insurance schemes to better align with the broad objectives outlined in the employment strategy. Consequently, the Commission's approach signifies a convergence toward common goals, but not toward a specific ideal type of unemployment benefits. Through such approach, national characteristics play a major role in shaping the EU's inputs.

The gathered evidence suggests that the Commission's approach to unemployment benefits has evolved toward greater social awareness over time, becoming more socially oriented than it was at the start of the period under review. This evolution signifies that the approach was not static but underwent changes. Furthermore, the Commission's overall strategy for unemployment benefits aimed to promote a balance between flexibility and security. Notably, in the first half of the period, the focus was predominantly on promoting flexibility, while from 2015 onward, the emphasis shifted to security. This development aligns with theories proposing a progressive socialisation of the European Semester. Additionally, the analysis indicates that, in approaching unemployment benefits, the Commission demonstrates coherence and consistency as regards the various inputs it promotes.

In conclusion, the Commission's approach to unemployment benefits closely mirrors the broader European Employment Strategy and its development throughout the

analysed period. Moreover, this approach avoids adopting a one-size-fits-all strategy when issuing recommendations to the member states.

As a starting point for future research, the methodology applied in this dissertation could be extended to explore the Commission's approaches in other social policy areas, such as Active Labor Market Policies. Alternatively, future studies could delve deeper into specific aspects mentioned in this analysis, such as the changing framework of how the Commission internalised the concept of flexicurity, the national variables triggering Country-Specific Recommendations, or whether the degree of coherence between EU documents and CSRs results from the absence of hard bargaining in the context of unemployment benefits. In addition, the findings highlighted in this thesis may serve as a foundation for studying more recent developments in this policy area, especially considering the major changes that occurred in the aftermath of the COVID-19 pandemic.

By addressing the Commission's approach to unemployment benefits, this dissertation contributes valuable insights into the overall evolution of both the European Semester and the strategy adopted by the Commission in dealing with national social policy.

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Appendix

In the Appendix, more in-depth information is provided to further extend the discourses around specific topics discussed within the thesis.

Health-related effects of unemployment benefits

According to Cylus et al. (2014), the impact of the benefits behaves differently among men and women. More specifically, the health gap between employed and unemployed men closes itself as the benefits generosity increases. Instead, among women the gap is nearly absent, but still, the presence of benefits is associated with a lower probability of poor health. Apart from that, the generosity of benefits can only partially relieve the negative consequences of being unemployed, as the latter are the consequence of mixed mechanisms and the loss of income from the job is only one of them. Other factors, like “the loss of a time structure for the day, decreased self-esteem, chronic stress, or changes in health-related behaviour” are impactful and out-of-range for unemployment benefits (Cylus et al., 2014, p. 317).

In this same direction, a previous study conducted by Rodriguez et al. (1997) suggests that unemployed eligible for compensation by entailment program do not report higher depression rates than employed people. However, the findings indicate the absence of such a relationship between unemployed who received welfare benefits or no benefits at all. Therefore, they conclude that mean-tested and general welfare benefits do not share the benefits' ability to reduce the poor health risk related to unemployment. Finally, likewise Cylus et al. (2014), the authors remark that the deprivation of income is only a component of more ample consequences of unemployment, where social status and recognition are key variables too, again acknowledging the limited result of unemployment benefits.

Still, unemployment insurance conveys relevant effects to eligible individuals and in general to society as the benefits are part of wider social protection spending. This latter is responsible for the relief of the negative social consequences of the crisis, e.g. in the period 2008-2013, whereby higher levels of social protection spending were linked to lower levels of children living in poverty (Chzhen, 2016). More specifically, unemployment benefits can reduce the aggregate poverty rate (Moffitt, 2014).

AGS & JER analysis in detail, with specific focus on unemployment benefits

2011

For what concerns employment, this AGS settles down the main priorities that will remain more or less the same in the years after. Higher employability to prevent long-term exclusion is the main goal for future labour market reforms, as well as skills improvement and work incentives. Moreover, social benefits should be linked with job searching activities and employment protection should be reduced to achieve flexibility, while public expenditure should be on track. Hence, this AGS reflects the common EU approach at the time, in which social expenditure should be lowered in the name of fiscal sustainability and labour market flexibility. Moreover, this framework is also promoted as part of the business cycle. That is, at the start of the crisis social benefits cushioned the impact of the crisis, but in the year after these schemes should be reviewed to foster employability. The first phase of the crisis where Member States injected fiscal stimuli was described as legitimate and useful to allow welfare regimes to decrease the negative consequence of the crisis, but now (2011) these schemes should be downplayed (even if the recession phase of the business cycle was still ongoing).

Surprisingly, the AGS directly addresses unemployment benefits schemes in this framework. Despite unemployment insurance being part of those welfare schemes that cushioned the social consequences of the crisis, the AGS calls their review towards more adaptability to the business cycle thus avoiding benefits dependency and ensuring the right incentives to work. In particular:

- 1) Unemployment benefits should reward work returns being time-limited and conditional to training and job search.
- 2) More coherence between labour tax and benefits, which aims to reduce labour tax and less generous benefits to reduce the moral hazard effect.
- 3) More adaptable unemployment benefits to the business cycle, in which their protection is reinforced in times of economic downturn and decreased during the economic restart.

In the same direction, the JER calls for growth and employment-friendly social benefits, thus advocating towards review of social benefits to ensure sustainability and adequacy, while improving coverage and activation measures attached to eligibility. The rationale behind these is to tackle labour market segmentation and long-term

unemployment, which are extremely left out from activation measures.

The JER recognises that fiscal sustainability goals impact the social protection effectiveness, as “tightening conditionality, shortening duration, or reducing the level, changing indexation rules of benefit schemes may affect adequacy”; but this issue is addressed through advocating for more efficiency, effectiveness, and better implementation.

In this framework, Member States are called to review their unemployment benefits schemes in these ways:

- Intensify activation policy as in 2011 unemployment benefits recipients are high, in particular among young, temporary, low-skilled, and migrant workers.
- Although unemployment benefits cushioned the crisis impact, now they need to become more flexible to improve labour market performance by providing incentives to work, avoid benefits dependency, but still provide the right income support, while including sanctions for non-compliance recipients. All this while staying along to the business cycle.
- Unemployment benefits should be approached according to the ‘mutual responsibility’ concept, that is both adequate access to the benefits and job-seeking support from the state, with the strengthening of the search effort to escape unemployment from the unemployed.

Therefore, in 2011 the EU documents for unemployment benefits followed the traditional economic fiscal rigours framework over social support. Unemployment benefits are called to be less generous and more linked to activation measures to escape unemployment as soon as possible in the classic first-job approach. Employment priorities overshadow social ones, such as labour market fragmentation and poverty and unemployment benefits should be adequate to this end. Nevertheless, unemployment insurance received significant attention, which was not the case in the following years.

2012

In general, this year AGS focuses on the implementation of the previous priorities, and a new priority that collects some of the former is created under the name of ‘Tackling unemployment and the social consequences of the crisis’. Unemployment, long-term unemployment, youth unemployment and in particular the NEETs category are still increasing, and the job perspective is deteriorating. Labour market rigidities and

employment protection need to be reviewed through the correct coverage and implementation of ALMPs to avoid marginalisation and tackle these challenges. Unemployment benefits are addressed according to this rationale:

- 1) Unemployment benefits have to adapt to this employment framework, combining activation measures and training and support schemes to facilitate escaping from unemployment.

Similarly, the JER highlights activation measures as an essential aspect of an adequate benefits system. These measures can help people to go back to work, supported also by the activities of the Public Employment Services (PESs). However, although income support is also remarked as essential to prevent the marginalisation of low-income and vulnerable groups, its relevance is not further explored in the context of unemployment benefits. Moreover, the JER underlines that fiscal stimuli (among which increased unemployment expenditure) in the immediate aftermath of the crisis have significantly sustained the disposable income of the household, but without going into further detail. On the contrary, benefits conditionality due to the large number of recipients is promoted, while social benefits coverage should be improved to include the new type of employment which are in expansion (temporary and part-time). Nevertheless:

- Unemployment benefits schemes should be reviewed according to fiscal sustainability and activation measures, as in the aftermath of the crisis the number of recipients who rely on unemployment benefits has increased, and further pressure on social assistance schemes will occur as many recipients will eventually expire their entitlement.
- Matter of fact, some Member States implemented reforms to cut unemployment benefits.

2013

This year AGS is particularly 'negative'. It recognised the several social consequences due to the crisis, and although the initial fiscal stimuli sustained the welfare system to cushion them, this effect is now deteriorating. Long-term unemployment, unemployment, youth unemployment and NEETs, withdrawal of people from the labour market, poverty and social exclusion, skills bottlenecks and mismatch and labour market segmentation (due to the increase of non-SER contracts non-covered by social schemes) are all worsening. However, the AGS calls for the effectiveness, adequacy, and

sustainability of social systems, while acknowledging that the social protection schemes are compromised due to the increase in unemployment, poverty, and social exclusion, as well as a decrease in household disposable income. Moreover, The AGS positively refers to the ambitious reforms implemented in the EU to “facilitate flexible working arrangements within firms, reduce severance pay for standard contracts and simplify individual or collective dismissal procedures” (p. 10).

- 1) Unemployment benefits follow this direction, as they need to be monitored to ensure appropriate eligibility and job-seeking requirements. This means improving the coverage to provide income support for the unemployed or reducing it to respect fiscal sustainability according to the domestic features of the labour market and unemployment insurance scheme, (Member States with poor coverage should increase it while the ones with too broad coverage should tighten it), with however a high degree of vagueness. Nevertheless, the link between benefits and ALMPs is confirmed again.

In the AGS, social assistance is also nominated to avoid poverty and social exclusion, and the need to expand their adequacy and coverage to deal with these issues.

Instead, the JER remarks that member states under fiscal consolidation are experiencing more negative social consequences and more in-work poverty and social polarization. Moreover, the initial positive effect of fiscal stabiliser after 2010 has been further lowered, thus resulting in higher poverty rates and increased difficulty in finding jobs. The fiscal consolidation has been characterised by the reduction of the benefit entitlements over time along with the phasing out of initial income support measures and the cutbacks in social spending. However, social assistance still provides income support in some member states to improve their effectiveness against poverty.

- Unemployment benefits have been part of the overall national cut under fiscal rigours. In many member states, the link with activation measures to prevent long-term unemployment has been strengthened, under the approach of ‘mutual responsibility’. In addition, stricter eligibility along with fewer benefits periods and decreased allowance reforms have been pursued by member states.

Moreover, although the ALMPs are considered a key element, especially in avoiding long-term unemployment, the expenditure for them is extremely variable among member states, and their effect on long-term unemployment prevention is not as linear as

suggested.

2014

This year AGS highlights the rigidity of the labour market as a hindrance to competitiveness and growth, thus promoting flexibility. Unemployment, long-term unemployment, youth unemployment and NEETs are still high and increasing. The document also predicts the further deterioration of the context in the short term and the following increase of social inequalities. The main priority is once again to enhance unemployed participation and to preserve jobseekers' employability while ensuring a functioning social safety net. Concerning this, social protection, and social assistance, in general, are addressed as tools to reduce inequalities and poverty through income support and activation measures. However, there is no direct reference to unemployment benefits in this meaning. A hypothesis may be that unemployment benefits are considered a stimulator of labour rigidity, segmentation, and slow employment; this neglects all the positive elements of this insurance scheme.

Generally speaking, member states have continued their policy of reduction and weakening of unemployment benefits scheme behind the rationale of incentivising work return and increasing the flexibility of an already flexible and segmented labour market, where inequalities and poverty are spread across the countries.

In addition to the decreasing performance of EU labour markets, the JER underlines also the increasing divergence of Member States in their employment indicators. Long-term unemployment has doubled since 2008 and still is in expansion, while the finding rate continues to fall thus further deteriorating labour market matching in several Member States. Moreover, fiscal sustainability did not only foster a cut in social expenditure but also a decrease of funds for both the ALMPs and the PESs' activities, thus compromising the very goal of improving employment. Furthermore, the JER shed significant light on the skill issue that affects the EU labour market, as low-skilled workers are the main ones to experience unemployment and long-term unemployment. In this same direction, households' disposable income declined further as the stabilising effect of social spending on household incomes lessened after 2010, even if the first phase of the crisis social spending played a significant role in supporting them thus avoiding the risk of poverty.

- Unemployment benefits were a part of this increased social spending, but it declined (as well as other social expenditures) under the fiscal sustainability rule dictated by the EU. As social spending (among which unemployment benefits) did support households' disposable income in that period and then declined, there is a direct link between the reduction of social schemes (among which unemployment benefits) and households' disposable income, which is related to the risk of poverty and social exclusion.

The JER underlines also that Member States' employment protection legislations continued to be changed towards the flexibility of the labour market.

- Member states mainly enforced the ALMPs in the framework of unemployment benefits conditionality for eligibility but providing more income support as social assistance (unemployed not covered by unemployment insurance).

2015

The impulses of the new Juncker Commission are already evident: both AGS and JER changed their structure to address with more significance the social elements. Nevertheless, the EU labour markets are still featured with high unemployment and long-term unemployment and the new AGS aims to tackle these issues by stimulating the creation of more and better jobs, while modernising the ESM and enhancing the role of EU social partners. This latter aspect will be embedded in all the AGS and JER of the next years, thus underlining the increased importance of social policy actors within EU governance.

The parading is now addressing labour market rigidities and modernising social protection systems to tackle the high unemployment in the EU. Under these premises, employment protection should aim to boost recruitment and protection, while reducing labour market segmentation and deal to combat poverty and social exclusion. The new key work is fiscal responsibility (over fiscal sustainability).

- 1) Eligibility extension of unemployment benefits is now pointed out as an effective reform.
- 2) Benefits (among which unemployment benefits) need to directly address the issues of youth and long-term unemployment both providing adequate income replacement and activation measures and services to support it, in the framework of 'one-stop-shop'.

The JER highlights the concern from the actual employment and social situation: among the previous challenges, NEETs and at-risk poverty and social exclusion are increased as well as labour market segmentation and the deterioration of matching efficiency in the labour market, which put both ALMPs and PESs at stake. Hence, there is new attention towards workers' skill improvement through education and training to improve the overall supply of skills. In this framework, social protection systems play a role in allowing unemployed workers to invest in their human capital to become more valuable in the labour market and provide more adequate skills, thus avoiding future nonemployment.

- Unemployment benefits should align in this direction, in particular for what concerns the long-term unemployed, thus fostering labour market activation and reintegration through job training and job search.
- At the same time protect those furthest away from the labour market

Moreover, looking at the social expenditure in the period 2008-2012, the JER highlights that the 2009 peak in the first 'fiscal investments' phase of the crisis was mainly driven by unemployment expenditure, but then the crisis changed the structure of social protection spending. This is visible because the increase in unemployment and social expenditure per habitant was modest despite the spike in unemployment, which means that, overall, unemployment and social expenditure have been cut, thus significantly decreasing households' disposable income.

At the national level unemployment benefits have been reformed to tackle labour segmentation and improve the inclusion of training opportunities for the unemployed.

2016

The traditional challenges of the EU labour market are still the same: high unemployment, high long-term unemployment, and youth, particularly NEETs, as well as labour market segmentation and skill mismatch. Low-skilled workers are the ones who suffer more risk of becoming unemployed or escaping from it only with precarious job contracts. The framework suggested is to balance flexibility and security, through the concept of fiscal responsibility. In addition, fiscal investment in training and education gains importance as they are social investments that have significant returns over time both economically and socially. Moreover, employment protection acquires for the first time the task to promote labour market transition but not in more precarious jobs, thus

underlying the switch of paradigm from ‘first-job’ to ‘better-job’. In the same direction, social protection systems have to protect citizens against poverty and social exclusion while preserving work incentives and public finances, which are not anymore at the core of the strategy.

- 1) Nevertheless, unemployment benefits schemes need to continue to constitute an incentive to enter the job market.
- 2) However, unemployment benefits should allow the unemployed to invest in job training and search to improve their skills and matches within the labour market, thus avoiding precariousness.

Hence, the AGS promotes unemployment insurance as a solution for increasing skills while having adequate income support to search for better jobs thus reducing job mismatches. Again, all this while ensuring that they do not obstacle the return to work, thus avoiding the moral hazard risk.

Furthermore, this year the benchmarking activity of the unemployment benefits and ALMPs within the Member States started, as common benchmarks could be defined to support upward convergence processes among countries while recognising the different starting points. The results of the benchmarking activity will be available in the 2018 JER.

Although several challenges, employment and social variables are improving, but the divergences between Member States still persist. Employment rate, unemployment, long-term unemployment, NEETs and youth unemployment, households’ disposable income and people at risk of poverty and social exclusion are still high, but now are all stabilised or slowly improved. The main priority is to reach the long-term unemployed as they constitute 50% of nonemployment, by improving ALMPs and PESs activities, which however in many countries have experienced a tightening of the budget. In addition, only half of the countries in the EU tackle long-term unemployment directly. Nevertheless, the general framework and rationale behind the social benefits are the same as the previous year: they should protect from poverty and social exclusion through adequate coverage and adequacy while linking the entitlement of the benefits with activation measures to support labour market integration.

Despite unemployment benefits having acquired more relevance in the previous years' documents, both 2016 AGS and JER partially exclude this policy area. Most likely

to wait for the first results of the benchmarking activities.

2017

On the contrary to the previous year, unemployment benefits gained more relevance than ever in this year's documents. In the same direction, the social element and its goals are particularly highlighted. Already in the introduction, the AGS calls towards a strengthening of investment for youth and jobseekers, to enhance their labour market employability. Job creation and skills enhancement are key to achieving greater labour market participation, more quality jobs and effective training and upskilling. Moreover, the AGS explicitly remarks that "Member states that pursued comprehensive labour market and social protection reforms prior to the crisis have been better able to support employment and preserve fairness during the economic downturn" (p. 10), thus confirming the importance of social protection reforms. In addition, the better-performing states tend to have a more strongly established social dialogue. Once again, social protection systems need to improve to embed effective promotion of labour market participation and adequate employment security and income replacement.

- 1) Unemployment benefits are now described as crucial in preventing social exclusion through their coverage and adequacy.
- 2) Moreover, unemployment insurance should be featured with sufficient length, eligibility, and replacement rate and be accessible to all workers irrespective of their job contract.

Hence, both the protection component and the accessibility are enhanced to prevent poverty, improve job quality-match, and reduce labour market segmentation by addressing the differences between in-sider and out-sider of the labour market (SER and non-SER contracts), thus making possible a large slice of workers to be unemployment benefits recipients. Hence,

- 3) Unemployment benefits can increase both macroeconomic stability and labour market attachment whilst reducing precariousness.
- 4) Once again, the preservation and promotion of the right incentives to return to work continue to represent a key element, in particular, benefits' link with activation measures and job search efforts.

The JER confirms the slow but still significant improvement of EU labour market conditions. Moreover, the JER sheds light on Member States' efforts to update education

and training systems to enhance workers' skills supply while also modernising their social protection systems to improve adequacy and coverage, as well as encouragements of labour market participation. All this with the aim to improve the overall social inclusion and the citizens' engagement in the labour market. However, tackling long-term unemployment is still a priority due to the high number and the skill depreciation that occurs during nonemployment. Hence, the more a worker is unemployed, the more difficult it would be to find new suitable jobs, thus risking turning cyclical into structural unemployment.

- To this extent, the PESs play a crucial role and their effectiveness highly depends on the duration and eligibility of unemployment and social benefits, and the obligations and sanctioning mechanisms linked to these benefits.

The benchmarking activity – called “Benchmarking and pursuing best practices in the labour market” – embeds the goal of strengthening mutual learning and stimulating convergence towards best practices implemented successfully in Member States. This activity was initiated for Member States unemployment benefits and ALMP schemes last year.

- For what concern unemployment benefits, the duration, the level, and the eligibility criteria for unemployment benefits along with a policy principle of access to early support adapted to the labour market situation of individuals have been identified to enable benchmarking. The result will be discussed in next year's JER.

Instead, Member States have reviewed some elements of their unemployment insurance, to align with the new paradigm fostered by the Commission. Matter of fact, Member States have implemented more social-oriented policies, e.g. raising of unemployment allowance, the extension in duration and coverage and the introduction of gradual tapering for those entering employment. Instead, activation measures and PESs' activities have been strengthened by establishing binding agreements between them and unemployment benefits recipients.

2018

This year AGS confirms the positive trend of the EU labour market started in the previous years. Employment is increasing, while long-term and youth unemployment are decreasing, as well as the NEETs. In this context, the AGS advocates towards the

traditional sustainable and adequate social protection system. Moreover, as employment increased mainly through non-SER contracts, job security and social protection need to be flexible enough to avoid the exclusion of these new kinds of working arrangements. ALMPs still play a crucial role, in supporting job search, training, and requalification to foster labour market participation, in the same framework of the benefits system that needs to provide adequate well-targeted income support also aimed at reducing inequalities. In these terms,

- 1) Unemployment benefits are prescribed to provide adequate benefits for a reasonable duration without becoming a disincentive to work.
- 2) Moreover, unemployment insurance schemes need to adapt to the evolving form of employment and ensure accessible entitlements to non-SER workers too, by also making it easier to accumulate contributions from multiple jobs.

Hence, the AGS calls towards more inclusive and protective unemployment insurance schemes.

In the same direction goes the JER, which confirms the expansion of the economy together with the labour market and social situation. However, the employment gap between low-skilled and high-skilled workers is excessively large, thus underlining the necessity to improve the skills of workers to avoid the unemployment trap due to the skill depreciation over the jobless spell. At this end, the activation of benefits recipients through ALMPs or educational/training services is key in ensuring labour market reintegration.

- Once again, coverage and adequacy of unemployment benefits schemes need to be flexible and adaptable to the new circumstances of EU labour markets featuring non-standard workers to socially protect while including them in the activation measures. In particular, considering the differences across Member States, governments are called to extend eligibility to self-employed and freelance workers, in line with the European Pillar of Social Rights principles.
- Non-SER workers and self-employment have limited access to social protection and unemployment benefits – this is because from this year this issue has gained more importance – as more than half of self-employed are without potential access to unemployment benefits; while non-standard workers rarely fulfil the eligibility requirements due to their work contracts, with the result that a third of temporary

workers do not have potential access to unemployment benefits. Hence, traditional unemployment insurance schemes still assume a long-term, full-time relationship between a worker and a single employer. This put a great deal of attention on the modernisation of the unemployment benefits schemes.

Therefore, in these later years, several Member States have amended their unemployment insurance schemes in line with the current EES. For example, unemployment benefits have been extended to non-SER workers, while, at the same time, the activation measures of recipients have also been strengthened comprehending stricter conditions to refuse suitable job offers without losing the benefits, financial sanctions in case of non-compliance and obligation to register to the PESs in a limited amount of time. Moreover, sustainability or benefits generosity have been improved in insurance schemes that lack either of the two.

However, the key significance of this year's JER is that it embeds the results of the benchmarking activity: the state of play of unemployment benefits. This benchmarking has outlined unemployment benefits:

- i) Three outcome indicators: unemployment rate, long-term unemployment, and at-risk of poverty rate of the unemployed.
- ii) Two performance indicators: the share of people wanting to work participating in regular activation measures and coverage of unemployed with unemployment duration shorter than 12 months by unemployment benefits.
- iii) Three policy lever indicators: replacement rate, eligibility conditions and benefit duration.

The benchmarking activity shed a significant light on the unemployment insurance schemes of Member States, and in particular their divergences and performance.

- a- Unemployment benefits systems featured with appropriate levels and broad coverage combined with effective activation strategies and support services can support and increase the transition back into employment.
- b- The EU coverage of unemployment insurance is 1/3 of the short-term unemployed. The share of benefits recipients declined slowly after the crisis: in 2008 the coverage was 34.4%, while in 2016 it was 32.4%. However, the cross-country differences are significant and mainly depend on the policy design,

eligibility requirements and duration, as well as the presence of other social benefits schemes.

- c- The required reference/contribution period is the key variable that affects the eligibility for unemployment benefits. More required work record is translated into less coverage and a fewer number of recipients, as well as less length of benefits period. In addition, on average, national schemes follow a $\frac{1}{2}$ ratio between the contribution period and longer reference period (which allows taking into account periods of non-employment in the computation). These parameters affect the eligibility as shorter contribution periods with extensive reference spells allow easier access to the benefits also for workers who experienced discontinuous careers, while they may incentivise unnecessary worker turnover.
- d- Benefits duration is another key component that varies between countries, in some cases, it is extremely low, while in others it is even higher of the contribution period.
- e- The same discourse of divergence is applied to the net replacement rate, which identifies the adequacy of the unemployment insurance schemes. In addition, several variables affect Member States' replacement rate, such as previous earnings, seniority, duration, and household composition. Instead, concerning the change over time, looking at the replacement rate in the short (after 2 months) and in the longer (after 12 months) periods, the decrease of the rate is appreciable in several Member States.
- f- As suggested also in previous years JERs, the intensity of the activation measures linked with unemployment benefits are diverse across the EU. However, the continued importance attributed to the EU has – over the years – stimulated governments to implement these measures. The activation measures aim to encourage recipients to remain engaged in the labour market and avoid inactivity. Activation measures embed both availability requirements (also in training activities) and job-searching requirements, as well as sanctions.

Moreover, this latter aspect is also influenced by the link between PESs and unemployment benefits, which can enhance or hitch the success of the activation measures.

Once again, the European labour market conditions are in a positive trend, and this year AGS highlights that the unemployment rate is now at pre-crisis level. In addition, youth and long-term unemployment are decreasing. Despite these positive trends, particular attention is on the issue of skill shortage, as Member States' labour markets are still facing skill mismatch and labour shortages in specific sectors. Against this backdrop, the AGS calls towards more growth-friendly social protection systems that combine flexibility and security while extending their coverage and being adaptable to modern job contracts; but also facilitate transition between jobs while tackling segmentation and in-work poverty through the promotion of active engagement in reskilling or upskilling activities and mobility.

Although the AGS does not directly address unemployment benefits, all these recommendations are towards them too. Hence, the AGS reflects a more pro-labour approach as it fosters more coverage to secure all the workers, without sacrificing the activation measures element, which however is more inclined towards education and skill enhancement to improve the mismatch and skill issues.

Again, the JER confirms the overall progress of the Social Scoreboard accompanying the European Pillar of Social Rights, as employment is increasing in line with strong job creation, as well as the risk of poverty and social exclusion. However, unemployment is still high in several countries, particularly for young and low-skilled workers, while labour market segmentation is still an issue too. EU social protection systems are headed towards balancing flexibility and security while tackling labour segmentation through their modernisation and strengthening coverage and adequacy of benefits and services.

- Unemployment benefits are highlighted as key to supporting the jobless transition through the provision of adequate benefits for a reasonable duration and accessibility for all workers, especially the atypical and self-employed.
- This should be accompanied by the strengthening of activation requirements for recipients, also for the long-term unemployed.

The JER sheds light also on the social expenditure of Member States. Although in recent years social expenditures have increased in all EU countries, as a percentage of GDP it increased in 7 of them. This outcome is driven by the decreasing spending on unemployment, as employment and labour market conditions improved in recent years.

Just like the JER of the previous year, this one also includes the benchmarking activities of unemployment benefits of Member States, together with the ALMPs' participation. Concerning this latter, the situation in the EU is extremely diverse and surprisingly the engagement worsened after the crisis, despite a great deal of attention from the EU.

Concerning the other variables of the benchmarking activities, no significant changes are registered between the two JERs. The only aspect is that this year's document has more updated data. In addition, no major changes were made in national unemployment benefits schemes. Nevertheless, the results are provided.

- a. The coverage is still 1/3 of the total unemployed and slightly increased from last year. Net replacement rates required period of contribution and length of the benefits spell is not significantly changed either.
 - b. Following this trend of variation, Member States vary concerning availability to work requirements and job-search requirements attached to unemployment benefits, as well as potential benefits sanctions in case of non-compliance.
- The analysis of this data shows that Member States combine stringent provisions for certain elements and less rigour for others within their unemployment insurance schemes. The combination of these elements ultimately determines the national approach to deal with the moral hazard issue that intrinsically exists within unemployment benefits schemes. On one side, strict job-search availability requirements encourage job-search effort and balance the disincentives that may derive from benefits entitlement such as benefits dependency. On the other hand, excessively stingiest requirements may negatively affect the coverage of the benefits as well as deteriorate the quality-match of jobs, thus augmenting the future probability of unemployment re-entry.

2020

This year AGS is the first under the new von der Leyen Commission. European labour market performances are still improving but at a slower pace. To fight the issue of low-skilled workers and their precariousness, the AGS calls towards comprehensive skills strategies, thus aiming at up-and-re-skilling adults. At the same time, the at-risk poverty problem is underlined, together with the labour market segmentation due to the rapid

increase of atypical workers. In these terms, social protection systems need to be adaptive to all workers, while optimising and strengthening participation incentives together with financial sustainability and adequacy.

Although no direct references are made to unemployment benefits, an unprecedented element rises in this year's AGS.

- 1) The creation of a European Unemployment Benefit Reinsurance Scheme - SURE is proposed as supporting complementation of national unemployment insurance schemes to ensure adequate support for workers in the event of strong economic shock.

Hence, after the increased attention paid to unemployment benefits over the years, the Commission proposes a European one.

The JER confirms the improvement trends on employment, unemployment (in late 2019 new low record of 6.3%), and both long-term and youth unemployment – but they are still a challenge, as well as social exclusion and at-risk poverty. The PESs have increased their role, while social protection systems are under a new wave of modernisation through the expansion of coverage and development of adequacy. Nevertheless, several labour groups face difficulties in accessing social protection schemes, in particular self-employed and non-SER workers.

- In line with these general provisions, the JER underlines that unemployment benefits should provide benefits for a reasonable duration to all categories of workers while delivering job-seeking support through ALMPs and promoting swift re-employment as well as promoting mobility for workers and learners to minimise negative benefits' disincentives.

For what concerns the benchmarking activity, the data are very similar or even unchanged from the date of the years before.

- a. The coverage is more or less the same for 1/3 of the unemployed, with significant differences among countries.
 - b. Both net replacement rate and length of the benefits also do not experience significant change in the later years. Concerning the former, the traditional trend of diminishing during the jobless period is still present.
- Since 2008, most EU Member States have experienced a decrease in the qualifying period necessary to be entitled to unemployment benefits.

- This trend is a part of the Member States' effort to improve and modernise the coverage of their unemployment insurance schemes. In this direction, several governments have made significant changes to improve the coverage and effectiveness of unemployment benefits systems. In particular, the national reforms aimed to extend the coverage to self-employed and atypical workers or to include in the eligibility those unemployed who follow particular training activities, or more inclusion of long-term unemployed and older unemployed.
- Finally, the JER confirms the overall decline of unemployment benefits expenditure since the 2016 labour market condition improvements.

Instead, social protection expenditure as a share of GDP increased in 9 Member States.

Micro-categories description

As explained, the individualised micro-categories have been developed to collect both recommendations from the CSRs database, as well as the reforms from the LabRef database. This aspect is the main reason for the presence of several empty micro-categories while looking at only the recommendations. Although the aim of this study is to explore the Commission's approach towards unemployment benefits and to further contextualise and explain the individualised micro-categories, the explanation of the ones that have not been addressed above is now provided. Hence, those categories that did not receive any recommendation are described with examples of reforms from LabRef. Furthermore, Table C provides ideal types and examples for each micro-category and policy orientation, resorting to both national reforms and CSRs.

Required reference period/contributions: This micro-category deals with reforms that address the amount of time that an individual must have work – and thus contribute – to be eligible for unemployment insurance and comprehends the qualifying period too. This latter highlights the broader period in which different job spells count for benefits eligibility. Furthermore, the entitlement requirement may be related also to the actual amount of monetary contribution that a worker has paid while being employed. This spell is numbered in most of the cases in terms of weeks or months, but in some instances in days too. An example is this part of a 2017 Bulgarian reform: *“From 2018, the right to unemployment benefits requires 12 months of insurance in the last 18 months instead of the previous rule of 9 months of the last 15”*.

Unemployment duration/long-term unemployment: Contrary to the micro-category before, within this one, the entitlement period corresponds to the spell of jobless time an individual has to experience to be eligible. Hence, this category aims to gather reforms that address the long-term unemployed, who due to their long period of unemployment have already expired their benefits. An example of this kind is this part of a Portugal law of 2016: “*Extraordinary benefit of 180 days for long-term unemployed who are no longer receiving initial or subsequent social unemployment benefit*”. However, a policy may tackle this same context but in the opposite direction, as reforms can aim to reduce or eliminate existing benefits for long-term unemployed to avoid the risk of moral hazard.

Individuals not covered by unemployment insurance: Although the unemployment benefits schemes have extended their coverage over time, the recipient rate still struggles to cover all labour market segmentations. This means that there are unemployed workers who do not fulfil all the eligibility requirements, thus without any sort of benefits from unemployment insurance. Therefore, within this micro-category, there are policies whose goal is to extend coverage to individuals who are unemployed but not before eligible. An example is the following German regulation of 2016: “*Participants in vocational training programmes are able to apply for basic income support for job seekers [...]*”.

Women unemployment: Traditionally, women have been the labour force of those portions of the labour market poorly represented. However, as society moved forward towards women's emancipation, they started to join different and more socially covered segments. Despite this, women still face troubles and unfair treatment inside the labour market. For this reason, unemployment policy may be formulated to have women as a target group. For instance, the 2018 Spanish Royal Decree 950/2018 tackled this situation, as it aimed to foster a progressive implementation of the principle of equal treatment for men and women in social security matters.

Residence: This micro-category highlights when the entitlement of benefits is attached to the residency in the country whose social system would carry the cost of the insurance. This eligibility condition is not very recurrent, but still noteworthy. For example, a part of the 2018 Finnish ‘Act on Residence-Based Social Security in Cross-Border Situations’ states: “*For persons moving to a country other than EU/EEA country or Switzerland, the new act reduces from one year to six months the allowed period of*

residence outside Finland, before losing the entitlement to Finnish-residence based social security". Often this specific eligibility condition is not a specific requirement attached only to the unemployment benefits, but it is part of a much broader national social security eligibility requirement, of which unemployment insurance is part.

Mean-testing: This micro-category embeds reforms that relate the eligibility to the presence of potential other benefits recipients' sources of income. This is because unemployment prevents individuals from receiving income from wages, however, they may still hold other remunerations. Insurance schemes should not ignore this eventuality, as otherwise, they might grant unnecessary social protection for wealthy unemployed who still have side assets. Hence, unemployment insurance schemes may be designed to grant the benefits only to those who do not possess any form of remuneration or reduce the benefits in case of other income presence. This Finnish law of 2013 is an example, as it states: *"When income exceeds EUR 300, unemployment benefit is reduced by 50 per cent of the income"*.

Other administrative regulations: This last micro-category aims to represent a wide policy area, in which various regulatory reforms can be included. It is the most generic and marginal category, but its rationale is to include those regulative policies about unemployment benefits that otherwise would be lost or represented incorrectly within other categories. Broadly speaking, this type of reform has the goal of correcting, supplementing, and developing the insurance schemes thus allowing smoother navigation for both recipients and bureaucrats. An example of this kind is this 2014 Estonian law, which deals with the simplification of benefits application: *"Making the procedure for application for registration as unemployed simpler and more flexible. E.g. electronic submission becomes possible"*. These types of reforms are extremely context-based and aim specifically at one feature of the unemployment benefits scheme, thus making this framework incompatible with the vagueness of the CSRs.

Table C: Example of pro-labour and pro-market measures by category

Category	Policy direction	Ideal type(s)	Examples from CSRs and/or LabRef
Required reference period / contributions	Pro-labour	Extension of the qualifying period and/or reduction of the contribution period	The 2018 Portugal law that reduced the contribution period for economically dependent workers from 720 to 360 days.
	Anti-labour	Reduction of the qualifying period	This France reforms of 2019: <i>"To receive the benefit, the</i>

		and/or increase of contribution period	<i>person must have worked 6 months of the last 24 compared to the previous condition of having worked 4 months of the last 28”.</i>
Unemployment duration / long-term unemployment	Pro-labour	Introduction or increase of benefits for unemployed who have already expired the standard benefits	This Portugal reform of 2016: “ <i>Extraordinary benefit of 180 days for long-term unemployed who are no longer receiving initial or subsequent social unemployment benefit</i> ”.
	Anti-labour	Removal of benefits for unemployed who have already expired standard benefits	The abrogation of benefits tailored for long-term unemployed that was adopted in Bulgaria in 2010.
Workers under non-SER contracts	Pro-labour	Inclusion of atypical workers to be eligible	The inclusion of self-employed workers within the unemployment insurance under the same rules of employees, as result of a 2013 amendment in Croatia.
	Anti-labour	Exclusion of atypical workers from being eligible	An Estonian 2014 reform that excluded workers members of a board of management or supervisory body of a legal entity from being eligible for unemployment benefits.
Individuals not covered by unemployment insurance	Pro-labour	Loosen of eligibility requirements to include previously non-covered unemployed	The Finnish reform of 2018 that granted benefits to the unemployed who start a limited study period for vocational competencies or support their entrepreneurial activities.
	Anti-labour	Tightening of eligibility requirements that exclude previously covered category	A 2011 Belgium amendment that removed benefits from young school leavers who have never contributed to the unemployment benefits system and are not actively looking for a job.
Unemployed women	Pro-labour	Introduction of benefits tailored for unemployed women	The 2018 Spanish Royal Decree that changed the calculation of contribution days, which aims to implement the principle of equal treatment for men and women in social security matters

	Anti-labour	Removal or restriction of benefits tailored for women	Not found.
Vulnerable individuals / households	Pro-labour	Extra benefits for at-risk poverty unemployed	Following a 2014 France reform, unemployed who meet specific requirements can keep their benefits even after finding a job. This reform had been formulated to target low-skilled workers who experience short-term contracts.
	Anti-labour	Introduction of activation measures tied with the additional benefits for at-risk poverty unemployed	Not found.
Older workers	Pro-labour	Extra benefits for elderly unemployed	According to a Slovenian amendment of 2010, the duration of the benefits is extended for unemployed people older than 50 and 55 years old.
	Anti-labour	Introduction of activation measures tailored for elderly unemployed	This Belgian reform of 2014 that postponed the year requirement to be exempt from the activation measures: <i>“The age requirement to be exempted from active job search is raised from 58 to 60 years old”</i> .
Participation in activation measures	Pro-labour	Lightening of activation measures	The 2011 Estonian introduction of an unemployed probation work period, whereby workers can decide if the job is suitable for them, but in negative cases, the unemployed still preserve benefits entitlement. In this case, the activation measure is lightened because the unemployed can ‘fail’ the availability requirement without losing eligibility.
	Anti-labour	Strengthen of the activation measures	A part of the 2018 France law “Liberté de Choisir son Avenir Professionnel”, which strengthens unemployed job-search and availability

			requirements, among which jobseekers cannot refuse a reasonable job proposal without losing benefits eligibility.
Residence	Pro-labour	Allow foreign unemployed to enjoy the benefits	Not Found
	Anti-labour	Tied the benefits with residency in the country	A Danish law of 2018 that introduced a 7-year residence requirement out of the previous 12 years to qualify for unemployment benefits.
Means-testing	Pro-labour	Allow other sources of income while still being benefits recipients	In Finland, as result of 2013 legislative amendments, the unemployed can earn up to 300€ per month without experiencing a reduction of their benefits.
	Anti-labour	Other sources of income prevent the eligibility	A Belgian 2013 reform that extends the concept of ‘remuneration’, thus restricting the right to unemployment benefits, as other income prevents the eligibility.
Gross / Net replacement rate	Pro-labour	Increase of the replacement rate	The 2019 Slovenian reform that increased the gross replacement rate to grant benefits recipients to reach the guaranteed minimum income.
	Anti-labour	Decrease of replacement rate	A Romanian reform of 2010 that cut the replacement rate by reducing unemployment benefits by 15%.
Coverage (generic)	Pro-labour	Enlarging the coverage of unemployment insurance	A 2017 Estonian reform that broadly extended the coverage of unemployment insurance.
	Anti-labour	Narrowing the coverage of the unemployment insurance	Not found.
Duration of fruition	Pro-labour	Extension of the duration of the benefits	A 2012 reform in Latvia that increased the duration of the benefits up to 9 months from the granting of the benefit, irrespective of the contribution period.

	Anti-labour	Reduction of the duration of the benefits	This 2016 Finnish amendment: <i>“The maximum duration of unemployment benefit was shortened by 100 days”</i> .
Social investment programmes	Pro-labour	Introduction of skill-enhancement programmes as benefits in kind	The 2015 CSR issued to Lithuania that addressed the investment of the unemployed to enhance their employability (the CSR is neutral).
	Anti-labour	Removal of skill-enhancement programmes as benefits in kind	Not found.
Social assistance schemes for the unemployed	Pro-labour	Increase the income support for the unemployed not covered by the benefits	The 2015 reform in Denmark that introduced benefits in cash for the unemployed who are not covered by unemployment insurance.
	Anti-labour	Decrease the income support for unemployed not covered by the benefits	Not found.
Regulation of Public Employment Services	Pro-labour	Facilitate bureaucratic procedures for the unemployed to require the benefits	The 2018 Lithuanian reform that reformed the Employment Service to optimise its operations (this reform has been valued as neutral).
	Anti-labour	Strengthen the PES control over recipients’ activation measure fulfilment	A 2014 Croatian reform that regulated the activities of the Croatian Employment Service, intended to modernise and improve the services provided.
Financial sustainability	Pro-labour	Increase of unemployment expenditure or benefits’ tax reduction	This Italian reform of 2010: <i>“Additional State funds to ensure the extension of unemployment benefits”</i> , which increased the national unemployment benefits expenditure.
	Anti-labour	Cut of unemployment expenditure or benefits’ tax introduction/increase	The Portugal reform that introduced a tax of 6% on unemployment benefits, while before the benefits were exempt from taxation.

