

## **Benefit generosity and segment mobility in European labour markets**

ADELINE OTTO, MARTIN LUKAC  
KU Leuven, Centre for Sociological Research

### **Abstract**

A large body of research suggests that generous welfare benefits for jobseekers create a disincentive to work and prolong their unemployment. Contrary to this, other scholars have argued that generous benefits can reduce unemployment by serving as a job-search subsidy. Both hypotheses have been tested in a multitude of case studies and macro comparative analyses with inconclusive results. Recent research claims that this inconclusiveness is due to the institutional labour market insider/outsider divide being ignored (Biegert, 2017). The study neglects, however, that job-search subsidies might work better for some labour market segments than for others, irrespective of the institutions believed to enhance an insider/outsider divide. Using EU-SILC panel data of 27 European countries, this paper investigates individuals' probabilities of labour market transition as well as mobility between labour market segments, and whether the effect of labour market segmentation and labour market mobility depends on the national generosity of unemployment benefits. Contrary to existing research, unemployment cash benefit generosity is measured by aggregated survey information on individual benefit receipt as a hitherto underused indicator in comparative welfare state research. Labour market segments are identified by latent class analysis and transition probabilities between segments are estimated on the basis of multilevel mixture latent Markov models. If the job-search subsidy hypothesis holds, unemployed people should have a higher probability of labour market transition in welfare states with more generous unemployment benefits. In these contexts, benefits serve as a financial buffer allowing jobseekers to either be more selective about job offers or to invest in specific skills. This ultimately increases the quality of the match between jobseeker and job, thus boosting employment levels. Since generous benefits might also work as a backup easing risks related to mobility within and between labour market segments, individuals living in more generous welfare states are expected to have a higher probability of either staying in their labour segment or of experiencing upwards mobility.

### **Research questions**

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

### **Data**

EU-SILC panel data releases 2014, 2013, and 2012 with individual observation of at least two and maximum four years, 27 European countries

### **Methods**

Multilevel Mixture Latent Markov Model

### **Preliminary results**

Contrary to traditional labour market segmentation theories, results indicate the presence of sequential upward mobility of individuals towards labour market segments with more employment security. In contexts with higher relative benefit amounts, upward mobility slows down and downward mobility speeds up. So far, this seems to reject the job-search-subsidy theory for most labour market segments.