

Varieties and Politics of Skill Protection
A Micro Level Analysis of Unemployment Protection Systems in Europe

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Abstract

Varieties of Capitalism theory predicts that the skill specificity of workers determines their demand for social protection. In this thesis, I test this assumption using a measure of occupational mobility between pre- and post-unemployment, which I apply to European workers in different skill groups as defined by Fleckenstein *et al.*, (2011). Using this measure as an indicator of the portability of workers' skills, I then evaluate whether the lower marketability of human capital investments is associated with greater demand for unemployment protection. The findings demonstrate that whilst this relationship is apparent in certain countries, notably Coordinated Market Economies such as Germany, the assumptions do not apply across institutional settings. Consequently, skill specificity cannot explain variation in attitudes towards unemployment protection policies between countries.

Keywords: Varieties of Capitalism, VoC, skill specificity, general, skills, human capital, social policy preferences

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Chapter I

Introduction, Literature Review and Research Proposal

In the long history of rising and persistent unemployment in Europe, almost all welfare-state institutions - employment protection and legislation, unions, wages, wage structure, unemployment insurance, etc. - have been alleged to have caused and found guilty of causing this tragic development [persistent unemployment] at some point in time

Schettkat and Sun (2009: 94)

Unemployment is of central importance to social policy. It is therefore no surprise that economic problems, which are characterised by long lines of unemployed people, tend to highlight the relationship between economic performance and social security (Castles, 2010: 96; Gough, 2011). When the research for this thesis began in 2011, European countries were in the midst of what came to be known as the 'Great Recession'. Like past crises, this economic downturn intensified the academic, political and public debate over the sustainability of the welfare state. In particular, the crisis prompted discussions over the performance of present labour market policies such as unemployment protection.

Broadly speaking, the discussion can be said to revolve around two alternative models of labour market policy. On one side of the debate and as exemplified by the policy regime in the United Kingdom, it is argued that there is a need to scale back the generosity of social protection in order to ensure the efficient functioning of the labour market. The concept of 'welfare dependency' has become a popular theme featuring the political and public debate of the UK as well as other post-industrial nations. Nonetheless, the idea that generous welfare benefits cause sluggish economic growth has its roots in neoclassical economic literature and therefore precedes the current discourse. Specifically, job search theory suggests that cash transfers can produce a 'disincentive effect' that pushes the jobless individual's reservation wage above that offered by the markets, thereby creating

‘involuntary unemployment’, a term used to define workers who take advantage of the system and fall into long-term unemployment.

Until the mid-2000s, countries whose governments had adopted this rationale and adjusted their welfare states to encourage flexible labour markets such as the United Kingdom’s were applauded for their comparatively successful performance in terms of unemployment and employment rates. Countries that did not follow suit, such as Germany, were labelled the ‘Sick Man of Europe’ (Economist, 1999; Dustmann *et al.*, 2014) for having a comparatively ‘rigid’ labour market accompanied by high levels of unemployment and chronically slow GDP growth. Blame was shifted towards the presence of labour market institutions such as generous, contribution-based unemployment benefits and strict job security regulations (JSRs).

It therefore came as somewhat of a surprise when the ‘German model’ lately began to enjoy renewed attention and popularity in public, political and academic spheres. Opinion columns in the same media that had until recently lamented its poor labour market prospects now celebrated it. Whilst in 2003 *The Economist* had described Germany as the ‘Sick man walking’ (The Economist, 2003), four years later the same pages took a change in heart in 2011 by hailing Germany’s economic performance as ‘Angela in Wunderland’ (The Economist, 2011). Similarly, British newspapers such as *The Guardian* that had identified Germany as the ‘Britain in the 70s’ in 2003 (The Guardian, 2003) suddenly celebrated the ‘economic miracle’ (*Wirtschaftswunder*) in the economic crisis, printing articles such as ‘How did Germany become the new champion of Europe?’ (The Guardian, 2013a) or even: ‘Why can’t we be more like Germany?’ (New Statesman, 2013).

Alongside this shift in the media’s opinion, several studies are showing with increasing certainty that the labour market rigidity hypothesis described earlier is far from accurate, as comparisons between German and US labour markets have shown (e.g. Schettkat, 1992;

Carlin and Soskice, 2008; Schettkat and Sun, 2009). The empirical evidence in favour of the positive effects of labour market deregulation is said to be less than fully convincing (Baker *et al.*, 2005; Freeman, 2005; Amable, 2009). That liberal, unregulated labour markets are not necessarily a prerequisite for successful economic performance is also demonstrated by countries such as Sweden, which have managed to combine models of social solidarity with economic efficiency (Edlund and Grönlund, 2008: 245; Pontusson, 2009).

The short-lived nature of labour market ‘crises’ and ‘successes’, as exemplified by Germany’s fall and rise, implies a more general issue with traditional assessments of their performance. Considerable attention has been paid to the performance of labour market institutions¹ at the macro level, predominantly in terms of the aggregate number of employed and/or unemployed people. Yet, the effects of labour market institutions do not merely manifest themselves at the macro level, but in a more intricate way that cannot be captured in terms of aggregate numbers. For reasons described in the following sections, the following thesis adopts this very perspective and offers an investigation of the relationship between labour market institutions and performance beyond the macro level. Specifically, the aim of this thesis is to investigate the long-term effects of labour market institutions on the *behaviour* of economic actors at the *micro* level.

Central to this assessment are ‘Varieties of Capitalism’ (VoC) arguments (e.g. Hall and Soskice, 2001), which suggest that the very existence of protective labour market institutions can encourage successful economic performance rather than impede it. Firms are said to exploit the presence of specialised skills in the labour market, which in turn only prosper under the presence of generous social protection. Germany’s re-discovered economic confidence, driven by exports, can thereby potentially be explained by the ability

¹ For the purpose of simplification, I henceforth refer to ‘labour market institutions’ as systems of unemployment protection, employment protection and wage protection.

of firms to build comparative advantages in high-end manufacturing production techniques on the international market. Nonetheless, and despite the availability of large and mature sets of micro-level data, the role of labour market institutions in the development of such comparative advantages has not yet been sufficiently investigated.

After a brief definition of the labour market institutions relevant to the discussion, I explore these concepts and theories in more detail in the following sections of this chapter, beginning with job search theory and the 'labour market rigidity hypothesis'. I then depart from this theoretical framework to explain how human capital arguments and particularly Varieties of Capitalism theory offer an alternative way of understanding the relationship between labour market institutions and the behaviour of economic actors at the micro level in Section III. Section IV goes into more detail about how social policy preferences are determined, before addressing the core concept that underlies this thesis; the role of *skill specificity* and *skill levels*. I then discuss occupational mobility as the main dependent variable in Section VI before pinpointing the research questions and methodology that guide the structure of the thesis in the eighth and final section.

Labour market institutions

Before turning to the theories and evidence on the effect of labour market institutions on the performance of labour markets, it is necessary to identify and define these institutions themselves. Like other forms of social protection, however, researchers are faced with a number of difficulties when measuring labour market policy. The main kinds of indicators used in comparative welfare state analysis capture different dimensions of welfare state variation. Whilst each is valuable for understanding certain kinds of social policy performance and development, they also face severe weaknesses as they cannot take all perspectives into account (Clasen and Clegg, 2007: 171).

The labour market rigidity thesis, which forms the starting point of this thesis, is primarily concerned with three labour market institutions; employment protection legislation, wage protection and unemployment protection. Without going into too much detail about the first two for reasons described below, employment protection legislation (EPL) or job security regulations (JSRs) are understood as restrictions placed on the ability of employers to use labour (Addison and Texeira, 2003: 85), or as limitations on the hiring and firing of workers (Emmenegger, 2009: 85). Wage protection is described as the 'interaction between the state and the social partners (employers' associations and trade unions) in corporatist institutions' (Bruff, 2011: 4). The central focus of this thesis will however be on unemployment protection.

Of the three, unemployment protection is probably also the most difficult to define, especially in a comparative perspective. This is because it is conventionally understood as the provision of a cash benefit rather than the presence of regulation. However, not only does the generosity and duration of this benefit vary across national borders, there are certain conditions attached to the receipt of the transfer that vary between countries. The inclusion of active labour market policies in definitions of modern unemployment protection systems, which cannot necessarily be measured in terms of the generosity of a cash benefit or even the conditionality of them, adds to the complexity of the problem. As a result, unemployment protection has been considered particularly susceptible to measurement issues (Clasen and Clegg, 2007).

These difficulties begin with the very definition of being 'unemployed', or the defined 'category of support' that is the primary condition for the receipt of unemployment protection (Clasen and Clegg, 2007). 'Unemployment' is a socially constructed and politically managed category, and governments change definitions of risk categories such as unemployment across time and borders. For instance, being 'unemployed' often excludes

certain social groups or categories of worker (single parents, older people, or students, amongst others) and reintegrates them at other times (Clasen and Clegg, 2007). The problems associated with varied definitions of unemployment across countries are easy to spot from a comparative perspective. How, for instance, can the generosity of a systems be compared when one includes students and the other does not?

The definition of these 'conditions of category' is related to eligibility and entitlement criteria, or 'conditions of circumstance' (Clasen and Clegg, 2007). In the case of unemployment protection, legislation has included rules regarding the extent to which and how a claimant's work history determines access to benefit rights. For example, the number, or value, of contributions and/or full days of labour that are required in a given time period to open access to benefits, as well as the extent to which these contributions must be real (from paid work) or credited (from activities such as child rearing, education or home work, etc.) (Clasen and Clegg, 2007: 173). The way these rules and benefits are structured, and whether or not they are loosely or tightly conditional on paid employment, is the prime factor distinguishing 'Beveridgean' and 'Bismarckian' systems of social insurance (cf. Clasen and van Oorschot, 2002).

Alongside rules that determine entitlement to social insurance, means tested benefits have incorporated forms of conditionality. However, these are less related to work histories, but instead to the claimants' degree of financial need. This degree can vary significantly between countries, depending on which types of income are considered (e.g. individual versus household income) (Clasen and Clegg, 2007) or the threshold at which an individual is considered 'deserving' of help.

These rules then determine whether an individual is entitled to unemployment benefit, the core institution for regulating the risk of unemployment in Europe. Specifically, these benefits initially took the form of contributory unemployment insurance, established in the

first half of the twentieth century (e.g. the British scheme implemented in 1911) (Alber, 1981). Whilst most of these schemes involved compulsory social insurance systems, voluntary systems run by trade unions exist to this day (Clasen and Viebrock, 2008). In such systems, individuals pay contributions while at work that ensure that in the event of joblessness, unemployment benefits replace part of the previous salary for a set period. Between countries, the generosity (i.e. level) of unemployment benefits can vary, as well as the period that unemployed people are eligible for them (unemployment benefit duration).

As mentioned earlier, most countries also have a secondary system of unemployment or social assistance that pays benefits to those with inadequate contribution histories and/or those who fail to find work before their regular benefit entitlement expires. These secondary systems mostly pay benefits at a lower level, usually on a means-tested basis (Kvist, 1998; van Langendonck, 1997).

A further area of variation across countries is the ongoing benefit receipt, which is further subject to eligibility criteria, also called 'conditions of conduct' (Clasen and Clegg, 2007). This also means that benefit eligibility can vary over time. Between countries, these conditions can involve 'loosening' or 'tightening' the behavioural requirements and constraints imposed upon benefit recipients. For instance, benefit recipients are often obliged to provide evidence of job search activities, participate in training programmes or agree to specialised counselling (Clasen and Clegg, 2007). Most modern unemployment protection systems now provide such active labour market policies (ALMPs). First introduced in Sweden, where public works programmes existed as a labour market policy instrument before the Second World War, these were then complemented by retraining policies and soon emulated elsewhere. ALMPs are traditionally aimed at helping the labour market reallocation of workers made redundant by less competitive industries (Clasen and Clegg, 2011: 3).

The difficulty of measuring unemployment protection is explained by these three areas of variation. Much of the existing literature, especially macro-level evidence around neoclassical theories of job search, is dominated by simple measures of benefit generosity, which potentially ignore the role of ‘conditionality’ (i.e. conditions of benefit receipt and conditions of ‘conduct’, including ALMPs). As further explained in the individual chapters, it is methodologically difficult to take all of these dimensions into account at once. Nevertheless, no discussion of the effects of unemployment protection is complete without considering either of them, which represents a major shortcoming of job search theory and is discussed in the following section.

Job search theory

Helping the unemployed, so it is argued, begets more unemployed

Blondal and Pearson (1995: 136), cited in Howell and Rehm (2009: 61)

According to existing research, the labour market institutions described above are said to have a damaging effect on labour market performance. It has become conventional wisdom to blame high and persistent unemployment on the rigidities caused by protective labour market institutions (e.g. Nickell, 1997²). For instance, neoclassical economic theory argues that the tightening of employment protection legislation (the legal-structural feature of national labour markets) can cause high levels of unemployment (Nickell, 1997; Amable and Mayhew, 2011: 211). Consequently, it has been considered one of the main labour market ‘rigidities’ that explain poor economic performance and is blamed for the inferior labour market performance of Continental European countries (Siebert, 1997; Blanchard

² It would take several volumes to review the breadth of literature on the study of labour market institutions and their impact on economic performance. As a consequence, this section provides only a brief overview.

and Wolfers, 2000) as well as an obstacle to job creation (Lindbeck and Snower, 1988; Esping-Andersen, 1996; Saint-Paul, 2002; Lindert, 2004; Blanchard, 2006). The insufficient flexibility of labour markets, said to be caused by such strict EPL, is further claimed to hinder structural change that may be necessary in an economy (Saint-Paul, 2000; Amable, 2009: 18). It has also been argued that EPL has the potential of reducing the growth of the employment rate due to reduced demand for labour. For example, Nickell and Layard (1999), Esping-Andersen (2000a) and Scharpf (2000) have all found negative cross-country associations between EPL and employment levels or growth during the 1980s and early 1990s.

Along similar lines, wage protection is said to be a key explanatory factor in explaining differences in the economic performance of different European varieties of capitalism (Bruff, 2011: 4). However, neoclassical economic literature on the negative effects of wage protection on labour market performance has been less scathing than it has been in the case of EPL. It is nonetheless argued that greater wage flexibility would allow firms to ease the pressure of demand and output losses, thereby limiting layoffs and a rise in unemployment. Wage protection has therefore widely been seen as a hindrance to the clearing of labour markets.

Arguably, the generosity of unemployment protection systems has been considered the most important ‘culprit’ of modern theories of wages and unemployment (e.g. Holmlund, 1998; Howell and Rehm, 2009: 61). Generous benefits are said to create employment disincentives and benefit dependency, consequently associated with high reservation wages and low job search intensity (Eichhorst and Konle-Seidl, 2008: 3; Rueda, 2012: 7). Evidence at the aggregate level has demonstrated that the greater generosity of unemployment benefits tends to cause longer spells of unemployment (e.g. Lancaster and Nickell, 1980; Katz and Meyer, 1990; Atkinson and Mickleweight, 1991; Devine and Kiefer,

1991; Layard et al., 1991; Pedersen and Westergaard-Nielsen, 1993; Meyer, 1995; Holmlund, 1998; Machin and Manning, 1999).

Heckman's (2003) research has widely been cited for demonstrating that unemployment benefit replacement rates increase unemployment. More recently, a sophisticated study by Bassanini and Duval (2006) confirmed this positive correlation. Likewise, at the individual level, studies have concluded that if benefits are too high, individuals at the low end of the labour market will be reluctant to enter or return to employment (Moffitt, 1992; Meyer, 1995; van Ours and Vodopivec, 2008; Tatsiramos, 2009; Caliendo et al., 2012). Further support for these adverse effects has been found by analyses using the employment rate (rather than the unemployment rate) as a measure of labour market performance (Murray, 1984; OECD, 1994, 2006; Siebert, 1997; Elmeskov et al., 1998; Nickell and Layard, 1999; Krueger and Meyer, 2002; Nickell et al., 2005).

A number of studies have therefore come to the conclusion that the presence of these labour market institutions partly or fully explains high unemployment in European welfare states, such as the 'Big Four' high unemployment countries of the 1990s; France, Germany, Italy and Spain (e.g. Ljungqvist and Sargent, 1998; 2005). The sustained rise of unemployment since the Oil Shocks of the early 1980s has also been attributed to the presence of such rigidities (Nickell et al., 2005; Bassanini and Duval, 2006).

In contrast to this, the successful performance of the United States' labour market in the 1990s is often cited as an example of how labour market policy should be structured, leading to the widespread acceptance of a relatively unregulated, 'American Model' as a best-practice standard (OECD, 1994; 1999a; IMF, 2003). This orthodoxy further manifested itself with the 'success stories' of the UK, Ireland, Denmark and the Netherlands, whose improved performance in the 1990s and early 2000s was attributed to the dismantling of

the protective labour market institutions cited above (Layard et al., 2005; Nickell et al., 2005; Howell and Rehm, 2009: 60-61).

However, the empirical support in favour of the labour market rigidity hypothesis has been contradicted by a number of alternative empirical studies that display mixed results (Kenworthy, 2008: 122-123). For instance, it has been shown that the effect of benefit generosity on unemployment is there but negligible (Atkinson and Micklewright, 1991; Barr, 1992; Bean, 1994; Holmlund, 1998). Kenworthy (2004) finds the generosity of unemployment benefit replacement rates to be detrimental to employment growth in private-sector consumer services, and in a later book concludes from macro-comparative evidence that benefit generosity may contribute to cross-country differences in employment growth since the 1970s, but that the magnitude of such effects is not very large (Kenworthy, 2008). Likewise, Pontusson (2005) finds the relationship not to be immediately apparent (Rueda, 2012: 5).

Similarly, Howell and Azizoglu (2011) find little support for the work disincentives account using data on the recent economic crisis in the US, arguing that unemployment insurance spending increases job openings and encourages job search, thereby promoting efficiency. Similarly, Manning (1998) has concluded that the evidence on the detrimental effect of labour market institutions on unemployment and employment rates is inconclusive. Overall, Howell and Rehm (2009) read the evidence for the neoclassical view as thin, relying heavily on simple correlation evidence and old measures of unemployment benefit generosity³. They even show unemployment benefit generosity to be positively correlated with the employment rate, and thereby completely at odds with the orthodox prediction.

³ Gross Replacement Rates (GRRs) rather than Net Replacement Rates (NRRs).

Aside from the mixed evidence, either side of the debate suffers from more general, conceptual and methodological issues such as the problem of measuring unemployment protection cited in the previous section. Using unemployment rates as an indicator of labour market performance has been criticised for ‘hiding’ joblessness, as unemployment rates do not take into account people in early retirement or disability benefits. Although employment rates have gradually become the standard measure of labour market performance (e.g. Kenworthy, 2008), neither employment nor unemployment rates consider other non-employment states such as unpaid housework and childcare, retirement, incapacity and further education (Erlinghagen and Knuth, 2009). For instance, a cut in the generosity of unemployment protection may push workers from unemployment into inactivity rather than back into employment, lowering the unemployment rate but damaging the strength of the labour force. There is in fact evidence that the decline of British unemployment in the 1990s can partly be explained by such flows into non-employment (Schmitt and Wadsworth, 2005; Howell and Rehm, 2009: 64). It would therefore be questionable to describe such reforms as ‘successful’ even if they did reduce unemployment.

Highly aggregated measures of labour market success or failure such as unemployment and employment rates may also obscure other, more intricate and complex developments in the labour force. For example, a low overall unemployment rate can hardly be considered indicative of ‘successful’ labour market performance when the unemployment that does exist overwhelmingly affects young people. Similarly, high employment rates in the labour market could well be the result of large parts of the workforce being in low-paid, precarious employment. Hypothetically, a cut in the generosity of unemployment protection may lead to a lower unemployment and a higher employment rate. However, if this causal effect involves movements into low-paid, precarious employment, is it appropriate to conclude

that cuts in the generosity of unemployment protection are ‘good’ for the performance of the labour market?

Methodologically, it is worrying that only few consistent findings are found at the macro level. In part, this is due to the use of different dependent variables; institutions that are shown to increase unemployment do not necessarily decrease employment, and vice versa. However, even upon use of the same labour market performance indicators, the results of different studies reveal contradictory findings. In response to the issues that studies of aggregate labour market performance indicators have faced, a new branch of literature has gradually drawn attention to the micro level instead.

Part of this attention has been devoted to the behaviour of families and individuals (especially workers) rather than using aggregate numbers to distinguish success and failure. In the labour market, the two most important economic actors are the ‘worker’ and the ‘firm’. Research at this level has argued that labour market institutions can be beneficial to the behaviour of firms and workers. Whilst the area remains relatively unexplored, a group of studies has researched the effect of EPL on firms, arguing that JSRs have beneficial effects for firms by heightening the cooperation between labour and management which may contribute to higher productivity (Buechtemann, 1993; Levine and Parkin, 1994; Hicks and Kenworthy, 1998; Kenworthy, 2008: 134), thereby positively influencing workers’ morale and cooperation (Streeck, 1991). This evidence has backed the argument that labour market institutions are essential for forming long-term employment relationships (Streeck, 1991: 52-54; Crouch et al., 1999; Hall and Soskice, 2001: 7).

Likewise, there has been particularly strong evidence of the beneficial impact of wage protection or corporatism on the behaviour of economic actors in the labour market. Wage protection has been seen to satisfy employers’ need to maintain cooperative labour relations that are essential for producing high-quality products on a just-in-time basis in

tightly coupled production networks (Thelen and Kume, 1999; Thelen, 2001; Schmidt, 2009: 315-316). In the past, alliances have been forged between business and labour based on compromises between the demands of workers for social protection and the demands of business for wage moderation and/or high productivity gains (Amable and Palombarini, 2008: 136). As a result, countries with fruitful and positive interaction between tripartite actors – based on consensus about economic and social policy goals – are held to be more capable of maintaining the viability of their variety of capitalism in the long term than countries characterised by disagreement (Bruff, 2011).

Katzenstein (1985) and Gourevitch (1986) are among the more renowned authors to have shown corporatism to be an integral part of the Continental welfare state and of successful economic performance, ensuring reform capacity and social peace, especially in smaller states (Häusermann and Palier, 2008: 575). National-level bargaining and tripartite channels that mediate constructive trade-offs between unions, employers and the state are given as reasons for the success of ‘small states in world markets’ (Katzenstein, 1985). Others have illustrated that advanced industrial countries have been able to secure non-inflationary economic growth either through centralised collective bargaining combined with expansionary fiscal and monetary policies, or through industry-level or even firm-level wage bargaining combined with a non-accommodating monetary policy (Iversen, 1999; Martin and Thelen, 2007: 13-14).

Human capital arguments

Central to the micro-level literature on the effect of labour market institutions on the behaviour of economic actors has, however, been concerned with the concept of ‘human capital’. Human capital rivals physical capital as a source of personal and national wealth (Hall and Soskice, 2001). Accordingly, several authors have awarded particular attention to

the ability of welfare states to maintain and improve the quality of labour by investing in human capital.

By improving workers' health and education, welfare states have always been credited with increasing the efficiency of the labour force by giving workers the necessary skills and health required to carry out their jobs (Zapf, 1989: 60) and thereby providing a prerequisite for economic development (Potthoff, 1931: 16; Pfaff, 1989: 129). The importance of human capital as an engine of economic growth is highlighted by the fact that public education predates democracy (Iversen and Stephens, 2008: 624), which has led Keynesian scholars to argue that welfare states are a precondition for efficient economies and labour markets (Keynes, 1937; Weir *et al.*, 1988).

Equally, workers who enjoy high employment protection are said to be more likely to embrace technological change (Emmenegger and Marx, 2011: 6). Physical capital would otherwise remain useless to firms unless there is an adequately trained and educated workforce in place (Schröder, 1930: 205; Struwe, 1984: 35; van Parijs, 1989: 201).

Although the debate has moved on with the decrease of labour-intensive employment, the ability of income protection systems to improve the allocative efficiency of the labour market by making it more adaptable to new developments, or to foster the development of particular skills and therefore new technologies, is very much still very relevant today.

From a firm's perspective, it has been argued that JSRs restrict firms' behaviour by limiting external flexibility. However, this also means that firms are encouraged to increase their internal flexibility by investing in training and retraining, thereby leading to a more productive workforce. There has also been evidence of the positive effects of strict EPL in times of economic crisis (e.g. Abraham and Houseman, 1993; OECD, 2010: 74-76 Amable and Mayhew, 2011). Furthermore, unemployment insurance can help firms by 'hoarding' skilled labour, particularly during economic downturns, as skilled workers and their

specialised human capital might otherwise drop out of the labour force when laid off (e.g. Schmitt and Wadsworth, 2005; Howell and Rehm, 2009: 64).

A relatively recent development within the literature on human capital has been the emergence of ‘Varieties of Capitalism’ (VoC) theory. This large and growing account has been devoted to the role that *skills* play in comparative political economy research (e.g. Estevez-Abe *et al.*, 2001; Hall and Soskice, 2001; Iversen and Soskice, 2001; Thelen, 2004; Iversen, 2005; Cusack *et al.*, 2006; Iversen and Stephens, 2006). VoC arguments have their foundations in institutionalism and well-established theories such as Becker’s human capital theory (Becker, 1993) and Williamsonian transaction cost economics (Williamson, 1975; 1981; 1990; 1993). They suggest that skill formation is central to the analysis of welfare states, and also offer a way of framing the impact of labour market institutions on the behaviour of workers and firms at the micro level.

More specifically, VoC highlights the interdependence of political institutions, economic structures and economic actors (Farnsworth and Irving, 2011: 14). Although analytically distinct under capitalism, political and economic processes are interlinked under this institutional account and are studied as a complex and interrelated whole (Gough, 2011: 50). VoC suggests that the presence of unemployment protection at the macro level influences the development of skills at the micro level. This then feeds back to the economy as the presence of skills in the labour market results in the emergence of national production strategies. By putting skill formation at the centre of the analysis of welfare states, production regimes and national innovation strategies (Busemeyer, 2009: 375-376), attention has been drawn to the link between the specificity of skills and social policy arrangements affecting skill investment choices (Emmenegger, 2009: 407).

Of central importance is the skill investment decision that workers face between general skills and specific skills. General skills are marketable within the whole economy and carry

a value independent of the type of firm or industry (Emmenegger, 2009: 408), while specific skills are useful only within a single firm (when acquired by on-the-job training) or industry (provided by apprenticeships and vocational schools). With skills varying according to their portability, investments in specific skills are considered risky, given that this asset-specific human capital investment faces a higher likelihood of becoming redundant in the case of job loss.

However, such risks can be mitigated by social policy measures that guarantee a return on investment by reducing the variability of expected future income (Wasmer, 2002; Iversen, 2006: 440-441; Kitschelt, 2006: 414; Emmenegger, 2009: 408). This relationship is most obvious in the case of labour market institutions that offer unemployment insurance or job security regulations (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-58; Kitschelt, 2006: 414).

Consider an individual with highly specialised skills who becomes unemployed. She is a 40-year-old who left school at 16, undertook an apprenticeship as a carpenter and who learnt her trade at a single firm. The opening of a large furniture store that sells mass-produced furniture from abroad forces her out of her job and she becomes unemployed. Naturally, the carpenter will have fewer alternative jobs to apply to than another unemployed person who left school after her A-levels and worked as a shop-floor sales assistant in the retail sector. In the absence of generous benefits, the carpenter will have a much harder time finding a job that matches her skill investment than the sales assistant. Whilst the sales assistant finds another job as a shop floor assistant at the furniture store at no loss of income, the carpenter is forced to pick up the same job and her carpentry skills become redundant, along with a significantly reduced wage slip.

As a result, it is argued that workers will only invest in specific skills in the presence of social protection in the form of wage and especially employment as well as unemployment

protection (e.g. Campbell *et al.*, 1991; Hollingsworth *et al.*, 1994; Herrigel, 1996).

Convincing workers to invest in firm-specific skills requires the assurance that they may remain at a company for a long period to reap the returns of their investment (Aoki, 1988; Osterman, 1987; Schettkat, 1993; Lazear and Freeman, 1996; Mares, 2003: 237; Cusack *et al.*, 2006). In other words, they require high job security regulations. Unemployment protection is said to be particularly important for the development of industry-specific skills as it enables laid off workers to move between firms in the event of joblessness (Estevez-Abe *et al.*, 2001: 152) (discussed in greater detail below).

In the complete absence of such institutional protection, VoC hypothesises that the worker will be more likely to opt for an investment in general, more portable skills, ensuring that the skills investment remains highly valued in the external market. For specific skills to prosper, as well as industries associated with specific skills, it is therefore important to protect skilled wages regardless of employment status so as to secure an industry-wide pool of skilled labour (Lauder *et al.*, 2008: 23).

The overall outcome of these decisions results in the composition of skills prevalent in a country's labour market (Hall and Soskice, 2001). A distinction has been made between 'Liberal Market Economies' (LMEs) such as the United Kingdom and 'Coordinated Market Economies' (CMEs) such as Germany⁴. LMEs distinguish themselves through the relative absence of employment and unemployment protection, accompanied by market relationships characterised by actors adjusting their willingness to supply and demand goods on the basis of marginal calculations such as those put forward by neoclassical economics (Hall and Soskice, 2001: 8). The absence of social protection is said to give workers a strong incentive to invest heavily in transferable, general skills. The increasing

⁴ More recently, a number of countries such as France have been classified as 'Mixed Market Economies' (MMEs).

reliance on general skills has, in turn, gone hand in hand with a rapidly growing service sector that profits from this supply (Hall and Soskice, 2001: 30).

By contrast, CMEs are distinguished by their dependence on non-market relationships and modes of coordination, with equilibria being the result of the strategic interaction among firms and other actors (Hall and Soskice, 2001: 8). In addition to markets, CMEs draw on further sets of organisations and institutions that resolve coordination problems in the face of skill investment decisions. For example, apprenticeships are monitored to limit free-riding on training efforts of others, and industry-wide skills categories are negotiated by employer organisations and trade unions to ensure that training fits firms' needs (Hall and Soskice, 2001: 25). This, in turn, has led to the development of firms that engage in alternative production strategies that rely on large volumes of specifically-skilled labour (Dore, 1986; Sorge and Warner, 1986). Following from this, it is also argued that firms can benefit from the presence of labour market institutions. Contrary to neoclassical economists, VoC scholars therefore suggest that social protection can improve firms' competitiveness and cost effectiveness. Hence, systems of wage bargaining, redistribution and wage compression are strongly, inextricably and causally related to aspects of the skill formation system (Iversen and Stephens, 2008: 601).

Social policy preferences

This has meant that the role of skills has become central in explaining social policy preferences in recent political economy literature. Despite this, there has been comparatively little empirical evidence of the role of skills in influencing attitudes towards the welfare state. In particular, one of the core arguments of VoC is that employers will come to support state intervention in CMEs (Estevez-Abe *et al.*, 2001; Martin, 2004; Martin and Swank, 2004; Jensen, 2011: 418). In general, evidence at the firm-level is weak, consequently leading to heavy criticism over the functionalist implications about

preference formation, motivation and the behaviour of economic actors (Streeck, 2004; Busemeyer, 2009: 378). Instead, Streeck (2004) has argued that rather than firms supporting programmes such as employment or unemployment protection, they are put under 'beneficial constraints' of such institutions. In other words, as a consequence of these institutions being enforced upon them, they adopt high-quality production strategies that they then gain a competitive advantage in.

The limited evidence available also appears not to support the claim that employers will come to support the welfare state out of rational economic interest. For example, a survey conducted by the DIHK in 2009 showed almost half of German employers seeing the deregulation of JSRs as an important step towards boosting job creation (DIHK, 2009). Whilst there is a need for further empirical evidence to support VoC at the firm-level, this lies beyond the scope of this thesis. Significant resources are required to gain access to firms and thereby grasp their behaviour or preferences. Conducting elite interviews of managerial staff or of employer representatives remains an important avenue for future research.

Instead, this thesis concentrates on the social policy preference formation of workers as economic actors. Given that human capital represents a substantial portion of both national and personal income, the asset specificity of this capital matters a great deal for the amount of social insurance demanded by individual workers. Just as physical assets (e.g. money) are recognised as essential for understanding the political interests of their owners, public policy preferences can also be influenced by investments in human capital. Workers who have made heavy investments in asset-specific skills stand a greater risk of losing a substantial portion of their income than do workers who have portable skills. For this reason, workers with specific skills are said to have a strong incentive to support policies and institutions that protect their jobs and income (Iversen and Soskice, 2001). VoC

therefore draws a link between the specificity of skills and the social policy preferences of individuals, arguing that an individual's preferences for social protection are a function of the portability of one's skills.

VoC authors generally argue that skill specificity affects preferences for *all* forms of social protection since all forms of social protection reduce the variability of expected future income (Iversen, 2006: 440-441). For instance, Iversen and Soskice (2001) evaluate the role of skills using dependent variables that rely on questions that address government spending on unemployment benefits, health care, pensions and declining industries for the purpose of protecting jobs. These four variables are used because they relate to a worker's redistribution (first three variables) and insurance (fourth variable) preferences. This therefore represents a relatively general and broad indicator of social policy preferences.

However, it has also been argued that the link between skill specificity and social protection is most obvious in the case of labour market institutions that administer unemployment insurance or job security regulations (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-98; Kitschelt, 2006: 414). Of the three labour market institutions discussed above, this thesis therefore specifically concentrates on preferences for unemployment protection. Another reason for this focus is that comparatively less research has been invested into understanding attitudes towards this labour market institution.

Employment protection, in contrast, has enjoyed much greater attention, both in terms of its relationship with employees at the micro level (see e.g. Emmenegger, 2011 for determinants of job security regulations) or with respect to firms (e.g. Pissarides, 2010 for an investigation of why firms offer employment protection). Furthermore, there is a rich history of literature on the impact of wage protection or corporatism on the labour market (e.g. Katzenstein, 1985; Gourevitch, 1986; Scharpf, 2000; Amable and Palamborini, 2008; Häusermann and Palier, 2008). Similarly, there has been a lively debate concerning the

range of factors other than skills that explain the emergence of particular social protection arrangements. Most importantly, these have included structural socioeconomic forces, changing power resources, new ideas, party competition, institutions, policy legacies and path dependence (for overviews, see e.g. van Kersbergen, 1995; Amenta, 2003).

The VoC account undeniably falls within a wide category of socio-economic explanations. It relies on the assumption that individuals act in their own, economic self-interest, and is only a small part of a much wider string of arguments in political economy literature that use rational economic interest to explain political preferences (e.g. Cusack *et al.*, 2006). Here, the literature focuses on the central role of distributive conflict, as well as the redistributive politics that follows from this in the form of political coalitions (Iversen, 2006). What distinguishes VoC from 'old' economic arguments is that it attaches more importance to workers' human capital rather than their income (which nonetheless continues to play a role). Skill levels determine income and hence redistributive preferences, whereas skill specificity determines exposure to labour risks and hence preferences over social insurance (Iversen, 2006).

It is nevertheless important to remember that economic explanations such as VoC theory continue to rely on very strong rationality assumptions, implying that individuals come to a decision whether or not to invest in specific skills on the basis of the existing institutional environment. For instance, workers are expected to be able to assess the effects of labour market institutions on job tenure. On the contrary, literature suggests that most people are unaware of the effects of job security regulations on job tenure (Saint-Paul, 2004).

Although rationalistic approaches existed before VoC (e.g. Meltzer and Richard, 1981), the recent wave developed in response to more traditional, class-based arguments. These have put more emphasis on non-economic rather than economic issues in explaining the left-right distinction (and thereby decisions on the extent of the welfare state). For example,

scholars tended to focus on the role of class struggle in explaining the emergence of the welfare state (e.g. Esping-Andersen, 1990). Issues of state ownership and the redistribution from capital to labour are central to such approaches.

Partisanship undeniably remains important, and scholars such as Kwon and Pontusson (2010) or Huber and Stephens (2001) continue to highlight the continued (and according to them, increasing) importance of political partisanship in explaining welfare spending over time. In particular, criticism of the VoC hypothesis that firms will come to support social policy has come from this camp (e.g. Kitschelt, 2006; Korpi, 2006; Stephens, 2006).

Partisanship is said to have accounted for the unevenness of welfare state expansion in liberal countries, as compared to the relative stability of 'conservative-Catholic' social reform initiatives in continental ones (Esping-Andersen, 1990; Huber and Stephens, 2001). However, how such left-right divides come about and whether they are the result of economic or non-economic preferences is a source of contention. The role of political institutions and party systems (e.g. Iversen and Soskice, 2006) has also been highlighted.

Finally, several authors have emphasised the role of 'value politics', which are centred on issues of family, gender, choice, the environment, and racial and sexual tolerance (Inglehart and Flanagan, 1987; Inglehart and Abrahamson, 1999; Kitschelt, 1994; Kitschelt and Rehm, 2006). For example, because it is harder for women to commit to continuous careers, they are at a disadvantage in specific-skill economies where such commitment is critical to employers. This problem is exacerbated by extensive regulation of employment and wages because wage compression and job protection slow the expansion of personal and social services. This means that the insider-outsider division is overlaid by a gender divide, with women being interested in flexible labour markets (Iversen, 2006: 5-6).

It is important to take these approaches into account. Consequently, the analyses that follow include variables such as gender (Estevez-Abe, 2002), income (Meltzer and Richard,

1981) or left-right political partisanship. In some cases, these variables interact with the explanatory factors of this analysis, such as skills and unemployment benefit generosity, which I discuss in greater detail within the empirical chapters.

Skills

One of the reasons for the comparative lack of research on the role of skills in determining social policy preferences has been the very definition of ‘skill’. Like other forms of human capital (e.g. knowledge, experience), it is by definition a vague and debatable concept that, like unemployment protection, is difficult to measure.

Several attempts to categorise skills have been made in the past. Traditionally, human capital theory has made a distinction between general skills and more specific ones, a dichotomy first identified by Oi (1962) and Becker (1964). Estevez-Abe *et al.* (2001: 148) make an additional distinction within the specific skill group and differentiate between firm- and industry-specific skills. Typically, firm-specific skills are acquired by on-the-job training and are less transferable. Apprenticeships and vocational schools award industry-specific skills that are recognised across employers of the same trade. General skills are marketable within the whole economy, as they carry a value independent of the type of firm or industry (Emmenegger, 2009: 408).

Whilst this distinction may be easy to make in theory, it is much more difficult to apply in practice. Iversen and Soskice (2001) offer two approaches to measuring skill specificity. The first classifies workers’ skills, or the skills required to perform certain jobs, according to their degree of specialisation or specificity. As they put it, this is an ‘attempt to gauge s [specificity] directly’ (Iversen and Soskice, 2001: 881). The second approach adopts the assumption that the difficulty of finding a job in which one’s skills are needed is proportional to their specificity. In other words, this represents an ‘indirect’ way of gauging skill specificity.

The 'direct' approach to measuring skill specificity relies on occupational classifications, the most prominent of which is the International Standard Classification of Occupations (ISCO-88) compiled by the International Labour Office (ILO). ISCO-88 bases its classification on two criteria: the level of skills required for an occupation and the degree of specialization of those skills. Four broad skill levels are distinguished, each of which are differentiated by the range and complexity of tasks involved and thereby on informal and formal training (ILO, 1999: 6). Further distinctions are made on the basis of the type of knowledge applied, the tools and equipment used, the materials worked on or with, and the nature of goods and services produced (ILO, 1990: 6). At the most disaggregated level (unit level), there are 390 occupational groups with highly specific job descriptions. For example, unit group 3144 represents 'air traffic controllers' within the sub-major group 'ship and aircraft controllers and technicians', itself one of five categories in the major group 'technicians and associated professionals'.

Iversen and Soskice (2001) exploit the skill-based hierarchical structure of ISCO-88 to capture the specialization of workers' skills in their direct measure of skill specificity. This is done by comparing the share of unit groups in any higher level class to the share of the workforce in that class. Adopting their own example, 8% of the workforce across the sample they use are classified as 'plant and machine operators and assemblers' (major group 8) even though the group represents 70 of the 390 unit groups (i.e. 18%), thus indicating a high degree of skill specialisation. By dividing the share of unit groups (in this example, 0.18) by the share of the labour force (0.08), they generate a measure of skill specificity for occupational groups, ranging from 0.4 to 4.7 across their sample (in this instance, 2.1).

However, Iversen and Soskice's (2001) direct indicator has been called into question by a number of authors (e.g. Kitschelt and Rehm, 2006: 81). For instance, Fleckenstein *et al.*

(2011) have argued that it does not shed greater insight into the specialisation of occupational skills, referring to the example that workers in the major group of unskilled 'elementary occupations' have higher skill specificity than workers belonging to the major group of skilled 'craft and related workers' (Iversen, 2005: 27) when using their method.

Indirect attempts to gauge skill specificity, on the other hand, make an assumption about the workers' behaviour that is indicative of their skill specificity. In Iversen and Soskice's (2001) case, the assumption is that the difficulty of finding a job in which one's skills are needed is proportional to their specificity. At the heart of this concept, that is fundamental to the VoC argument, is the idea that outside options are more limited to workers with specific skills than for workers with more general ones (Iversen and Soskice, 2001: 882).

Iversen and Soskice (2001) capture this indirect measure of skill specificity by using a question from the 1997 ISSP survey that asks respondents to assess their chances of finding an 'acceptable job' when looking actively, assuming that the difficulty of finding an acceptable job is likely to correlate with the worker's skill portability. High specificity therefore implies: a) that relatively few jobs use those skills, and b) that the number of openings is likely to be small because asset-specific investments by employers and employees tend to lengthen job tenure and limit turnover.

The problem with this approach is that by relying on the self-assessed perceptions of an individual's chances on the labour market, the indirect measure of skill specificity is inevitably influenced by a number of factors that are completely unrelated to skill specificity. More than anything, this perception is likely to be affected by feelings of job insecurity, which are in turn dependent on anything from macroeconomic developments (e.g. a recession) to the presence of strong employment protection legislation.

An alternative to Iversen and Soskice's (2001) indirect measure of skill specificity would be to use tenure rates. However, the datasets used in the following analyses (predominantly

EU-SILC, the BHPS and the GSOEP) have either not matured enough (e.g. EU-SILC only stretches back four years in most countries), or contain longitudinal sample sizes that are too small when stretched over several years (e.g. BHPS or GSOEP)⁵.

Another way in which this distinction has been described is as a difference between ‘absolute’ and ‘relative’ measures of skill specificity. By contrasting specific skills with general skills, Iversen and Soskice (2001) are concerned with *relatively* specific skills. In other words, they measure the specificity of skills in terms of the relative share of specific skills and therefore independently of the overall level of specific skills. Other authors, notably Goldthorpe (2000) have used an *absolute* measure of skill specificity by comparing specific skills with no skills (rather than with general ones) (Emmenegger, 2009: 413-414).

The distinction between *relative* and *absolute* measures of skill specificity has important implications for skill-based explanations of social policy preference formation. For instance, the ‘replaceability thesis’ (Goldthorpe, 2000) implies that employees with very specific skills are difficult to replace. Consequently, they are less concerned about their job security than employees with few specific skills. The most replaceable workers are those who perform tasks that do not require specific skills and are easy to monitor. These workers are therefore said to have the highest risk of being dismissed, meaning that they will be strong supporters of job security regulations and the like.

In contrast, employees performing tasks that require specific skills and whose jobs are difficult to monitor are in a less risky position, since they know that they cannot be easily replaced. Goldthorpe consequently focuses on the level of specific skills independent of general skills, and thereby stresses *absolute* skill specificity. This means that they will not be more likely to support policies such as stricter EPL, because their position is already

⁵ The author experimented with tenure rates as an indirect measure of skill specificity using these datasets and experienced these methodological issues.

secure. Emmenegger (2009) has found support for the replaceability thesis, showing that lower grade white-collar workers (who are characterised by low levels of skill specificity) are more likely to support job security regulations.

Although it has been claimed that absolute skill specificity confers more power to the holders of more specific skills (Emmenegger, 2009), this applies to the status of employment rather than unemployment. Similar to the effect of age, people with specific skills may feel more secure in their job, but less secure in the labour market. While they are less likely to experience unemployment because their skill set is more valuable to the employer, they face greater disadvantages if joblessness does nonetheless occur. In response to this, it may be held that even if specific skills become redundant after job loss, these skills still signal to future employers that this worker is skilled, i.e. was able to develop and make use of skills (Emmenegger, 2009: 425). However, this relies on the retention of the worker's skill set, as well as the assumption of perfect information in the labour market. As such, those with specific skills are likely to be more vulnerable in periods of unemployment, which may affect their perception of economic insecurity.

A further issue with measuring skills concerns the difficulty of distinguishing between the *specificity* and *level* of skills. When workers are highly skilled, their human capital investment automatically infers a 'specific' nature. However, the high level of skills implies that the worker is sought after in the labour market, making the skill-investment portable and inferring a 'general' nature on the worker's human capital. As Emmenegger (2009) has noted with respect to job security regulations, the distinction between specific and general skills may therefore cloud the differences between skilled and unskilled workers.

This issue is particularly pertinent with respect to social policy preference formation.

Whereas the level of skill, just like the level of income, can be expected to determine income and hence redistributive preferences, the specificity of those skills determines exposure to

labour market risks and hence to preferences over social insurance (Iversen, 2006: 3). For instance, the insurance argument implies that unskilled workers are not particularly interested in job security regulations. Since they did not make costly investments, they have no interest in regulations which would increase their chances of obtaining a return on investment. However, these workers face another risk: no employment due to a lack of skills. This is especially true for low-skilled, blue-collar workers. As a consequence, low-skilled workers in declining sectors may be very favourably disposed towards stricter job security regulations, even though they have no investment in specific skills to protect (Emmenegger, 2009: 412).

Evidence for this has been found by Emmenegger (2009), who finds that support for job security regulations is unexpectedly strong among higher grade blue-collar workers and weak among higher grade white-collar workers. Higher grade white-collar workers perform tasks that are difficult to monitor but do not require very specific skills, whereas higher grade blue-collar workers perform tasks that require very specific skills but are not difficult to monitor. The fact that higher grade blue-collar workers are more supportive of job security regulations than higher grade white-collar workers could be interpreted as a sign that the difficulty of monitoring is more important in determining one's preferences for job security regulations than the specificity of one's skills.

However, apart from methodological difficulties, there is no reason why skill *levels* and skill *specificity* should not be analysed separately, especially in order to explain social policy preferences. Whilst VoC predicts that if a person will prefer stronger protection on the labour market to protect his or her human capital investment, a worker with no skills will prefer stronger protection for different reasons, namely non-employment due to a lack of skills. The two explanations are therefore completely compatible with each other as they do not affect the same group.

The subject of the risk of non-employment due to a lack of skills has grown in importance in recent political economy literature with the emergence of insider/outsider theory and the concept of 'dualization'. First outlined by Lindbeck and Snower (1988; 2001), insider/outsider theory identifies labour market 'insiders' as experienced employees whose positions are protected, in sharp contrast to 'outsiders' who do not enjoy the same protection and who often work in the informal sector. Since then, there have been a plethora of studies that have attempted to further explain how and why increasing polarisation is developing in post-industrial labour markets. The process of a growing division between 'insiders' and 'outsiders' has been described as 'dualization' (see, for example, Palier, 2010; Palier and Thelen, 2010; Emmenegger *et al.*, 2012). It has been argued that dualization has been progressing since the late 1970s, when high and persistent unemployment emerged in industrialised labour markets. Furthermore, from the late 1970s countries began deregulating their employment protection legislation either for all workers or just for temporary and part-time workers (Davidsson and Naczyk, 2009). As a consequence of this, high levels of various forms of non-standard employment emerged.

This has led to the identification of primary and secondary segments of the labour market. Whereas primary (or internal) markets are governed by administrative work rules rather than market allocation mechanisms, secondary (or external) markets follow the rules of competitive markets (Davidsson and Naczyk, 2009). Consequently, the primary market offers jobs with relatively high wages, good working conditions, chances of advancement and employment stability (Piore, 1975: 126), the secondary market is characterised by competitive wage setting practices, low wages, poorer working conditions, less training, job instability and fewer opportunities for career advancement.

Developing these theories further, several authors have drawn attention to workers with atypical contracts or in part-time employment, particularly after policies aimed at

flexibilising the labour market were introduced in the 1980s and 1990s (Palier and Thelen, 2010). Rueda (2005; 2006; 2007) extends his definition of outsidersness to the involuntary fixed-term employed and involuntary part-time employed, arguing that these workers are characterised by 'low levels of protection and employment rights, lower salaries, and precarious levels of benefits and social security regulation' (Rueda, 2006: 387).

Outsidersness can also take on different forms across countries (e.g. Esping-Andersen, 1999; Standing, 2011; Kroos and Gottschall, 2012; Schwander and Häusermann, 2013). Esping-Andersen (1993) hypothesises that different welfare state, education and industrial relations arrangements produce different types of employment structures. He distinguishes between three post-industrial trajectories; the Continental (as exemplified by Germany), the Liberal (e.g. North America and to a certain extent, the United Kingdom) and Nordic countries. For example, whilst Germany is found to be a country that breeds a 'large outsider population' (such as long-term unemployed who are forced to withdraw from the labour market), Liberal labour markets are characterised by a low-end service sector that offers its workers very low wages and few opportunities for upward mobility. Nordic countries are said to be characterised by better opportunities for upward mobility, but fewer chances of mobility across sectors, thereby leading to a segregated labour force (especially by gender, since women tend to be employed in the public sector). Similarly, it has been noted that temporary work is more widespread in countries characterised by high levels of employment protection legislation, such as Continental or Mediterranean countries (Esping-Andersen, 2000a).

Insider/outsider and dualization arguments have clearly generated enormous interest in political economy literature. This also has implications for the explanatory value of skills. For instance, dualization suggests that it is not only the *specificity* of skills that determines social policy preferences (as hypothesized by VoC), but the *level* of skills as well. In the

context of growing precarious employment, especially in the service sector, it has become necessary to make a further distinction between high and low skills, rather than solely differentiating between general and specific skills. However, the explanatory value of low skills is likely to vary across countries, as suggested by the evidence above. For instance, low levels of skills may be particularly associated with perceptions of labour market insecurity and therefore social policy preferences in liberal labour markets with a large low-end service sector, but less so in Nordic countries that offer better opportunities for upward mobility.

This interest has been reflected by a growing number of studies that seek to investigate the social policy preferences of outsiders. In particular, these have targeted employment protection legislation (e.g. Saint-Paul, 1996; Dolado *et al.*, 2002; Rueda, 2005; 2007; Emmenegger, 2009; Bentolila *et al.*, 2012; Guillaud and Marx, 2013). In their analysis of employment protection preferences in France, Guillaud and Marx (2013) also present preliminary findings to show that outsiders demand more unemployment protection whilst insiders do not. Furthermore, Boeri *et al.* (2001) find evidence for outsiders' higher demand for unemployment protection.

Arguably, skill specificity does not take these divisions into account. However, in the meantime, the skill specificity argument continues to be relevant, particularly with the continued process of deindustrialisation (Kitschelt, 2006). For instance, industrialised Western democracies face the problem that low- and medium-skilled manufacturing jobs are disappearing (Ferrera *et al.*, 2001: 170). This process affects higher-grade blue-collar workers much more than higher grade white-collar workers. As a result, blue-collar workers tend to perceive their jobs as more insecure than white-collar workers (OECD, 1997; Näswall and De Witte, 2003; Erlinghagen, 2008).

Although deindustrialisation has progressed at different paces across European countries (see e.g. Iversen and Cusack, 2000; Fleckenstein *et al.*, 2011), there has been a clear general trend. Employment in the manufacturing sector as a percentage of the national labour force has declined, while employment in the service sector has increased. This poses a significant empirical challenge to existing theories of cross-national typologies of human capital development and welfare states, particularly the VoC distinction between LMEs and CMEs (e.g. Estevez-Abe *et al.*, 2001). Research has demonstrated that national skill profiles have shifted within Continental European economies that were previously categorised as CMEs because of the higher proportion of specific skills in the labour market (e.g. Culpepper, 2007; Fleckenstein *et al.*, 2011).

With the decline of the manufacturing sector and the gaining momentum of the service sector, traditional dichotomous distinctions between general and specific skills that were until now used to differentiate between labour markets have become redundant. Instead, the development of the service sector economy has reinforced the role of *unskilled* labour, making a further distinction between high- and low-general skills at both ends of the service sector (Fleckenstein *et al.*, 2011: 1624). Nonetheless, this should not be taken to mean that skills are simply a function of industry sector. Specific skills are not unique to manufacturing, and according to the schema used (described next), there are a plethora of occupational groups within the skill group that fall in the services sector, such as ‘electrical and electronic trades workers’ (sub-major group 74), ‘car, taxi and van drivers’ (unit group 8322) or ‘underwater divers’ (unit group 7451). Nevertheless, it is the case that specific skills are much more prevalent in the manufacturing sector than they are in services.

The main concept and indicator that this thesis is concerned with is therefore skill specificity. For reasons discussed above and clarified below, I adopt Fleckenstein *et al.*’s (2011) classification to measure skill specificity. Similar to Iversen and Soskice’s (2001)

direct measure, it draws on the International Standard Classification of Occupations (ISCO-88), which has widely been used in comparative political economy literature (e.g. Iversen and Soskice, 2001; Iversen, 2005; Cusack *et al.*, 2006; Rehm, 2009).

At the top level, ISCO-88 distinguishes between nine major groups. To capture the complexity of tasks in different jobs, ISCO-88 further differentiates four 'skill levels', which include primary education of around five years (first skill level), first and second stages of secondary education (second skill level), postsecondary but non-tertiary education of about four years leading to a qualification not equivalent to a university degree (third skill level), and tertiary education culminating in the award of an undergraduate or postgraduate university degree (fourth skill level) (Fleckenstein *et al.*, 2011: 1626).

The advantage of ISCO-88 is that it can be used across national economies 'regardless of the nature of their respective skill formation regimes' (Fleckenstein *et al.*, 2011: 1626), since it does not take into account whether or not the acquisition of skills occurred through formal or informal training. In other words, rather than the type of education received, the classification relies on the 'tasks and duties undertaken in the job' (Hoffmann, 1999: 3) to organise jobs according into clearly defined occupational groups.

This means that certain occupational groups are not unique to certain institutional frameworks (such as Germany's), in which vocational streams are more prevalent. By drawing on ISCO-88, Fleckenstein *et al.*'s (2011) measure therefore avoids the issues identified with cross-national indicators of the specificity of skill-provision systems (Culpepper, 2007). For instance, if I were instead to measure the specificity of skills by capturing whether individuals were enrolled in secondary vocational training as done by Estevez-Abe *et al.* (2001), workers completing an identical job in the UK and Germany could be classified as having different skills and therefore also possess different degrees of skill specificity. This is because vocational training systems are more widespread in Germany

than they are in the UK. As an example, consider the unit group ‘carpenters and joiners’ (7115). While the UK carpenter might be less likely to have a vocational degree in carpentry than her German colleague, this does not infer that her skills are in any way less firm- or industry-specific than the German’s. The skill specificity lies in the nature and tasks undertaken in the job, and it is clear that a carpenter with 20 years’ worth of experience cannot transfer that experience to a different industry sector in the same way that a customer service assistant can.

Using the ISCO-88 major group classifications, Fleckenstein *et al.* (2011) suggest a modification of Esping-Andersen’s (1993: 24-25) occupational classification schema. The classification takes into account the distinction between a Fordist and post-industrial hierarchy of occupations. They achieve this by classifying ‘legislators, senior officials and managers’ (major group 1), ‘professionals’ (major group 2) and ‘technicians and associate professionals’ (major group 3) into a group that is considered characterised by high-general skills. All three groups assume high educational attainment, but are not bound to specific firms or industries and can be viewed as being united by the similarity of the tasks involved⁶. For instance, general managers, health or legal professionals, pilots, teachers and police inspectors would all be considered occupations that demand such skill-sets.

Low-general skills are identified for ‘elementary occupations’ (major group 9), ‘service workers and shop and market sales workers’ (major group 5) and ‘clerks’ (major group 4), which primarily consist of jobs in the low-end service sector, such as cleaners and launderers, restaurant service workers or office clerks. In contrast to the high-general group, occupations captured in these major groups only require skills at the first and

⁶ Fleckenstein *et al.* (2011: 1628-1629) acknowledge that major group 3 is difficult to classify, stating that in terms of portability this group falls between professionals on one hand and craft and related workers on the other. However, they classify workers in this occupational group as having high-general skills because the majority of occupations in the group are in computing, teaching, life sciences and sales, and can therefore be assumed to be relatively transferable across firms and industries compared to the specific skill group.

second levels. Furthermore, holders of such skills can be applied to different firms and industries and are again united by the similarity of the tasks involved.

On the other side of the skill specificity spectrum, ‘craft and related workers’ (major group 7) and ‘plant and machine operators and assemblers’ (major group 8) are categorised as occupational groups that require specific skills. People employed as builders, mechanics and handicraft workers, as well as plant and machine operators would be considered part of this skill group. Although workers in these two major occupational groups only require skills at the second level, these skills are assumed acquired at the firm- or industry-level, creating limited portability of skills across other groups *relative* to the low- and high-general groups (Fleckenstein *et al.*, 2011: 7-8).

The main advantage of using this indicator is that it accounts for the potential of skill polarisation in post-industrial economies (Esping-Andersen, 1993; 1999). Including the concept of high- and low-general skills alongside a dummy of skill specificity therefore helps to draw a more nuanced picture of post-industrial employment patterns by ‘transcending the binary distinction between general and specific skills currently used in the literature’ (Fleckenstein *et al.*, 2011: 1642-1643). Including a distinction between high- and low-general skills also accounts for the development of dualization. This means that the classification captures both skill *level* and skill *specificity*, which are theoretically heavily intertwined but separated, as discussed earlier in this section. The importance of capturing both is that both occupational mobility and social policy preferences, the two dependent variables used in the following analyses, are influenced by both the *specificity* and the *level* of skills⁷.

⁷ As hypothesised earlier on, low-skilled workers are considered more likely to support labour market protection and more likely to change occupation, while specifically skilled workers are less likely to change occupation but more likely to support social protection. We would then observe both people in occupational groups characterised by specific skills being in support of protection (the VoC hypothesis)

Although skill level and skill specificity are heavily intertwined, I consider it worthwhile separating them, especially in order to assess whether VoC and dualization predictions are compatible with regard to social policy preferences (i.e. skill specificity and level are positively associated with support).

This distinguishes Fleckenstein *et al.*'s (2011) classification from schemas such as Iversen and Soskice's (2001) that are solely concerned with the *specialisation* of occupational skills, and do not explicitly incorporate skill *levels*. However, it also provides an alternative to a number of other schemas that are instead only concerned with the level of skills. Notably, Oesch and Rodríguez Menés (2011) use a distinction between high-skilled, mid-skilled and low-skilled occupations in order to assess the occurrence of skill-based technological change. Similarly, Kenworthy (2009:73) has differentiated between high-end (e.g. finance and business services) and low-end (e.g. retail trade, restaurants and social services) services, all of which are occupational groups that also run the danger of being confused with industrial sectors. Other classifications such as Spitz-Oener's (2006)⁸ (which Oesch and Rodríguez Menés draw upon) merely distinguish occupational groups based on their tasks, thereby failing to take into account the role of skill specificity and level at all. Whilst these schemas undeniably represent an important step forward in assessing the role of skills in political economy research, they fall short of Fleckenstein *et al.*'s (2011) classification because they do not explicitly take into account the specificity of skills.

It should nevertheless be noted that many studies that use measures of skill specificity (whether relative or absolute), include an additional dummy on education as an indicator of

and people occupied in positions that only require low-general skills supporting the welfare state (the hypothesis based on dualization). I return to these hypotheses in more detail in the relevant chapters (V and VI).

⁸ Spitz-Oener (2006) classifies occupations according to their dominant tasks into three groups: (i) *Non-routine service and manual tasks* (caring, serving; renovating, driving); (ii) *routine cognitive and manual tasks* (typewriting, calculating; operating and controlling machines); and (iii) *non-routine analytical and interactive tasks* (researching, planning; coordinating, teaching).

general skills (Iversen and Soskice, 2001; Emmenegger, 2009). Whilst I experiment with an indicator of general skills that is *independent* of skill specificity, I primarily rely on the dependent measure of general skills that is included in Fleckenstein *et al.*'s (2011) schema as it helps combine both the VoC and dualization hypotheses into one classification.

Furthermore, due to the observation that outsidership takes many forms (e.g. unemployment, temporary employment or low skills), and that these forms vary between countries (e.g. Esping-Andersen, 1999), it is necessary to complement an analysis of skill specificity and skill levels with other characteristics of outsidership, such as temporary employment.

There are of course also issues with Fleckenstein *et al.*'s (2011) schema. Firstly, as a relative measure of skills it suffers from the same drawbacks as Iversen and Soskice's (2001) indicator (and a majority of other skill classifications). The results of this thesis could be explained in a different way if using an absolute measure that compared specific skills to *no* skills rather than to general ones (although arguably, the distinction between low-general and high-general skills partly takes this into account). Furthermore, as a result of distinguishing between just three groups that are in turn differentiated according to major skill groups (at the 1-digit ISCO-88 level), it is a fairly aggregated indicator of something very complex (skills) that will inevitably obscure some details. In particular, this could be seen as problematic with regard to the separation of skill *specificity* and skill *level*. It somewhat circumvents the issue of the two being systematically related by treating workers with 'specific skills' as a group within which skill levels are irrelevant. For instance, both workers in the 'specific' and those in the 'low-general' skill groups are in occupational groups that do not require education above the first and second stages of secondary education (second skill level, according to ISCO-88). If we were solely concerned with skill levels, these two groups would therefore be merged into one.

They are instead separated based on the assumption that jobs in the major groups 7 ('craft and related workers') and 8 ('plant and machine operators and assemblers') require skills that are acquired at the firm- or industry-level (Fleckenstein *et al.*, 2011: 7). However, it is not entirely clear what is meant by this. For instance, should a cook who completes an industry-wide qualification (such as a certificate of hygiene) be classified as having specific skills, even though they are deemed 'unskilled' according to the classification (major group 5)? In some ways, however, this aids comparative analysis because it prevents skill specificity depending on a country's institutional framework of education and training.

It also means that the schema does not distinguish between firm- and industry-specific skills, which are considered as a whole, even though they vary in terms of their portability (Estevez-Abe *et al.*, 2001: 148) and could therefore have a different impact on occupational mobility and/or social policy preferences.

Furthermore, despite the sound logic underpinning the separation of these skill groups, there will be individuals who are included in a group but should not be. For instance, at the most disaggregated level, ISCO-88 identifies unit group number 3514 as 'web technicians'. According to Fleckenstein *et al.*'s (2011) schema, web technicians are classified as possessing 'high-general skills'. Whilst most workers in this category will be highly specialised and valued by their employer, in many cases carrying out managerial and supervisory tasks, some web technicians are likely to have simple roles and be at the low end of the service sector and may therefore be better classified in the low-general skill group. Similarly, unit group 5120 captures cooks, who are considered to be in the low-general skill group. Arguably, however, there is a difference between a cook in a cheap high street chain restaurant and somebody who works in the kitchen of a luxury hotel⁹.

⁹ Nevertheless, ISCO-88 does distinguish between 'cooks' (unit group 5120, low-general skills) and 'chefs' (unit group 3435, high-general skills). Distinctions like these underscore the strength of the schema.

Occupational mobility

Another way of measuring skill specificity is by observing rates of occupational turnover.

Occupational mobility is defined as the percentage of the workforce that changes occupation over a given period of time, usually a year. Theoretically, the higher occupational mobility is the more specific the skill. Despite this connection with VoC theory, occupational mobility has hardly ever, if at all, been used as an indicator of skill specificity.

Occupational mobility has instead been used to conceptualise flexibility in the labour market, especially among employed people. Job search theory, for instance, suggests that job turnover in the labour market as captured by occupational mobility is characterised by employed workers who look for and change into jobs that pay a higher wage than their current occupations (e.g. Johnson, 1978; Jovanovic, 1979a; Viscusi, 1980). Any occupational change is the result of a rational choice for which the alternative is to remain in the same job with the same employer, thereby reflecting career advancement (e.g. Sicherman and Galor, 1990). Such models therefore associate high rates of job turnover with an improvement in wages over an individual's career (e.g. Burdett, 1978; Viscusi, 1980; Miller, 1984).

Rather than capturing labour market flexibility, VoC can make use of occupational mobility as an indicator of skill specificity. Low rates of occupational mobility are therefore indicative of skill specialisation, which is in turn associated with the risk of losing a skill investment due to the lower portability of those skills. However, these risks can be offset by the presence of social protection, especially unemployment protection. VoC thereby implies that in the presence of generous unemployment protection, low chances of occupational mobility do not have negative implications for the individual.

For instance, consider the carpenter in the example earlier. Let us assume that the annual salary of the carpenter is £35,000 a year in the UK, which equates to around €44,000 in Germany¹⁰. Assuming that the carpenter is single, as a 40-year-old the United Kingdom she would be entitled to a flat-rate benefit of £72.40 a week for 182 days (approximately 6 months), which equates to £10.30 a day¹¹. In Germany, the carpenter is entitled to 12 months of contribution-based unemployment benefits (*Arbeitslosengeld I*). €44,000 a year equates to €120.50 a day. Of this, social insurance contributions (21%), income tax and a 'solidarity surcharge' (*Solidaritätszuschlag*) are taken off, leaving the carpenter with around €73¹². 67% of this is paid out as unemployment benefit, leaving the carpenter with €49.15 (around £38.65) a day in unemployment benefits for 12 months. The German carpenter is therefore entitled to significantly more unemployment benefits than her English colleague. This also means that the German carpenter has more time (12 rather than 6 months) to sustain her livelihood and search for another job as a carpenter, leading to *lower* occupational mobility. The UK carpenter, on the other hand, has less time to find an occupation that matches her skills. Furthermore, the significantly lower level of benefits may give the carpenter more incentive to change occupational group, thereby making her skill investment redundant.

Whilst the lower chance of occupational mobility can be considered a *disadvantage* for the worker because it lowers the chances of finding another job in the event of unemployment and is therefore associated with greater labour market risks, VoC and job search theory are at odds over whether mobility is a *negative* or a *positive* outcome. For the VoC scholar, the greater labour market risks that specifically skilled workers are exposed to because of the

¹⁰ Based on May 2014 exchange rates

¹¹ We further assume that because the carpenter has savings, she is not eligible towards claiming housing benefit

¹² €120.50 – €25 (21% of €120.50) – ~€21 (*Lohnsteuerklasse I*) – 1.14 ('solidarity surcharge') = ~73

lower chances of experiencing occupational mobility in the event of unemployment should be met by more generous unemployment protection. This is because any occupational change that may result from not having enough unemployment protection will result in a *loss* of human capital investments made by the worker. The job search theorist, in contrast, welcomes mobility in order to shorten the duration of unemployment and therefore the rate of unemployment.

This is reflected by existing evidence, which suggests that the upward mobility that has been shown to characterise occupational change among employed workers does not translate to unemployed people. Occupational change that is triggered by a jobless spell is associated with a subsequent need to find an alternative job quickly (Longhi and Taylor, 2013: 94-95). In contrast to employed people, among which employees change into jobs that pay higher wages than their previous occupations, job search theory suggests that unemployed job seekers will look for jobs that offer wages exceeding their ‘reservation wage’ (Burdett and Mortensen, 1998). Employed and unemployed jobseekers therefore face fundamental differences in terms of the wage they are willing to accept. Given that the reservation wage is likely to be lower than the unemployed person’s pre-occupation wage, the experience of mobility for unemployed jobseekers will be associated with a downward movement while it is characterised by an upward trajectory for employed jobseekers. Occupational change for unemployed people is thus more likely to be associated with lower paying occupations, as well as occupations offering lower future wage growth (McLaughlin, 1991).

Evidence supports this, showing that while employed jobseekers are employed in ‘good’ jobs, unemployed jobseekers are more likely to be re-occupied in ‘bad’ jobs (Pissarides, 1994). Amongst others, Longhi and Taylor (2010) have found support for this by demonstrating that unemployed jobseekers are more likely to experience downward

mobility, with 31% accepting jobs in occupations with a lower mean wage compared to 21% of employed jobseekers. In theory, this also means that employed and unemployed jobseekers do not compete with each other on the job market (Longhi and Taylor, 2010). Further explanation for this is given by signalling theory, which suggests that any occupational change experienced by an unemployed person is highly likely to be downwards as employers are unable to observe the productivity of job applicants (Lockwood, 1991; Blanchard and Diamond, 1994).

Despite the evidence on occupational mobility, there has in contrast been very little use of occupational mobility to measure the *specificity of skills*. Human capital theory predicts that the probability of occupational mobility is likely to fall as the duration of the job increases, given that the worker has invested more time accumulating occupation-specific human capital. Empirical studies have found support for this, demonstrating positive returns to occupation-specific work experience (e.g. Zangelidis, 2008). Because not all skills are transferable across jobs, occupations or industries (Neal, 1995; Parent, 2000), an occupational change may therefore also be associated with the loss of firm- and occupation-specific human capital (Becker, 1993). This further suggests negative implications to be associated with occupational mobility, resulting in comparatively lower wages (Parrado *et al.*, 2007; Kambourov and Manovskii, 2009). Only recently, Longhi and Taylor (2013) suggest that skill levels may be significant, although they do not test this.

A measure of skill specificity that uses occupational mobility is, of course, not free from methodological issues. As an indirect measure, it suffers from the same drawbacks that Iversen and Soskice's (2001) indirect measure is affected by. Namely, just as self-assessed perceptions of an individual's chances on the labour market are affected by factors other than skill specificity, chances of occupational mobility can be affected by a variety of considerations. Chances of experiencing a job change are not solely related to the specificity

of the worker's skills, but can be connected to reasons that range from how much people like their current colleagues, to a change in the marital status of an individual. Another factor that might affect occupational mobility aside from skill specificity is skill *level*.

However, when we consider the effect of skill level on occupational mobility, ambiguities emerge. On the one hand, the precarious jobs that people without skills find themselves in would suggest that they also face higher rates of occupational mobility, constantly moving from one temporary job to another. But yet, these same people are not necessarily changing occupational groups. Rather, they are changing to similar jobs in the low-paid services sector.

When somebody with high-general skills experiences joblessness, evidence shows that they are more likely to move into elementary occupations (Longhi and Taylor, 2013: 73). In other words, when individuals are at the 'ceiling' in terms of their skill level, they are more likely to experience occupational change in the form of downward social mobility. At the other end, on the 'floor' of the skill level spectrum, the jobless individual is more likely to stay where they are in terms of their social and occupational status. Unless unemployment protection systems are equipped with efficient re-skilling or re-training elements, occupational mobility at the bottom of the labour market is unlikely to happen.

The distinction between the chances of occupational mobility between workers with low-general and high-general skills raises a more general question. With respect to skill specificity, I have argued that occupational mobility is a proxy for labour market insecurity. The lower the occupational mobility, the less marketable the person's skills are, which leads to a greater risk of losing the skill investment. However, for somebody who has no skills, or has invested little into them (e.g. low-general skills), a lower chance of experiencing occupational mobility does not necessarily expose them to labour market risks.

At this stage, it is worthwhile distinguishing between labour market risks in order to clarify what occupational mobility actually conceptualises. I consider here labour market risk from the VoC perspective and concentrate on the risk of *losing* a human capital investment or, specifically, a *skill* investment. It is in the personal interest of the worker who makes such an investment to ensure that it remains worthwhile in the labour market. Occupational mobility is a useful measure of whether this has occurred or not, particularly with respect to firm-specific skills. If occupational mobility occurs, it can be relatively safe to assume that the firm-specific (or even industry-specific) skills of the previous occupation become redundant.

Consequently, the drawback of occupational mobility is that it does not take into account other labour market risks, such as the risk of experiencing unemployment or long-term unemployment, or the loss of income associated with a move from a high- to a low-paying occupation. It is only indicative of the labour market risk of losing a previous human capital investment. This also means that occupational mobility has different consequences for different people, which returns us to the VoC theory. Somebody with a specialised skill investment is more affected by occupational mobility than somebody with general skills. I consider these distinctions in the interpretation of the results in the following chapters.

Research Questions and Structure of Thesis

The discussion of job search theory, human capital arguments, social policy preferences, skills and occupational mobility leaves us with a series of assumptions, all of which in some way or another underpin Varieties of Capitalism theory. I consider each of these assumptions in the form of hypotheses, which are empirically evaluated in the following thesis.

Hypothesis A: Skill specificity is negatively correlated with occupational mobility

Skill specificity has been linked to labour market insecurity, as argued by VoC scholars. The theoretical argument is that workers who invest in more specific skills are at risk because such human capital investments are *less portable* than acquiring more general skills, which are *more marketable* across sectors. In the event of unemployment, the worker with specific skills is therefore less likely to find alternative employment than the worker with general skills. This, in turn, implies that the worker in the possession of specific skills will be *less likely* to experience occupational mobility across the unemployment spell¹³.

The hypothesis therefore addresses a *key* VoC assumption that general skills are marketable in all sectors of the economy, whereas specific skills are only marketable in one sector (the size of which is defined by skill specificity) (Iversen and Soskice, 2001: 876). Adopting VoC theory, investment in skills that are specific to a particular firm, industry, or occupation exposes their owners to risks for which they will seek nonmarket protection. Skills that are portable, by contrast, do not require extensive nonmarket protection (Iversen and Soskice, 2001: 875).

Hypothesis B: The presence of generous unemployment protection will be associated with lower chances of occupational mobility

In practice, a wide range of other factors will also affect chances of occupational mobility, such as the presence of labour market institutions. Most importantly, the design of unemployment protection systems will mediate the relationship between skills and chances of occupational mobility for unemployed people.

¹³ It should be noted that henceforth, whenever I refer to ‘occupational mobility’ in the context of unemployment (e.g. ‘occupational mobility among unemployed people’) in this thesis, I am specifically referring to occupational mobility between pre- and post-unemployment jobs. The technical term for this is ‘occupational mobility between pre- and post-unemployment’.

The direction of effect depends on how we choose to measure unemployment protection. With regard to level and duration of unemployment benefits (i.e. cash transfers), job search theory has suggested that unemployment protection can prolong the duration of unemployment and enable the unemployed person to be more selective with regard to available job offers (Katz and Meyer, 1990). Generous unemployment protection may therefore encourage unemployed workers to take up jobs that are more suited to their previous skills in the long-term, making the job they attain more sustainable (Marimon and Zilibotti, 1999). In the absence of such protection, an unemployed person is presented with the prospect of severe income losses, thereby creating a strong incentive to accept any available job offer irrespective of its type and quality. Less generous unemployment protection in terms of its level and duration can therefore increase perceived employment insecurity by increasing an individual's fear of the repercussions of unemployment and prolonged job loss (Anderson and Pontusson, 2007; Clark and Postel-Vinay, 2009).

On the other hand, there also ways in which the generosity of unemployment benefits can increase chances of occupational mobility across jobless spells. For instance, generous benefits can lead to post-unemployment wage gains by increasing the reservation wage, and thereby also improving the quality of post-unemployment occupations, with the consequence of increasing the odds of occupational change into a better job. Similar to the effect of ALMP spending outlined in the next paragraph (and perhaps interacting with ALMP spending), benefits can increase the resources available for job search, thereby facilitating re-employment in a job of improved quality. Furthermore, according to the moral hazard argument, benefits can depress the intensity of job search and may thereby prolong unemployment as well as worsening the quality of the post-unemployment occupation (e.g. Vodopivec, 2004). This may result in an increased likelihood of experiencing occupational change into a 'bad' job.

Alongside these alternative explanations, the effect of the generosity of ALMPs is likely to differ substantially from that of PLMPs. In contrast to 'passive' unemployment benefits, active labour market policies (ALMPs) can enhance skills, improve job matches and encourage greater risk-taking behaviour by unemployed job seekers (Agell, 1999; 2002), translating into greater mobility amongst unemployed (Howell and Rehm, 2009: 65). By being aimed at fostering the employment prospects of participants, ALMPs are therefore also likely to increase occupational mobility. Indeed, several empirical studies show that extensive use of ALMPs is associated with lower unemployment rates and shorter periods of unemployment (e.g. Nickell *et al.*, 2005) due to encouraging higher exit rates from unemployment.

However, the extent to which this increased exit rate is associated with higher mobility depends on the ALMPs in use. For instance, when expenditure on ALMPs is concentrated on training programmes that are aimed at refreshing skills and helping unemployed keep up with the rising skill demands of a knowledge-based economy (Armingeon, 2003), one might expect ALMPs to encourage mobility. However, when ALMPs are associated with tackling information deficits on the labour market (Card *et al.*, 2010), they may discourage mobility. When counselling services are used to match unemployed with job openings, improved pairing of pre- and post-unemployment occupational groups may follow. Theoretically, therefore, the effect of ALMP generosity on the chances of occupational mobility is ambiguous.

Hypothesis C: Skill specificity will be positively associated with unemployment protection preferences, while skill level will be negatively associated with attitudes towards unemployment protection

The first two hypotheses have important implications for the prediction of social policy preferences. In particular, the asset specificity of a worker as indicated by their

occupational mobility is likely to affect their preferences for unemployment protection. Workers who have made heavy investments in asset-specific skills stand a greater risk of losing a substantial portion of their income than do workers who have portable skills. Lower chances of occupational mobility signal greater asset specificity, which means that we should expect the worker to face strong incentives for supporting policies and institutions that protect their jobs and income (Iversen and Soskice, 2001).

In addition to skill specificity, I also expect skill *level* to play a large role in predicting unemployment protection preferences. Dualization literature (e.g. Emmenegger *et al.*, 2013) suggests that the level of skills determine social policy preferences. While people with specific skills face higher labour market insecurity due to the low portability of their human capital investment, outsiders face higher labour market insecurity due to the presence of no skills.

Hypothesis D: Assuming hypothesis C is true, countries with a greater proportion of workers with specific skills, or those with high numbers of workers with low levels of skills are more likely to be characterised by high levels of support for unemployment protection

If it is true that skill specificity and level are associated with greater support for unemployment protection, it should also be the case that countries in which there are a greater number of people with specific or low-general skills will display higher overall rates of support for such policies. I investigate this assumption in Chapter VI by analysing unemployment protection preferences in the United Kingdom and Germany, separately.

Methodology

There are several limitations to take into account when interpreting the results of the following empirical chapter. Firstly, there is a potential of generalising the results of this

analysis beyond what they are applicable to. VoC by nature relies heavily on rationalistic assumptions, and specifically to the economic behaviour of actors. In practice, individuals take into account numerous other factors when deciding which skills to invest in, whether to re-skill and change occupations, or whether they should favour unemployment protection or not. Similarly, the two primary dependent variables of this thesis – occupational mobility and unemployment protection preferences – are influenced by considerations that are far from economic in nature. The decision whether to change jobs can reflect factors as simple as the friendliness of co-workers, or a tip-off about a job from a friend. Likewise, in the formation of attitudes towards policies, we can be swayed by what our co-workers have experienced or say to us, rather than the specificity of our skills.

For reasons of clarity and conciseness, the following chapters will stay within the narrow theoretical backbone described above, while I acknowledge that this framework is highly functionalist in nature. Nonetheless, the adoption of rationalism and to a certain extent institutionalism, which are the primary delineators of the scope conditions of behavioural logics adopted in this thesis, should not be taken to mean that I contradict other analyses (e.g. constructivist ones). They should be seen in conjunction with other perspectives, which provides a better explanation than either perspective would offer separately (Elster, 1998).

The methodology adopted in the following analyses suffers from some more technical limitations as well, which are discussed in more detail in the relevant chapters. For now, it is worth pointing out that with the exception of some relatively minor historical research in Chapters III and VI, the methodology almost purely relies on quantitative analyses. ‘Large-N’ research designs such as this one cannot handle the empirical depth of hundreds of cases at a time (see e.g. Nissen, 1998: 404), nor are they capable of capturing set-theoretic relationships and causal conjunctures (e.g. Ragin, 2000: 314).

On this note, it is worthwhile putting the emphasis on disaggregation and micro-level approaches described in this chapter into perspective. While I do use micro- and individual-level data, it remains highly simplified and aggregated. The reader should not be fooled into thinking that the use of panel data can in any way replace the insight gained from qualitative analyses of the same sample.

At this point, it should also be stressed that the findings of the following chapters should not confer any sort of external validity beyond the samples that are adopted. In evaluating the relationship between skill specificity and occupational mobility, I am dealing with two variables that are by nature connected to *occupational data*. The samples are therefore limited to members of the *labour force*, and it is therefore worth highlighting that the results of this thesis are of relative insignificance to understanding, for instance, the attitudes of full-time carers or pensioners towards unemployment protection.

At a more general level, the sample is restricted to post-industrial Europe as the case selection is limited to the availability of panel data (i.e. it is not random). Within these countries, random sampling is also not an option given the relatively low sample sizes (especially in analysing the occupational mobility of unemployed people) and the techniques used (e.g. multilevel modelling). The panel and opinion data employed in the analyses are restricted to Europe and in particular, to Western Europe. Although some Eastern European countries are included in the analysis of unemployment protection preferences in Chapter V, the analysis of occupational mobility among unemployed people in Chapter IV is strictly limited to Western Europe due to the relatively recent roll out of EU-SILC (the panel dataset used in this chapter) to new member states. The findings could be applicable to liberal and coordinated market economies outside the Europe, such as the United States or Japan (see e.g. Finegold and Soskice, 1988; Soskice, 1994; Culpepper and Finegold, 1999; Thelen, 2004), but are hardly relevant to labour markets that are yet to or

still undergoing industrialisation. Having said this, this does not mean that the findings should be ignored when these populations reach a certain level of economic development.

Conclusions and Structure of Thesis

Varieties of Capitalism offers the conceptual framework around which the thesis is structured because it presents a way of observing how the behaviour of actors at the micro level is affected by labour market institutions at the macro level. Furthermore, VoC theory proposes a way of approaching the debate over the relationship between unemployment protection and the economy without reducing it to a normative argument. VoC scholars reject the idea that there is a single optimal institutional configuration capable of delivering good economic performance. Having said this, the VoC account suffers from several issues, including its failure to explain institutional change (e.g. Hall and Thelen, 2009).

More crucially, the VoC account raises several theoretical assumptions that are in need of being evaluated empirically. Aside from the issue that this logic is based on the fundamental assumption that workers are risk-averse and calculate the overall return of their education and training, choosing to invest in those skills that generate higher expected returns and avoiding skills that have more uncertain future returns (Emmenegger, 2009; 410-411), the VoC account also depends heavily on the supposition that specific skill investments are in fact associated with lower portability and therefore greater risks of losing such investments in the event of unemployment. The concept of occupational mobility provides a novel way of evaluating this assumption and is therefore used to address hypotheses A and B in chapters III and IV.

The second half of the assumption addresses the question whether individuals take this uncertainty into account in the calculation of their preferences towards social protection. If skill specificity is associated with lower portability (i.e. lower occupational mobility) and

thereby uncertainty of future returns, such workers should be in favour of greater protection, especially more generous unemployment protection. Chapters V and VI test whether workers include the uncertainty associated with the specificity of their skill investments into the formation of their unemployment protection preferences.

Furthermore, VoC is in need to being complemented by evidence suggesting that the *level* of skills also matters. Since the development of insider/outsider divides in the labour market as a result of ‘dualization’, a further distinction has become necessary between low- and high-end skills, particularly in the polarised service sector. In addition to the evaluation of VoC assumptions, the following chapters also take into account the increasingly important role of skill level in such explanations.

These chapters therefore offer the reader an evaluation of Varieties of Capitalism and dualization arguments using previously unused measures and concepts such as occupational mobility. Before these empirical analyses, Chapter II provides an overview of the types of policies that affect the portability of people’s skill investments using the United Kingdom and Germany as case examples.

Chapter II

Skill Specificity versus Occupational Mobility: Evidence from Unemployed People in the United Kingdom and Germany

Abstract

In political economy literature, it is widely understood that people with specific skills face greater labour market insecurity than those with more general ones. This is because they are faced with lower chances of finding another job in the event of unemployment due to the lower portability of their skills, which in turn increases the chance of losing their skill investment. In the following chapter, I assess this assumption using a sample of unemployed people from the United Kingdom and Germany, each of which represents an archetypal Liberal Market Economy (LME) and Coordinated Market Economy (CME), respectively. The analysis relies on data from the British Household Panel Survey (BHPS) and the German Socioeconomic Panel (GSOEP) between 1993 and 2009. The chapter is therefore concerned with investigating whether skill specificity is in fact positively correlated with labour market insecurity. The results confirm the VoC hypothesis in Germany, but not in the UK, suggesting that exposure to labour market insecurity in the event of unemployment is mediated by other factors, such as skill level or wider, institutional considerations.

Introduction

The welfare state is increasingly being perceived as an essential component in the development of national production regimes (e.g. Estevez-Abe *et al.*, 2001; Hall and Soskice, 2001; Iversen and Soskice, 2001; Thelen, 2004; Iversen, 2005; Cusack *et al.*, 2006; Iversen and Stephens, 2008). Central to this popularity are ‘Varieties of Capitalism’ (VoC) arguments that suggest that the presence of protective labour market institutions such as

strict employment protection legislation (EPL) or generous unemployment benefits encourage the development of specialised skills in the labour market.

Such arguments are finding wider attention in political and public circles, particularly in the context of an alleged rebirth of the 'German model'. In the UK, Prime Minister David Cameron has suggested that he wants work-based training to sit 'at the heart' of the UK's mission to rebuild its economy after the financial crisis. He has also proposed that the UK should emulate the German system, where a large number of young people are enrolled in apprenticeships (BBC, 2013).

Within the context of an increasing number of Western countries wishing to imitate parts of the German model, it also becomes necessary to assess the assumptions of VoC literature. VoC predicts that the specialised skills required for an export-driven manufacturing economy such as Germany's will only thrive in labour markets that provide strong social protection for such specialised workers. The presence of specialised skills allows firms to pursue strategies such as 'diversified quality production' (Streeck, 1991) that rely on high quality production lines to create large export-driven firms in the manufacturing sector (Palier and Thelen, 2010: 121). This is possible because German manufacturers can capitalise on the large supply of apprenticed and vocationally trained workers, who are in turn said to only invest in such skills in the presence of protective labour market institutions (Lane, 1988; Kern and Schumann, 1989).

This would suggest that the UK could only imitate the German system of work-based training by strengthening the social security system (rather than weakening it) or putting in place more stringent employment protection legislation. Amongst the many assumptions of a rationalistic theory such as VoC is the fundamental hypothesis that a worker's skill specificity influences their exposure to labour market insecurity. This is because the more specific the individual's skills are, the more likely they are to be at risk of not finding an alternative job in the event of unemployment, and thereby losing their skill asset-

investment by switching jobs or falling into long-term unemployment altogether. Although this may sound obvious, empirically, the connection between skill specificity and portability has rarely, if ever, been tested.

The following analysis evaluates this fundamental assumption by testing whether greater skill specificity is associated with lower portability, and therefore greater exposure to the risk of losing their skill investment. The analysis relies on data from the British Household Panel Survey (BHPS) and the German Socio-economic panel (GSOEP) between 1993 and 2009. The findings show that unemployed people with specific skills are *less* likely to change occupational groups in Germany, but not so in the UK. This suggests that the connection between skill specificity and labour market insecurity is mediated by other factors, including the *level* of their skills or to the institutional architecture of the unemployment protection system.

The chapter is organised as follows. The following section will present the theoretical framework in which the analysis takes place, followed by a brief literature review of existing evidence on occupational mobility. In the fourth section, the data and analytical strategy are discussed and specified. The results of the quantitative analysis are presented in Section V and then discussed in the final section of the chapter.

Theoretical framework

The central focus of this paper lies in the risk-averse worker, who must determine which skills to invest in. Assuming that the worker behaves strategically, advancing his or her interests in a rational way in response to others (Scharpf, 1997), VoC theory assumes that the primary consideration that the worker must make in this decision-making process is how the specificity of his or her skills affects exposure to labour market risks. Of central importance is the skill investment decision that workers face between endowing their human capital with general skills or alternatively, with specific ones. General skills are marketable within the whole economy and carry a value independent of the type of firm or

industry (Emmenegger, 2009: 408), while specific skills are useful only within a single firm (when acquired by on-the-job training) or industry (provided by apprenticeships and vocational schools).

With skills varying according to their portability, investments in specific skills are considered risky, given that this asset-specific human capital investment faces a higher likelihood of becoming redundant in the case of job loss. This is because workers with specific skills face lower chances of finding another job in the event of unemployment due to the lower portability of their skills, and the fewer jobs therefore available to them (Hall and Soskice, 2001).

This suggests that the more specific skills are, the less likely it is for somebody who owns specific skills to experience occupational mobility in the event of unemployment.

Occupational mobility is the rate at which members of a labour force changes jobs, and VoC therefore suggests that the specificity of skills will be negatively correlated with chances of experiencing occupational change. Following from this, the following hypothesis can be formed, which concurrently serves as the research question for this chapter:

Hypothesis A: Skill specificity is negatively correlated with occupational mobility

The hypothesis therefore addresses a key VoC assumption that general skills are marketable in all sectors of the economy, whereas specific skills are only marketable in one sector (the size of which is confined by skill specificity) (Iversen and Soskice, 2001: 876). Adopting VoC theory, investment in skills that are specific to a particular firm, industry, or occupation exposes their owners to risks for which they will seek nonmarket protection. Skills that are portable, by contrast, do not require such protection (Iversen and Soskice, 2001: 875).

Literature Review

Occupational mobility is not a new concept in political economy literature. A number of studies have used occupational mobility to back up job search theory, arguing that workers are likely to change into jobs that pay a higher wage than their current occupations (e.g. Johnson, 1978; Jovanovic, 1979a; Viscusi, 1980). Consequently, any occupational change is the result of a rational choice for which the alternative is to remain in the same job with the same employer, thereby indicating career advancement (Sicherman and Galor, 1990). Such evidence suggests that high rates of job turnover are associated with an improvement in wages over an individual's career (e.g. Burdett, 1978; Viscusi, 1980; Miller, 1984). Flexibility in the labour market is therefore characterised as something positive, reflecting *upward* social mobility.

However, this evidence does not necessarily translate to unemployed people. In general, studies that distinguish between the occupational mobility of employed and unemployed jobseekers have only emerged recently. Occupational change that is triggered by a jobless spell is associated with the subsequent need to find an alternative job quickly (Longhi and Taylor, 2013:95-96). This means that in contrast to the employed labour force, among which employees change into jobs that pay higher wages than their previous occupations, unemployed people do not have this choice. Instead, they will look for jobs that offer wages exceeding their 'reservation wage' (Burdett and Mortensen, 1998). In theory, this reservation wage can be higher than the wage that the previous occupation offered, but in practice this is not likely¹⁴. The experience of mobility for unemployed people is therefore likely to be associated with a downward movement while it is characterised by an upward trajectory for employed jobseekers.

¹⁴ According to job search theory, the reservation wage will be slightly above the rate at which unemployment benefits are paid out.

There is widespread evidence of this phenomenon. For instance, McLaughlin (1991) has shown that occupational change for unemployed people is more likely to be associated with lower paying occupations, as well as occupations offering lower future wage growth. Other studies demonstrate that while employed jobseekers are occupied in 'good' jobs, unemployed jobseekers are more likely to be re-occupied in 'bad' ones (Pissarides, 1994). Longhi and Taylor (2010) have found that unemployed jobseekers tend to experience downward mobility, with 31% accepting jobs in occupations with a lower mean wage to their previous jobs compared to 21% of employed jobseekers¹⁵. Further explanation for this is given by signalling theory, which suggests that any occupational change experienced by an unemployed person is highly likely to be downwards as employers are unable to observe the productivity of job applicants (Lockwood, 1991; Blanchard and Diamond, 1994).

In a more recent paper, Longhi and Taylor (2013) analysed this distinction, finding that whilst employed jobseekers move from relatively low-ranking into higher-ranking occupations, unemployed jobseekers move the opposite way. Within the employed workforce, job turnover is characterised by movements from sales and customer service assistance into professional and technical positions. When faced with jobless spells, managers and senior officials move into elementary occupations (Longhi and Taylor, 2013: 73)¹⁶.

Nevertheless, other than these studies, existing research does not take the fundamental difference in the nature of occupational mobility into account by distinguishing between job change among *employed* and *unemployed* people. Parrado *et al.*'s (2007) analysis of panel data from the US, for instance, is one of many that exclude workless spells from their

¹⁵ In theory, this also means that employed and unemployed jobseekers do not compete with each other on the job market (Longhi and Taylor, 2010).

¹⁶ In contrast to this thesis, however, Longhi and Taylor (2013) analyse data from the British Labour Force Survey (LFS), and therefore do not offer a cross-comparative investigation of occupational mobility between pre- and post-unemployment.

analysis altogether, concentrating instead on the mobility of employed members of the labour force. Although Kambourov and Manovskii (2008) include the occupational changes of unemployed people, they do not distinguish them from the occupational changes of employed workers. Another issue is that the vast majority of research on occupational mobility has been based on the United Kingdom (e.g. Goos and Manning, 2007) and the US (e.g. Autor *et al.*, 2003; 2008), two Liberal Market Economies.

Despite this wealth of research on occupational mobility, there has in contrast been very little investigation of the role of *skills* in determining occupational mobility. This is in itself surprising given that it is a powerful way of measuring the risk of an individual's skill specific asset investment, particularly in the event of unemployment. The only research on the connection between skill specificity and occupational mobility has been confined to the *employed* members of the labour force.

For instance, human capital theory predicts that the probability of occupational mobility is likely to fall as the duration in the job increases, given that the worker has invested more time accumulating occupation-specific human capital. Empirical studies have found support for this, demonstrating positive returns to occupation-specific work experience (e.g. Zangelidis, 2008). Because not all skills are transferable across jobs, occupations or industries (Neal, 1995; Parent, 2000), an occupational change may therefore also be associated with the loss of firm- and occupation-specific human capital (Becker, 1993). This further suggests negative implications to be associated with occupational mobility, resulting in comparatively lower wages (Parrado *et al.*, 2007; Kambourov and Manovskii, 2009).

Aside from the lack of research into the use of occupational mobility as an indicator of the risk of skill specificity, the connection between job mobility and skill *levels* has received almost no attention, especially among unemployed people. Only recently, Longhi and Taylor (2013) suggest that skill levels may be significant in predicting occupational mobility,

although they do not test this. This suggestion touches on a wider argument in political economy literature, namely the implications of a trend towards ‘dualization’ (Emmenegger *et al.*, 2012) in post-industrial economies, and the growing divide between ‘insiders’ and ‘outsiders’ in the labour market that this development is associated with (Lindbeck and Snower, 1988; 2001).

Although outsidersness takes on different forms across countries (e.g. Esping-Andersen, 1999), it is most commonly associated with labour market statuses such as unemployment, temporary or part-time work. This secondary segment of the labour market is characterised by low wages, poor working conditions, less training, job instability, fewer opportunities for career advancement and a lower *level* of skills.

When we consider the effect of skill level on occupational mobility, however, ambiguities emerge. On the one hand, the precarious jobs that outsiders find themselves in would suggest that they also face higher rates of occupational mobility, constantly moving from one temporary job to another with jobless spells in between. The emergence of a ‘precariat’ (Standing, 2011) is associated with decreasing tenure rates, growing job insecurity and a higher incidence of interrupted employment histories, characterised by alternating periods of employment, inactivity and unemployment. On the other hand, if we stick to the ‘pure’ definition of occupational mobility, outsiders are not necessarily changing occupational groups. A part-time or temporary customer service assistant is likely to move into a similar job within the low-general skill sector at the end of his or her contract, thereby experiencing no occupational change.

On the other hand, when somebody with a *high* level of skills, such as a manager or a senior official is faced with unemployment, evidence shows that they are likely to move into elementary occupations (Longhi and Taylor, 2013: 73). In other words, when individuals are at the ‘ceiling’ in terms of their skill level or labour market status, they are *more* likely to experience occupational change in the event of unemployment, since joblessness is

associated with downward social mobility. At the other end, on the ‘floor’ of the skill level spectrum, the individual is likely to stay where they are, particularly in the event of unemployment. Unless unemployment protection systems are equipped with efficient re-skilling or re-training elements (which I turn to in the next chapter), occupational mobility at the bottom of the labour market is unlikely to happen.

In other words, as with skill specificity, skill level is therefore likely to be *negatively* correlated with occupational mobility between pre- and post-unemployment. It is therefore possible to tweak the hypothesis raised from Varieties of Capitalism literature to state the following:

Hypothesis 1a: Skill specificity and level are negatively correlated with occupational mobility

Data and Methodology

To investigate this hypothesis, the analysis relies on individual-level data from the British Household Panel Survey (BHPS) and the German Socio-Economic Panel (GSOEP). The GSOEP is a longitudinal survey of persons and private households that began in 1984, covering 26 waves since. The panel expands over time, as children within households of the original panel becoming 16 enter the GSOEP, and split-offs from the initial household are considered new and additional households, thereby maintaining the representativeness of the sample over time. The BHPS operates along similar lines, beginning in 1991 when 5,000 households and 10,300 individuals were first drawn into the sample. Having expanded over time to include Northern Ireland, Scotland and Wales, it now boasts 20 waves.

Both datasets have been widely used in comparative political economy research. Several studies investigating occupational mobility have utilised them as well (e.g. Bauer and Zimmermann, 1999; Longhi and Brynin, 2010; Oesch, 2011). They were designed from the very beginning as research infrastructures to enable national as well as comparative

studies, and are therefore well suited for this analysis. Furthermore, they have matured and reach back to the 1980s and 1990s.

The analysis of this data covers a time period of 15 years between 1994 and 2008, largely due to the restrictions of the data at hand¹⁷. Broadly speaking, both countries' business cycles evolved in parallel over the period analysed. The UK and Germany experienced economic recovery from the ERM-induced recession until 1997, sustained booms in 1998-2001 and 2004-2007 and a short dip in 2002/2003. Even though the panel data for Germany reaches back to 1984, the slightly later starting point is chosen in order to avoid the adverse effects of the German reunification in 1990. Similarly, even though data is available until 2011, the effects of the recession on the British and German labour markets would skew measurements of occupational mobility from 2009 onwards. As a result of choosing this period, the chapter also adds to existing literature on occupational mobility. Most previous studies draw on data from before 2004 and therefore do not take into account the introduction of various labour market reforms since then (e.g. Burda and Mertens, 2001; Crouch, 2001; Gangl, 2004; 2006).

There are two primary independent variables of interest when addressing the hypothesis: i) skill *specificity*, and; ii) skill *level*. It is hypothesised that skill specificity is correlated with lower chances of occupational mobility. This is tested by making a general distinction between general and specific skills, predicting that the possession of the latter will be associated with lower odds of experiencing occupational change over an unemployment spell. In addition to the broad distinction between general and specific skills, the further differentiation between low- and high-general skills is made. This offers a more nuanced picture that reflects the developments of post-industrial employment patterns in OECD countries (Emmenegger, 2009: 412). It has been argued that the national composition of

¹⁷ The BHPS can only be said to have fully matured by 1994, which is the earliest year included in this analysis.

human capital has significantly changed as a result of deindustrialisation, thereby necessitating a further distinction between low- and high-general skills (Fleckenstein and Seeleib-Kaiser, 2011: 1626). As explained in the literature review, this allows for the investigation of whether individuals who possess a lower *level* of skills (i.e. who are in the low-general skill group) are less likely to experience occupational change because they are stuck at the 'floor' of the labour market.

The analysis therefore incorporates three dummies that place unemployed people into different skill-groups based on their pre-unemployment occupation (identified using ISCO-88 codes). Using this information, the individual is classified as belonging to either the 'high-general', the 'low-general' or the 'specific' skill group (Fleckenstein *et al.*, 2011)¹⁸.

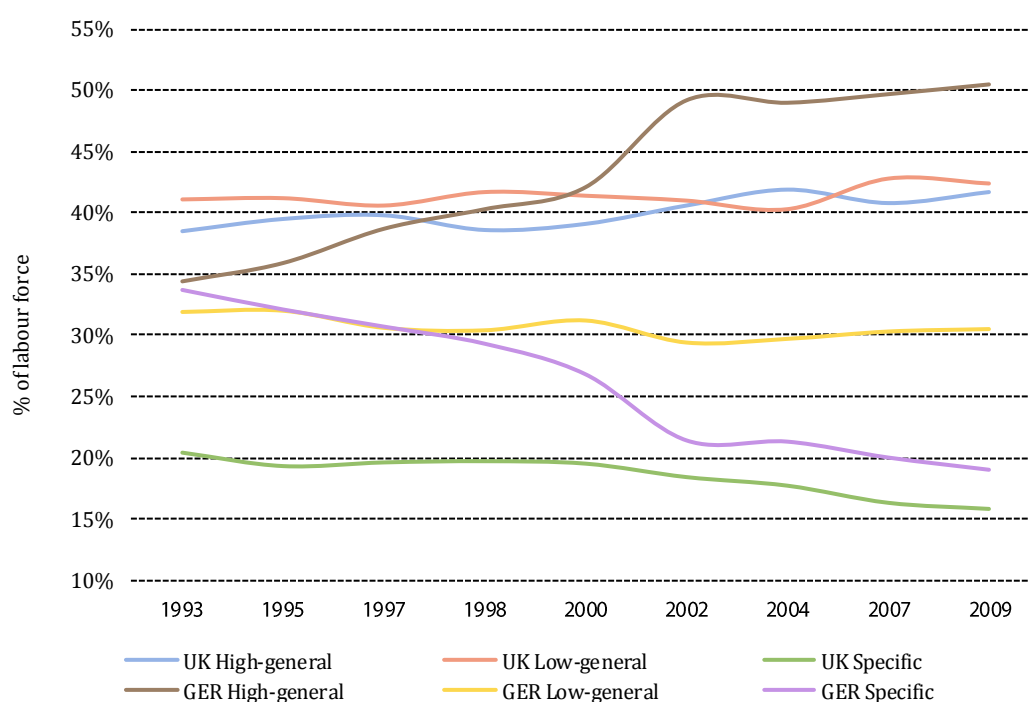
In both the UK and Germany, a majority of workers are employed in jobs requiring general skills. However, they differ insofar as the UK has a higher percentage of workers employed in jobs requiring low-general skills, whereas employment requiring high-general skills has increased significantly in Germany according to the BHPS and the GSOEP, as illustrated in Figure 2.1 below. Specific skills are more prominent in Germany, but have declined substantially over the past decade (Fleckenstein and Seeleib-Kaiser, 2011: 140).

The rapid decline of the number of workers with specific skills also suggests that contrary to Hypothesis A, occupational mobility among these workers will be higher. However, the change in the relative importance of the three skill groups in the UK and German labour markets can also be caused by individuals entering and leaving the labour market into these groups. The decline of specific skills may therefore not be associated with

¹⁸ This classification integrates Esping-Andersen's (1993: 24f) occupational classification schema with the ISCO-88 major groups classifications at 1-digit level. Fleckenstein and Seeleib-Kaiser (2011) group 'legislators, senior officials and managers' (major group 1), 'professionals' (major group 2) and 'technicians and associate professionals' (major group 3) into a group characterised by high-general skills. All three groups assume high educational attainment, but are not bound to specific firms or industries. Low-general skills are identified for 'elementary occupations' (major group 9), 'service workers and shop and market sales workers' (major group 5) and 'clerks' (major group 4), that also apply to different firms and industries. In contrast, 'craft and related workers' (major group 7) and 'plant and machine operators and assemblers' (major group 8) are categorised as specific skills, with limited portability of skills across other groups (Fleckenstein and Seeleib-Kaiser, 2011: 7-8).

occupational mobility according to the definition adopted in this chapter. This also presents a shortcoming of the analysis, as due to the methodological constraints (we do not know what happens to respondents when they leave the panel dataset) we cannot take these individuals into account. More crucially, however, the overall patterns observed in the FIGURE do not necessarily reflect developments among unemployed members of the labour force.

FIGURE 2.1: Share of specific, low- and high-general skills in the UK and German labour markets, 1993-2009



Source: BHPS (1993-2009) and GSOEP (1993-2009)

Several individual- and macro-level variables are controlled for in the analysis. Gender is included because it has been cited as an important predictor of mobility among employed members of the labour force. Given that women are more likely to experience career breaks because they tend to be the primary carers in the family unit, they have been shown to face higher odds of changing jobs (e.g. Longhi and Brynin, 2010). It may also be the case that the effect of gender varies between the institutional settings of the UK and Germany. For instance, differences in family policy may offer different chances of re-employment to

mothers and fathers who take time off work to look after their child. This is discussed in greater detail in the following two chapters.

It has been argued that younger workers will move between jobs and occupations more frequently than older colleagues as they accumulate knowledge of jobs and occupations and how these match their preferences (Jovanovic, 1979a, 1979b). Matching and career theories suggest that workers will progressively learn about the quality of their match with the job, firm or occupation and change when necessary (e.g. Burdett, 1978; Miller, 1984). Previous findings from the US have revealed that older respondents are less likely to change major occupations than younger ones (Kambourov and Manovskii, 2008). There is less incentive for an older worker to change career paths when retirement is imminent as there is less time to reap the returns of such human capital reinvestments.

The inclusion of education, which is measured using data on the highest attained level, is particularly important since it is an indicator of general skills (Iversen and Soskice, 2001). However, previous analyses of occupational mobility have shown that education is insignificant when predicting occupational mobility (e.g. Kambourov and Manovskii, 2008; Longhi and Taylor, 2013). Education is only considered an important predictor of occupational mobility for university respondents with university degrees or more according to these findings. For unemployed people, it might be expected that the achievement of higher qualifications is associated with greater levels of occupational flexibility, as they confer transferable skills and human capital (especially to those who have achieved a university degree). This would therefore lead us to expect higher educational attainment among unemployed people to be associated with greater chances of experiencing occupational mobility. Furthermore, people with a higher educational attainment could be less risk-averse and more willing to change occupational groups. On the other hand, when workers are highly skilled, their human capital investment

automatically infers a ‘specific nature’¹⁹. This means that there is a risk that educational and skills collide as predictors of occupational mobility, which is why I include them into the model separately.

It is further expected that people with higher incomes will face lower odds of experiencing mobility over a jobless spell. According to job search theory (as explained in Chapter I), individuals with higher incomes will have the means to sustain a job search for longer, which can increase their chances of finding reemployment in a job that matches their previous human capital investment, as reflected by lower rates of mobility.

In addition to these controls, dummies are included to capture contextual changes in the UK and Germany over the time period analysed. These variables include unemployment benefit receipt²⁰ at the individual level, as well as spending on active²¹ and passive labour market policies (ALMPs and PLMPs, respectively) and unemployment rates²² at the macro level. The significance of these controls is discussed in greater detail in the next chapter.

To briefly recall the discussion in Chapter I, job search theory suggests that the presence of generous unemployment protection is associated with lower odds of experiencing occupational mobility. This is because in the absence of such income protection, an unemployed person will be presented with the prospect of severe income losses, creating a strong incentive to accept any available job offer irrespective of its type and quality and

¹⁹ Refer to Chapter I for a more detailed discussion differentiating skill specificity and skill level.

²⁰ Unemployment benefit receipt refers to a number of benefits. For example, for the first two time periods in Germany (1993 to 1997; 1998 to 2004), the institutional variable captures the receipt of unemployment benefits (*Arbeitslosengeld*) and unemployment support (*Arbeitslosenhilfe*), and excludes those who receive no benefits at all. For the final time period however (2005 to 2009), the variable refers to the receipt of the earnings-related first tier of unemployment benefits (*Arbeitslosengeld I*) and the flat-rate *Arbeitslosengeld II*, whilst those who receive neither of these are coded as ‘0’. In the UK, the variable indicates the receipt of unemployment benefit (UB) and income support (IS) for the first time period (1992 to 1996). After the introduction of the Jobseekers’ Allowance (JSA), it captures JSA-receipt for the latter two time periods (1997 to 2004; 2005 to 2009) as well as those receiving IS, and excludes those who do not receive any benefits at all.

²¹ Based on OECD data.

²² Based on OECD data.

thereby encouraging occupational mobility. The effect of ALMP spending is more ambiguous, because it can either encourage (e.g. via re-training) or discourage (e.g. by tackling information deficits) mobility across jobless spells. The national unemployment rate during the first year of the individual's unemployment spell is included as a control for changes in labour market conditions over the period analysed. The probability of dismissals is likely to be higher when unemployment is higher, while the odds of being hired are lower. This may force the worker to change occupational groups, thereby increasing occupational mobility when unemployment in the UK and Germany is high. I discuss these country-level institutional controls in greater detail in the next two chapters, as the focus of this chapter is to assess the role of skills.

Model specification

The hypothesis is evaluated by investigating the occupational mobility of unemployed people as the dependent variable. For employed individuals, this is a smooth process involving the transition from one occupation to another. People who are unemployed, however, experience months, if not years of joblessness before the occupational change takes place, often making it methodologically difficult to capture the rate of occupational mobility for them.

The dependent variable is constructed as follows. For every year in the dataset, it is first established whether a respondent has experienced unemployment between 1994 and 2008. Unemployment is defined according to standard ILO definitions, and is captured using variables that either capture whether the person is unemployed at the time of the survey, or has been for at least one month in the past year²³.

²³ In the BHPS, this variable is 'Current labour force status' (*wNEMST*) for people who are currently unemployed and 'Annual weeks unemployed: year to Sept 1' (*wNJUWKS*) to capture unemployment within the past year. In Germany, the equivalent variables are 'Labor Force Status' (*LFSww*) and 'Registered unemployed Jan-Dec Prev. Yr' (*MP66D* for 1994 – variable name changes every year). Combining these variables allows for a greater sample size than when just using variables that indicate whether a respondent is unemployed at the time of the interview.

The next step is to establish whether the respondent provides occupational data before and after the unemployment spell. I use the pre- and post-unemployment occupational data closest to the event of unemployment. As an example, consider an individual who reports being unemployed for the months of January to March 2006. In this event, the individual's current occupational code is collected for the year 2006 (after the unemployment spell, as interviews take place later in the year), and compared to the occupational code reported in the previous year. If an occupational code is not available for the year 2005, the year 2004 is used, and so on (the same happens in the opposite direction if post-unemployment occupational data is not available for 2006, e.g. if the person is still unemployed).

For individuals with multiple unemployment spells, I use the earliest event of unemployment. This means that unemployed people who do not display pre- or post-unemployment data (or both) are excluded from the sample, because it is impossible to determine whether they have experienced occupational mobility. For instance, this would be the case for an unemployed person who left unemployment for early retirement, or who becomes long-term unemployed and who does not re-enter the labour market over the period analysed. It could be argued that people with these characteristics are hard to place, and that removing them from the analysis would depress rates of occupational mobility (as people who are hard to place are also more likely to experience job mobility)²⁴. For individuals in the sample who experienced multiple spells of unemployment, I only used the first event of joblessness²⁵.

²⁴ Whilst this may seem problematic, I ran a multinomial logistic regression in which the dependent variable captured three outcomes: (i) no mobility; (ii) mobility, and; (iii) unknown. The results showed that the same factors help predict mobility in this model as they do in the binary logistic regression used in this chapter. The only variable of significance in predicting the 'unknown' outcome against 'no mobility' was age, which is positively related. This suggests that the unemployed sample who do not display post-unemployment occupational data left unemployment for retirement. While I could have displayed the results of this model rather than the binary logistic regression adopted in this analysis, the results are very similar and only differ in that the results are much more difficult to display for the multinomial logistic regression with three outcomes than they are for the binary logistic regression with two.

²⁵ Including any remaining spells would risk biasing the results.

As a result, the sample consists of successful unemployed job seekers who satisfy the following criteria: (i) they are registered as unemployed for at least one month between 1994 and 2008; (ii) they report a valid occupational code sometime before the relevant unemployment spell, and; (iii) they report a valid occupational code sometime after the relevant unemployment spell.

The occupational data is then converted into one of 28 occupational sub-groups corresponding to their ISCO-88 occupational code²⁶. At this level, there are 28 sub-groups, ranging from 'legislators and senior officials' (11), 'corporate managers' (12), 'teaching professionals' (23) to 'office clerks' (41), 'metal, machinery and related trades workers' (72) and 'drivers and mobile plant operators' (83) (ILO, 2010). For instance, a respondent who displays pre-occupational data that designates him or her as a 'senior government official' (4-digit code 1112) would be categorised into the sub-group 'chief executives, senior officials and legislators' (2-digit code 11).

2-digit occupational mobility occurs if the respondent changes from one of these 28 occupational sub-groups to another across the unemployment spell²⁷. For instance, if the 'senior government official' (sub-group 11) displays post-unemployment occupational data that designates the respondent as a 'pet groomer and animal care worker' (4-digit code 5164, sub-group 51), these two groups (11 and 51) are compared. If they are not the same,

²⁶ The dependent variable is constructed using the four-digit International Standard Classification of Occupations (ISCO-88). ISCO was originally produced by the International Labour Office (ILO) in 1958, but has been revised several times since. Traditionally, it is used in comparative political economy research on skills as a tool for 'organising all jobs in a firm, industry or country into a clearly defined set of groups according to the task and duties undertaken in the job' (Hoffmann, 1999: 3). ISCO-88 is a nested classification of occupations at the 4-digit level. Within the 9 major groups that are distinguished at the first digit, there are three further levels, creating 28 major subgroups at 2-digit level, 116 minor groups at 3-digit level and 390 unit groups at the 4-digit level (ILO, 1990). Classifications distinguish themselves by taking into account the different tasks and duties performed in an occupation as well as by the skill requirements that the occupation requires.

²⁷ The exception involves unemployed people whose pre- or post-unemployment occupational data falls into the 6th ISCO-88 category. Major Group 6 involves 'Skilled agricultural and fishery workers', who do not fit into any of the three skill groups described in the methodology section of this paper. There are, however, only a handful of individuals who fall into this category who therefore do not yield any significant finding or affect the existing findings in any way.

occupational mobility has taken place. If not, occupational mobility has not taken place. Note that people who change occupations at the 3- or 4-digit level might not experience occupational mobility according to this definition. For instance, a 'senior government official' (4-digit code 1112) who is re-employed as a 'managing director' (4-digit code 1120) will not have experienced occupational mobility, because both of these 4-digit occupational codes are part of the same 2-digit sub-group (11). This is because changes at the 3- or 4-digit level are often considered error-prone and can be interpreted as career advancement (e.g. related to intra-firm promotions) while changes at 2-digit level are much more likely to reflect actual occupational changes.

If the worker changes their occupational sub-group, I assume that the individual has had to abandon his or her previous skill investment leading to a loss of the worker's human capital investment as the individual's skills become obsolete. Descriptive data on this dependent variable is displayed in Table 2.1 below. It shows that the sample sizes fall significantly above the threshold suggested by the Hosmer and Lemeshow (1982) test for logistic regression.

TABLE 2.1: 2-digit occupational mobility among unemployed people in the UK and Germany, 1994-2008

	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
UK	2851	0.62	0.49
Germany	2988	0.56	0.5

Source: Author's own calculations, BHPS (1993-2009), (GSOEP 1993-2009)

To predict the likelihood of occupational change taking place, I construct a binary logistic regression model which I apply to the UK and Germany, separately. This is because the dependent variable (occupational mobility) itself is dichotomous. The model enables me to predict the probability that an observation falls into one of the two categories of outcome.

The regression model predicts the logit, that is, the natural log of the odds of experiencing occupational mobility or not. The model is constructed by an iterative maximum likelihood procedure, which means that the model starts with arbitrary values of the regression

coefficients and then constructs an initial model for predicting the observed data. It then evaluates errors and changes the regression coefficients so as to make the likelihood of the observed data greater under the new model. This procedure is repeated until the model converges (when the differences between the newest model and the previous model are trivial). The regression takes on the form:

$$(1) \quad P(y) = \frac{e^{b_0 + b_1x_1 + b_2x_2 + \dots + b_nx_n}}{1 + e^{b_0 + b_1x_1 + b_2x_2 + \dots + b_nx_n}}$$

Where P is the probability of occupational mobility occurring, e is the natural logarithm base, b_0 is the interception at the y-axis, b_1 is the line gradient, b_n is the regression coefficient of x_n and x_1 is the predictor variable (skills). In interpreting the results, several limitations should be acknowledged. Although no assumptions are made about the distributions of the explanatory variables in logistic regressions, the explanatory variables should not be highly correlated with one another because this could cause problems with estimation. As a consequence, I run the model using different combinations of skills, income and education since there is often significant overlap between these variables.

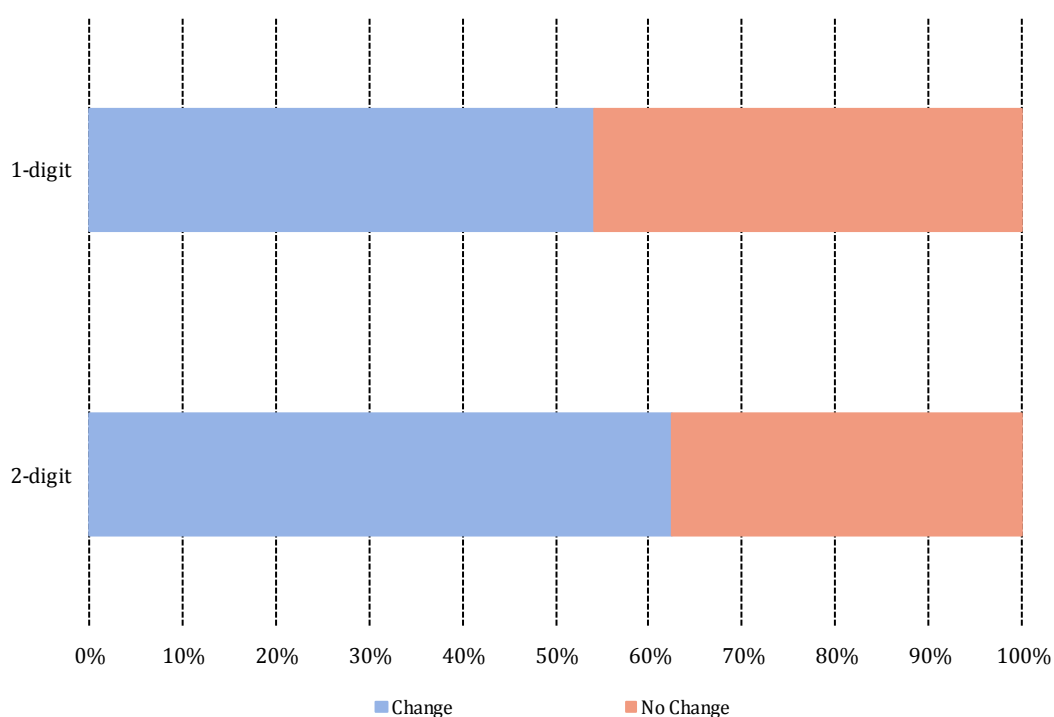
For each independent variable, I display the logistic regression coefficients (in the B column), the standard errors ($S.E.$) and the statistical significance of the coefficients as a determinant of occupational mobility (using asterisks). Furthermore, I display the odds ratio predicted by the model, which can be used to quantify how strongly the presence or absence of a property is associated with the chances of occupational mobility in the sample. For instance, the results of Model 1 in the UK (displayed below in Table 3.2) show that people aged between 55 and 64 are statistically less likely to experience occupational mobility across an unemployment spell. The odds ratio is 0.515, which indicates that they are 0.515 times less likely to experience occupational mobility than unemployed people in the reference group (16-25).

To summarise the discussion above, I predict the chances of unemployed people experiencing 2-digit occupational change with an emphasis on the explanatory value of skill specificity and level, which I measure using Fleckenstein *et al.*'s (2011) classification between high-general, low-general and specific skills. I control for gender, age, education, marital status, income and unemployment benefit receipt at the individual level. At the macro-level, I control for spending on ALMPs, spending on PLMPs and the unemployment rate.

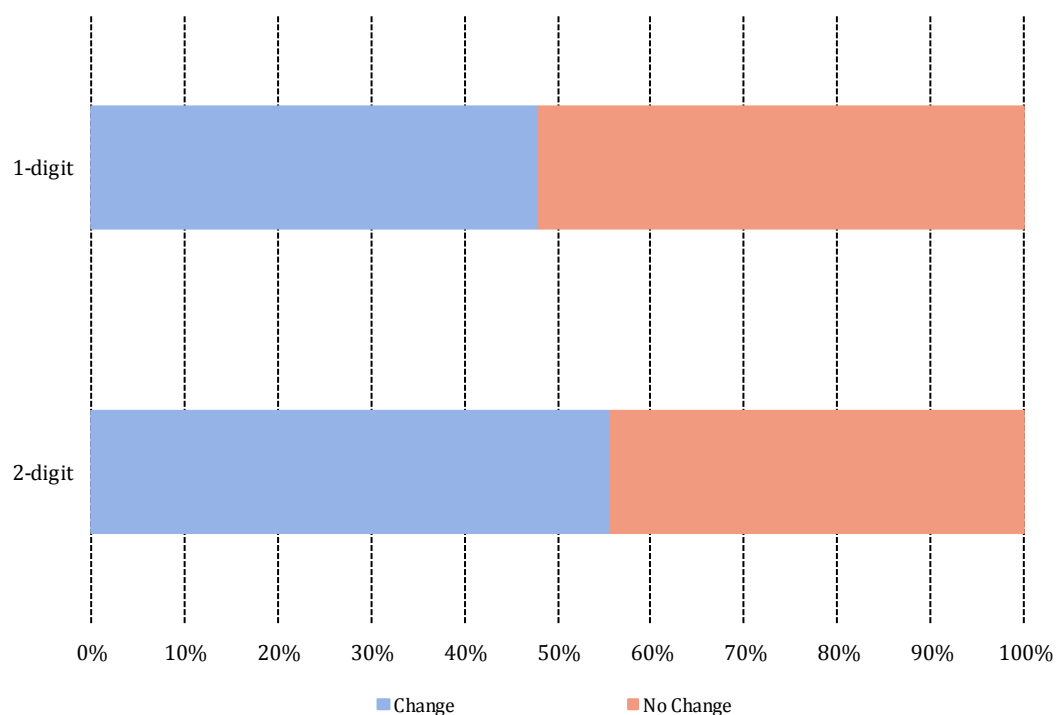
Results

The descriptive analysis reveals that mobility rates are considerably higher among unemployed people than they are in the general population. Figure 2.2 shows that up to 62% of individuals entering unemployment exit their jobless spell into (2-digit) occupational groups that are different from those of their previous job.

FIGURE 2.2: Occupational mobility between pre- and post-unemployment in the UK, 1994-2008



Source: Author's own calculations, BHPS (1993-2009)

FIGURE 2.3: Occupational mobility between pre- and post-unemployment in Germany, 1994-2008

Source: Author's own calculations, GSOEP (1993-2009)

Rates of occupational change among unemployed people are therefore considerably higher than they are among employed members of the workforce. Kambourov and Manovskii (2008), for instance, find that 15% of workers change occupations at the 2-digit ISCO-88 level in the United States. In Germany, the rate of job change has been measured at 12% in the general population using the same data (Zimmermann, 1999). Compared to this, 56% of unemployed people in Germany experienced 2-digit occupational change across their jobless spells. This also provides support for Longhi and Taylor's (2013) findings, who conclude that the probability of finding a new job in the same occupational group as their previous employment is relatively low for unemployed people at around 30%. Their findings imply a rate of occupational mobility of 70%, which is higher than the rate found in

this analysis. However, this can largely be explained by the use of a different measure of occupational mobility²⁸.

The analysis also shows that occupational mobility is higher in the UK than it is in Germany. Among the general population, this finding has been observed in existing studies of occupational mobility. For example, Muffels and Luijkx (2008) find that workers in the UK experience higher rates of occupational turnover than those observed in Continental countries (such as Germany). Among unemployed people, this difference may suggest that the generosity of unemployment protection may help determine rates of occupational turnover. In other words, because the German system is more generous than its UK counterpart (see Chapter III), unemployed people in Germany are able to sustain a job search for longer than they would in the UK, thereby securing occupational stability. I return to this possibility in the next section and in more detail in Chapter IV.

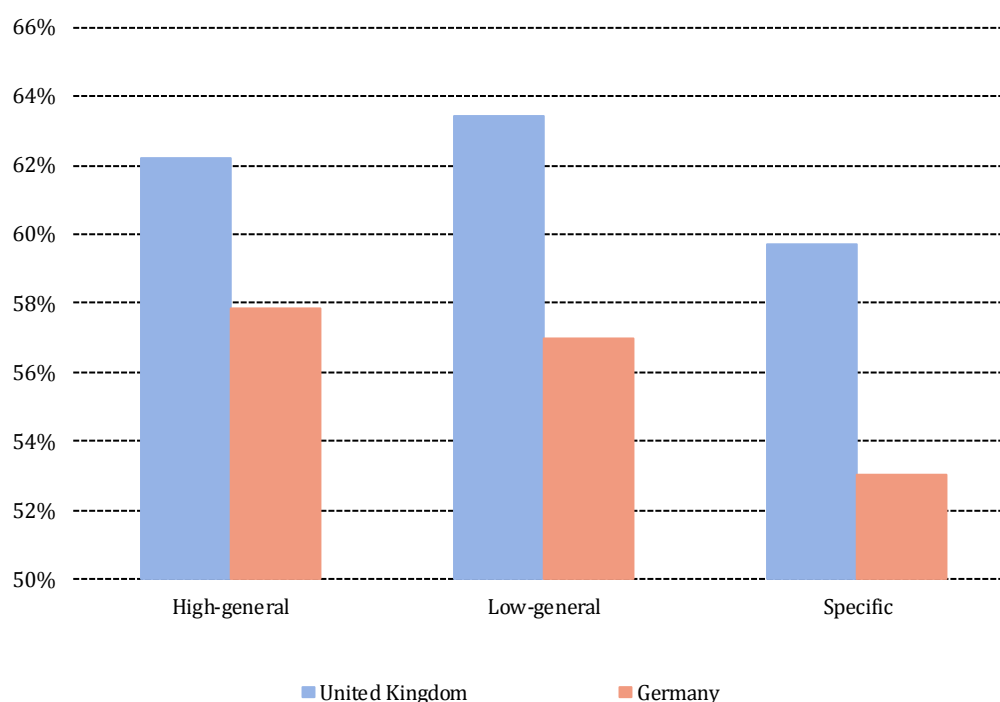
For now, further descriptive analysis may suggest why this observation (that mobility is higher among unemployed people in the UK than in Germany) is apparent. FIGURE 2.4 displays the rates of occupational mobility among unemployed people across skill groups. Reflecting the overall rate, occupational change is lower in Germany than it is in the UK for unemployed individuals in all skill groups. Furthermore, unemployed people with specific skills display lower rates of occupational mobility than those with general skills in *both* countries. This could be taken as evidence to prove that part of the hypothesis investigated is correct, and that skill specificity is indeed negatively correlated with occupational mobility between pre- and post-unemployment.

However, there are two other interesting patterns. Firstly, and going *against* Hypothesis 1a, unemployed people with low-general skills do not display lower rates of occupational mobility than, say, jobless individuals with high-general skills. In both countries the rate of

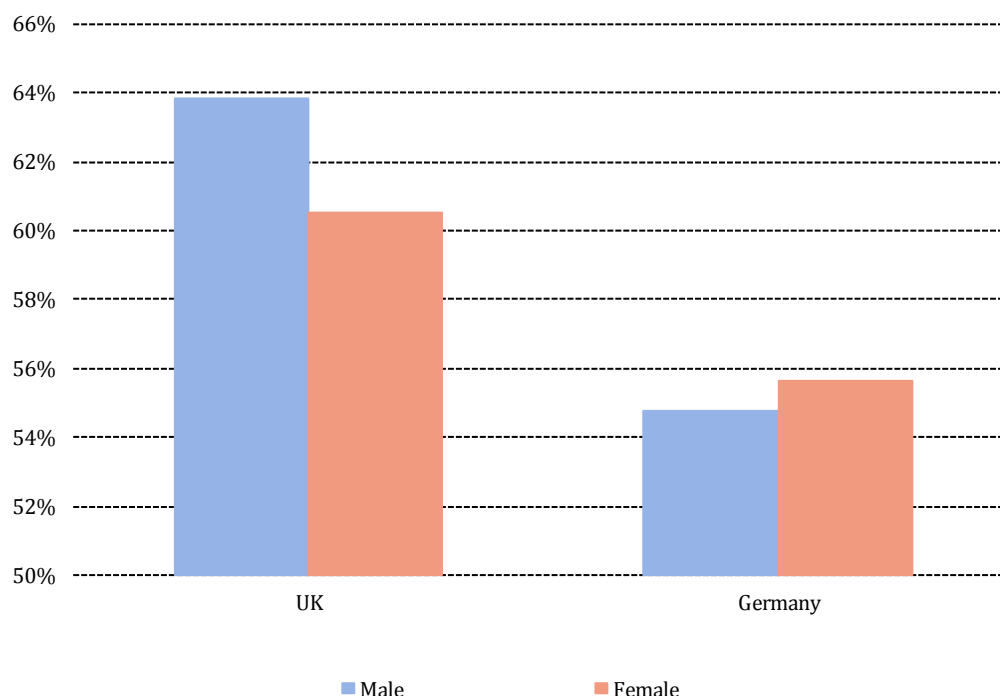
²⁸ Longhi and Taylor (2013) use 'Minor Groups' distinguished in SOC2000 to observe mobility rather than sub-major groups in ISCO-88. Given that there are 81 'Minor Groups' in SOC2000 versus 28 'Sub-major Groups' in ISCO-88, occupational change will be considerably more likely in the former than the latter.

occupational change among this low-skilled group is considerably higher than among the group characterised with specialised skills. In the UK, people with low-general skills even represent the skill group with the highest rate of mobility overall. Secondly, the distinction between the mobility rates of people with specific skills and those with more general ones is more distinct in Germany than it is in the UK. Again, I will return to the significance of this finding shortly.

FIGURE 2.4: Occupational mobility between pre- and post-unemployment across skill groups in the UK and Germany, 1994-2008



Source: Author's own calculations, BHPS (1993-2009), (GSOEP 1993-2009)

FIGURE 2.5: Occupational mobility between pre- and post-unemployment across men and women in the UK and Germany, 1994-2008

Source: Author's own calculations, BHPS (1993-2009), (GSOEP 1993-2009)

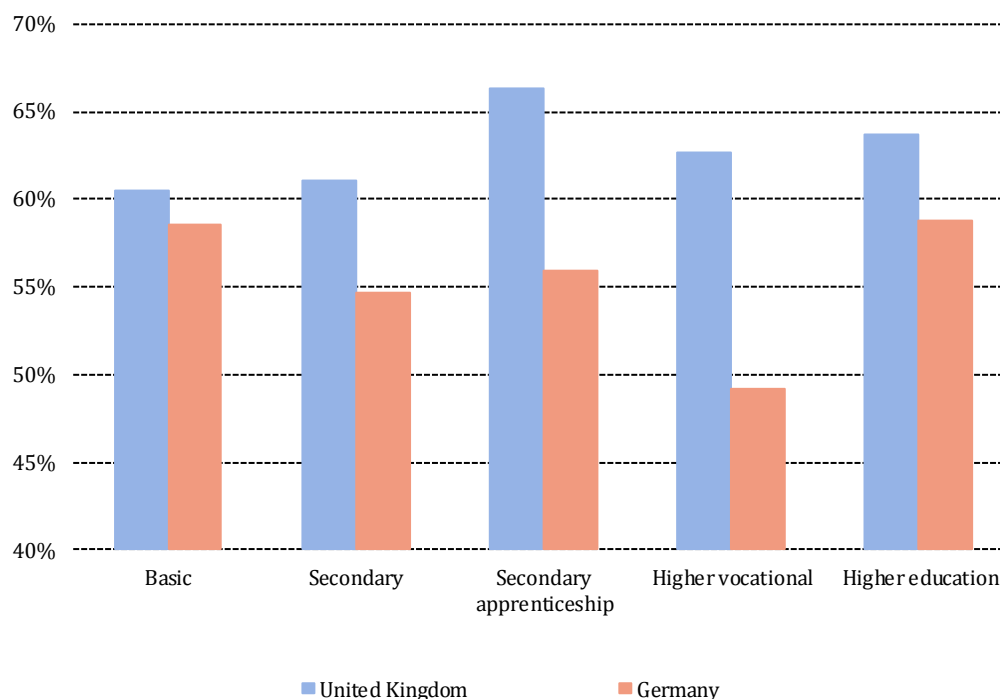
It is worthwhile exploring a few other interesting differences between the descriptive analyses of occupational mobility across the two countries. Mobility rates are higher among males than females in the UK, while the opposite is observed in Germany, as Figure 2.5 shows. In the UK, this observation contradicts previous findings that hypothesise higher rates of mobility among women due to the higher likelihood of experiencing career breaks (e.g. Longhi and Brynin, 2010)²⁹. Another difference between the two countries manifests itself when splitting the sample according to age groups. While it is true that rates of occupational mobility generally decline with age in both countries (confirming previous results, e.g. Kambourov and Manovskii, 2008; Jovanovic, 1979a; 1979b), the pattern establishes itself to a much greater extent in the UK than it does in Germany, as Figure 2.6 reveals.

²⁹ Although it must be said that this explanation can only really be applied to the general labour force than to people experiencing unemployment. Nevertheless, it may still be relevant.

FIGURE 2.6: Occupational mobility between pre- and post-unemployment across age groups in the UK and Germany, 1994-2008

Source: Author's own calculations, BHPS (1993-2009), (GSOEP 1993-2009)

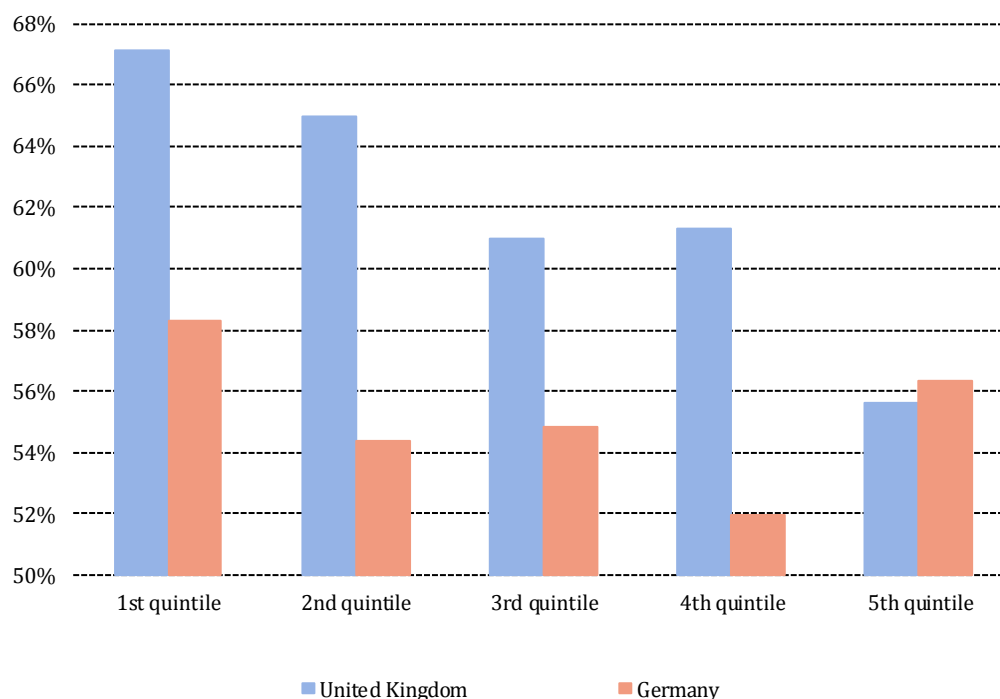
It is worth pointing out the remarkably high rate of mobility among young unemployed (16-24), particularly in the UK. However, the two countries diverge most strongly with respect to education, where no obvious pattern appears to emerge in either country, reflecting the ambiguity of education as a predictor in previous studies of occupational mobility (Figure 2.7) (e.g. Kambourov and Manovskii, 2008; Longhi and Taylor, 2013).

FIGURE 2.7: Occupational mobility between pre- and post-unemployment across levels of educational attainment in the UK and Germany, 1994-2008

Source: Author's own calculations, BHPS (1993-2009), GSOEP (1993-2009)

There are a variety of ways of explaining these differences, which are explored further in the following sections and chapters. An obvious reason relates to economic insecurity. For instance, the higher rates of mobility among unemployed men and youths in the UK might be explained by particularly bad chances in the labour market for these groups (see, e.g. Verick, 2009). As is the case with low income, this greater perception of economic insecurity might inflict a sense of urgency to find whatever job is available, even if it involves leaving behind previously acquired skill sets. Another explanation is institutional in nature. For instance, differences in legislation concerning the provision of family policy (such as maternity leave) or the presence of specific labour market programmes for young people can have a profound effect on encouraging or discouraging rates of occupational mobility for these groups.

The only area where the two countries find broadly common ground in terms of occupational mobility is with respect to the effect of income, displayed in Figure 2.8.

FIGURE 2.8: Occupational mobility between pre- and post-unemployment across income quintiles in the UK and Germany, 1994-2008

Source: Author's own calculations, BHPS (1993-2009), GSOEP (1993-2009)

The diagram shows that in general, unemployed people who previously had higher levels of income also have a greater chance of experiencing occupational stability between pre- and post-unemployment. This could potentially be interpreted as evidence in favour of job search theory by implying that unemployed people with higher income or savings can sustain a job search for longer and be more selective with regard to their new employment. Unemployed people who had previously experienced low levels of income, and are therefore likely to have less savings, could experience a greater sense of urgency that can encourage (or force upon) occupational change.

Before returning to these theoretical discussions in more detail, the results of the regression models that test the statistical significance of these factors in determining occupational change between pre- and post-unemployment are displayed in Tables 2.2 and 2.3 for the UK and Germany, respectively. The tables show the unstandardised coefficients for the independent variables, as well as their standard errors (in brackets), the statistical

significance (indicated by the asterisks) and the odds ratios for two models. Model 2 includes skill groups as a predictor while Model 1 does not.

TABLE 2.2: Predicting occupational mobility among unemployed people in the UK, 1994-2008

Variable		<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
		Model 1		Model 2	
Gender	Female (<u>ref.</u>)				
	Male	0.126 (0.080)	1.135	0.167* (0.087)	1.181
Age	16-24 (<u>ref.</u>)				
	25-34	-0.136 (0.121)	0.873	-0.128 (0.123)	0.880
	35-44	-0.508 (0.137)	0.602	-0.499*** (0.139)	0.607
	45-54	-0.381** (0.153)	0.683	-0.379** (0.154)	0.684
	55-64	-0.665*** (0.191)	0.515	-0.621*** (0.193)	0.537
Education	Basic	-0.033 (0.112)	0.967	-0.033 (0.113)	0.968
	Secondary (<u>ref.</u>)				
	Secondary + voc. degree	0.212* (0.124)	1.236	0.186 (0.125)	1.205
	Higher vocational	0.145 (0.118)	1.157	0.121 (0.120)	1.129
	Higher education	0.213* (0.128)	1.237	0.160 (0.137)	1.173
Marital status	Married (<u>ref.</u>)				
	Single	-0.054 (0.124)	0.948	-0.057 (0.124)	0.944
	Widowed	-0.392 (0.404)	0.675	-0.391 (0.404)	0.676
	Divorced	-0.417** (0.179)	0.659	-0.426** (0.180)	0.653
	Separated	-0.266 (0.303)	1.304	0.249 (0.303)	1.283
	Couple	-0.052 (0.121)	0.949	-0.051 (0.121)	0.950
Income	1st decile (<u>ref.</u>)				
	2nd decile	-0.123 (0.124)	0.885	-0.124 (0.125)	0.883
	3rd decile	-0.327*** (0.124)	0.721	-0.332*** (0.132)	0.717
	4th decile	-0.339*** (0.131)	0.713	-0.350*** (0.132)	0.705
	5th decile	-0.572*** (0.140)	0.564	-0.584*** (0.142)	0.558
Skills	Specific (<u>ref.</u>)				
	High-general			0.201 (0.126)	1.222
	Low-general			0.159 (0.109)	1.172
N		2839		2817	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).
Source: BHPS (1993-2009)

The results reinforce some of the observations from the descriptive analysis and show large differences (as well as similarities) between the UK and Germany. Most strikingly, the findings suggest that skill specificity is only negatively correlated with occupational mobility between pre- and post-unemployment in Germany, but not so in the UK. German people who are unemployed but own specific skill sets are significantly less likely to experience mobility than their colleagues from jobs requiring high- or low-general skills (Table 2.3). In the UK, none of the skill group dummies are statistically significant.

In general, however, few factors are statistically significant when predicting occupational mobility between pre- and post-unemployment. In model 2, unemployed men are significantly more likely to experience change than women. Furthermore, age is negatively correlated with chances of experiencing mobility in both countries, although age as a predictor plays a stronger role in the UK than in Germany, thereby confirming the descriptive results.

TABLE 2.3: Predicting occupational mobility among unemployed people in Germany, 1994-2008

Variable	B		OR	
	Model 1		Model 2	
Gender				
Female (<u>ref.</u>)				
Male	0.016 (0.079)	1.016	0.136 (0.094)	1.146
Age				
16-24 (<u>ref.</u>)				
25-34	-0.083 (0.130)	0.525	-0.086 (0.131)	0.918
35-44	-0.036 (0.149)	0.807	-0.028 (0.151)	0.972
45-54	-0.109 (0.164)	0.897	-0.098 (0.165)	0.906
55-64	-0.375* (0.201)	0.687	-0.404* (0.203)	0.668
Education				
Basic	0.163 (0.112)	1.177	0.178 (0.113)	1.195
Secondary (<u>ref.</u>)				
Secondary + voc. degree	0.026 (0.167)	1.027	-0.008 (0.170)	0.992
Higher vocational	-0.168 (0.163)	0.845	-0.207 (0.166)	0.813
Higher education	0.220* (0.122)	1.246	0.136 (0.132)	1.146
Marital status				
Married (<u>ref.</u>)				
Single	0.000 (0.108)	1.000	-0.001 (0.109)	0.999
Widowed	0.228 (0.340)	1.256	0.221 (0.340)	1.247
Divorced	0.023 (0.147)	1.024	0.026 (0.150)	1.026
Separated	0.110 (0.238)	1.116	0.106 (0.242)	1.112
Income				
1st decile (<u>ref.</u>)				
2nd decile	-0.161 (0.106)	0.851	-0.144 (0.108)	0.866
3rd decile	-0.110 (0.114)	0.896	-0.117 (0.115)	0.889
4th decile	-0.232* (0.122)	0.793	-0.215* (0.124)	0.807
5th decile	-0.034 (0.151)	0.967	-0.068 (0.153)	0.934
Skills				
Specific (<u>ref.</u>)				
High-general			0.246** (0.123)	1.279
Low-general			0.180* (0.107)	1.197
N	2712		2663	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: GSOEP (1993-2009)

Perhaps the most interesting observation, apart from the difference in the value of skill groups as a predictor, is the observation that income is an important predictor of occupational mobility between pre- and post-unemployment in the UK, but not so in

Germany. Because income, education and to some extent, skills, can often be understood as proxies of one another, the relationship between these predictors is investigated in further detail in Tables 2.4 and 2.5. Furthermore, an alternative measure of high-general skills is used by including just higher education as a dummy³⁰.

In Germany, the value of skills in predicting occupational mobility between pre- and post-unemployment remains robust regardless of the combination of independent variables used. Unemployed people with high-general and low-general skills are always more likely to experience change than those with specific skills. In the UK, on the other hand, the skill group, education and income dummies interact with one another. Specifically, including just income and skills as predictors shows that unemployed individuals with high-general skills are significantly more likely to experience occupational mobility than people with specific skills, confirming Hypothesis A in the UK as well. Furthermore, leaving aside income and education shows that jobless people with low-general skills are more likely to experience occupational change than those with specific skills. However, the significance of income in predicting the occupational mobility of unemployed people in the UK remains robust no matter what combination of variables is used.

³⁰ Similarly, Iversen and Soskice (2001) use formal education as a separate independent variable.

TABLE 2.4: Predicting occupational mobility between pre- and post-unemployment using skills, education and income in the UK, 1994-2008

<i>Variable</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 1		Model 3		Model 4		Model 5		Model 6		Model 7	
Education												
Basic	-0.033 (0.113)	0.968	0.028 (0.111)	1.028								
Secondary (<u>ref.</u>)												
Secondary + voc. degree	0.186 (0.125)	1.205	0.160 (0.124)	1.173								
Higher vocational	0.121 (0.120)	1.129	0.114 (0.120)	1.120								
Higher education	0.160 (0.137)	1.173	0.111 (0.136)	1.118	0.089 (0.124)	1.093			0.041 (0.123)	1.042		
Income												
1st quintile (<u>ref.</u>)												
2nd quintile	-0.124 (0.125)	0.883			-0.118 (0.125)	0.888	-0.119 (0.125)	0.888				
3rd quintile	-0.332*** (0.132)	0.717			-0.321*** (0.124)	0.726	-0.320*** (0.124)	0.726				
4th quintile	-0.350*** (0.132)	0.705			-0.331** (0.131)	0.718	-0.326** (0.131)	0.722				
5th quintile	-0.584*** (0.142)	0.558			-0.556*** (0.141)	0.574	-0.548*** (0.140)	0.578				
Skills												
Specific (<u>ref.</u>)												
High-general	0.201 (0.126)	1.222	0.124 (0.124)	1.132	0.244** (0.124)	1.276	0.270** (0.119)	1.309	0.159 (0.121)	1.173	0.172 (0.115)	1.187
Low-general	0.159 (0.109)	1.172	0.168 (0.109)	1.183	0.172 (0.109)	1.188	0.175 (0.109)	1.192	0.180* (0.109)	1.197	0.181* (0.108)	1.198
N	2839		2817		2817		2817		2817		2817	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age and marital status.

Source: BHPS (1993-2009)

TABLE 2.5: Predicting occupational mobility between pre- and post-unemployment using skills, education and income in Germany, 1994-2008

<i>Variable</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 1		Model 3		Model 4		Model 5		Model 6		Model 7	
Education												
Basic	0.178 (0.113)	1.195	0.171 (0.111)	1.187								
Secondary (<u>ref.</u>)												
Secondary + voc. degree	-0.008 (0.170)	0.992	-0.021 (0.168)	0.980								
Higher vocational	-0.207 (0.166)	0.813	-0.232 (0.164)	0.793								
Higher education	0.136 (0.132)	1.146	0.131 (0.130)	1.140	0.144 (0.128)	1.154			0.143 (0.126)	1.154		
Income												
1st quintile (<u>ref.</u>)												
2nd quintile	-0.144 (0.108)	0.866			-0.150 (0.107)	0.860	-0.136 (0.106)	0.873				
3rd quintile	-0.117 (0.115)	0.889			-0.132 (0.115)	0.877	-0.138 (0.114)	0.871				
4th quintile	-0.215* (0.124)	0.807			-0.225 (0.124)	0.798	-0.250** (0.122)	0.779				
5th quintile	-0.068 (0.153)	0.934			-0.077 (0.153)	0.926	-0.068 (0.151)	0.934				
Skills												
Specific (<u>ref.</u>)												
High-general	0.246** (0.123)	1.279	0.234* (0.121)	1.264	0.221* (0.122)	1.248	0.286** (0.114)	1.332	0.205* (0.119)	1.228	0.271** (0.110)	1.312
Low-general	0.180* (0.107)	1.197	0.177* (0.105)	1.194	0.187* (0.107)	1.206	0.208** (0.105)	1.232	0.183* (0.105)	1.201	0.200** (0.103)	1.222
N	2663		2663		2663		2663		2663		2663	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age and marital status.

Source: GSOEP (1993-2009)

One of the reasons for the importance of income as a predictor of occupational mobility among unemployed people in the UK rather than Germany may be that the generosity and coverage of unemployment benefits is significantly lower in the liberal market economy. In other words, because social security does not offer the same income protection in the UK than it does in Germany, people who come from low-income backgrounds and potentially therefore have no savings struggle to sustain a job search beyond the first available job, thereby encouraging occupational mobility. To control for this, the model is re-run with unemployment benefit receipt as an independent variable, the results of which are displayed in Tables 2.6 and 2.7. Alongside the unemployment benefit receipt variable, the model also includes macro-level controls such as ALMP and PLMP spending over the period analysed, as well as unemployment rates³¹.

TABLE 2.6: Predicting occupational mobility between pre- and post-unemployment using unemployment benefit receipt and macro-level variables in the UK, 1994-2008

<i>Variable</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 8		Model 9		Model 10	
Unemployment benefit receipt						
No UB (ref.)						
Receiving UB	-0.051 (0.082)	0.951	0.001 (0.099)	1.001	-0.001 (0.099)	0.999
Institutional variables						
ALMP spending (% GDP)			-0.675 (0.663)	0.509	-0.748 (0.753)	0.473
PLMP spending (% GDP)			-0.325 (0.191)	0.722	-0.086 (1.182)	0.917
Macroeconomic variables						
Unemployment rate					-0.041 (0.202)	0.959
N	2817		2817		2817	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, marital status, skills, education and income.

Source: BHPS (1993-2009)

Whilst none of these dummies prove to be statistically significant in the UK, they are highly relevant predictors of occupational mobility in Germany. It should also be noted that despite the addition of these additional variables, the statistical significance of the individual-level independent variables remains the same (i.e. the significance of skill groups

³¹ In addition to these macro-level control variables, the analysis was also run with the inclusion of dummies that capture three different time periods that corresponded to the introduction of various labour market reforms in Germany and the UK. However, these dummies were statistically insignificant and did not affect the other predictors in both countries.

in Germany remains robust). In Germany, an additional distinction is made between the two tiers of unemployment benefits; the means-tested component (UBI/*Alg I*) and the contribution based element (UBII/*Alg II*). Whether or not these are included separately or as one group, recipients of such benefits face higher odds of experiencing mobility in Germany, although the odds are slightly higher for recipients of the means-tested benefit (1.5 versus 1.3 times more likely than unemployed people who do not receive such benefits).

This finding does not necessarily imply that unemployment benefit generosity is positively associated with occupational mobility. Rather, it suggests that those people who receive unemployment benefits, no matter how generous, are more likely to experience occupational change across the jobless spell than people who do not receive such income protection. The group of non-recipients is likely to be a heterogeneous group, ranging from people in long-term unemployment to managers who have enough savings to sustain a job search without registering for unemployment benefits. In particular, those who are voluntarily unemployed³² because they have the financial means to sustain a job search without having to draw on unemployment benefits are less likely to change occupational groups compared to benefit recipients who are subject to certain conditions and sanctions that may encourage a change in occupational status. Simple correlation statistics of the German data suggest that this may be the case. For instance, 34% of unemployed people who are receiving benefits are in the lowest income quintile, while the equivalent figure is 10% lower for German unemployed people who do not receive unemployment benefits³³.

³² Unfortunately, it is not possible to distinguish whether a respondent is voluntarily or involuntarily unemployed using the data at hand.

³³ It should be noted that throughout the research for this chapter, the measurement of unemployment benefit receipt was a constant source of debate. In the end, whether or not both tiers of unemployment benefits were included in one measure, or separated, the results remained the same.

TABLE 2.7: Predicting occupational mobility between pre- and post-unemployment using unemployment benefit receipt and macro-level variables in Germany, 1994-2008

<i>Variable</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 8		Model 9		Model 10	
Unemployment benefit receipt						
No UB (ref.)						
UBI/Alg I	0.238*** (0.081)	1.269	0.241*** (0.081)	1.273	0.245*** (0.081)	1.278
UBII/Alg II	0.403*** (0.125)	1.497	0.379*** (0.126)	1.461	0.387*** (0.126)	1.473
Institutional variables						
ALMP spending (% GDP)			-0.473 (0.578)	0.623	-0.714 (0.540)	0.489
PLMP spending (% GDP)			-0.263 (0.192)	0.769	0.461** (0.233)	1.586
Macroeconomic variables						
Unemployment rate					-0.163*** (0.062)	0.850
N	2663		2663		2663	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, marital status, skills, education and income.

Source: GSOEP (1993-2009)

The results further suggest that people who were unemployed in times when spending on passive labour market policies was higher face a higher chance of experiencing occupational mobility across their jobless spell, while adverse economic conditions are negatively associated with occupational mobility between pre- and post-unemployment. In other words, when the unemployment rate is higher, the chances of occupational mobility are lower, which contradicts the hypothesis that fewer jobs would be available, thereby encouraging occupational mobility. While the role of PLMP spending can be said to confirm the result that unemployment benefit generosity (when measured in terms of net replacement rates) is positively associated with mobility, it should be noted that PLMP spending is a notoriously inaccurate indicator of unemployment benefit generosity. For instance, the measure positively correlates with adverse labour market conditions, since the higher the number of unemployed, the greater the share of individuals receiving unemployment benefits.

Discussion and Conclusion

The results do not support the hypothesis proposed at the beginning of this chapter. Firstly, the findings suggest that it is not universally true that people with specific skills demonstrate lower chances of experiencing occupational mobility. Whilst we observe this to be the case in Germany, people with specialised skills in the UK are not less likely to experience occupational change than people with general ones. Secondly, there is inconclusive evidence as to whether skill level is negatively correlated with occupational mobility. Again, we see that this holds true for Germany, where people with high-general skills are more likely to experience occupational change than those with low-general skills (as well as people with specific skills). When we do not control for education, this can be observed in the UK as well, but the statistical significance disappears when the highest attained level of education attainment is taken into account (which is itself insignificant). There is an argument to be made that these two predictors (skills and education) collide with each other, and that they should therefore be entered into the model separately. This is a general methodological issue that I return to in Chapter VII, as it affects the other analyses as well.

Although there are a multitude of interpretations for this, including the conclusion that occupational mobility is simply not related to skill specificity and level, I concentrate on a skill-based explanation of this observation. Despite the fact that the hypothesis does not hold in the UK, it is interesting to observe that it does ring true in Germany, where both skill specificity and level appear to be negatively correlated with occupational mobility between pre- and post-unemployment. With reference to the role of skills and keeping within the VoC framework, this difference between the UK and Germany could potentially either be explained using the measure of skill specificity and skill level itself, or with regard to the role that differences in the institutional framework (e.g. unemployment protection) between the two countries play.

Regarding the first skill-based explanation, the difference that the role of skills plays between the two countries could be based on the measurement of skills. Recalling the discussion in Chapter I, it was noted that one of the strengths of Fleckenstein *et al.*'s (2011) skill classification is that it is comparative in the way it treats skill specificity. However, this is not to say that the composition of identical skill groups across countries is homogenous. For instance, as observed at the beginning of this chapter, the specific skill group in Germany is larger than it is in the UK. Furthermore, the occupations that represent this same group in Germany may be different from the ones in the UK, which could potentially explain why individuals in this group are less likely to experience occupational change between pre- and post-unemployment in one country, but not the other.

TABLE 2.8: Composition of unemployed people in the high-general skill group in the UK and Germany, 1993-2009

<i>Major group</i>	<i>Sub-major group</i>	<i>United Kingdom</i>	<i>Germany</i>
1 - Managers		30%	9%
	11 - Chief executives, senior officials and legislators	1%	0%
	12 - Administrative and commercial managers	18%	4%
	13 - Production and specialised services managers	11%	5%
	14 - Hospitality, retail and other services managers	0%	0%
2 - Professionals		33%	34%
	21 - Science and engineering professionals	10%	10%
	22 - Health professionals	2%	3%
	23 - Teaching professionals	11%	6%
	24 - Business and administration professionals	10%	15%
	25 - Information and communications technology professionals	0%	0%
	26 - Legal, social and cultural professionals	0%	0%
3 - Technicians and associate professionals		37%	56%
	31 - Science and engineering associate professionals	9%	7%
	32 - Health associate professionals	5%	8%
	33 - Business and administration associate professionals	1%	6%
	34 - Legal, social, cultural and related associate professionals	22%	35%
	35 - Information and communications technicians	0%	0%

Table 2.8 to 2.10 investigate this potential explanation further, displaying the composition of each skill group in both countries. The tables show that there are significant differences in all three skill groups. For instance, the high-general skill group largely consists of

technicians and associate professionals (Major group 3) in Germany, whereas the UK sample contains more managers (Major group 1). Furthermore, the specific skill group in Germany overwhelmingly consists of craft and related trades workers (Major group 7). Only the low-general skill group is broadly similar across both countries.

TABLE 2.9: Composition of unemployed people in the low-general skill group in the UK and Germany, 1993-2009

<i>Major group</i>	<i>Sub-major group</i>	<i>United Kingdom</i>	<i>Germany</i>
4 - Clerical support workers		35%	28%
	41 - General and keyboard clerks	25%	22%
	42 - Customer service clerks	10%	6%
	43 - Numerical and material recording clerks	0%	0%
	44 - Other clerical support workers	0%	0%
5 - Service and sales workers		42%	41%
	51 - Personal service workers	27%	25%
	52 - Sales workers	15%	17%
	53 - Personal care workers	0%	0%
	54 - Protective services workers	0%	0%
9 - Elementary occupations		23%	31%
	91 - Cleaners and helpers	14%	14%
	92 - Agricultural, forestry and fishery labourers	0%	2%
	93 - Labourers in mining, construction, manufacturing and transport	9%	15%
	94 - Food preparation assistants	0%	0%
	95 - Street and related sales and service workers	0%	0%
	96 - Refuse workers and other elementary workers	0%	0%

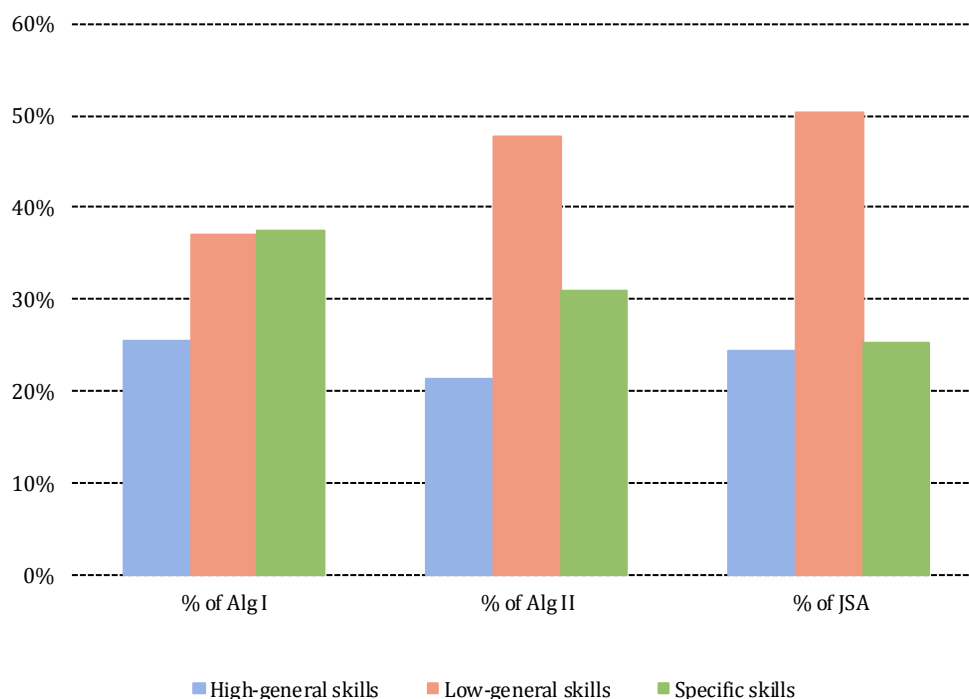
TABLE 2.10: Composition of unemployed people in the specific skill group in the UK and Germany, 1993-2009

<i>Major group</i>	<i>Sub-major group</i>	<i>United Kingdom</i>	<i>Germany</i>
7 - Craft and related trades workers		55%	70%
	71 - Building and related trades workers, excluding electricians	23%	37%
	72 - Metal, machinery and related trades workers	23%	23%
	73 - Handicraft and printing workers	3%	4%
	74 - Electrical and electronic trades workers	6%	6%
	75 - Food processing, wood working, garment and other craft and related trades workers	0%	0%
8 - Plant and machine operators, and assemblers		45%	30%
	81 - Stationary plant and machine operators	3%	3%
	82 - Assemblers	27%	9%
	83 - Drivers and mobile plant operators	16%	18%

Focusing on the specific skill group, the main difference between the UK and Germany appears to affect two sub-major groups in particular. One is the sub-major group 71, which represents 'building and related trades workers', which is considerably more widespread in

Germany than it is in the UK, representing over a third of the group. In contrast to this, the sub-major group 82, which is labelled 'assemblers', is considerably more widespread in the UK than it is in Germany. The observation that the specific skill group is less likely to experience mobility in Germany but not in the UK may therefore in part be due to these two differences. For instance, it has been observed that the construction industry in Germany, which is affected by seasonal cycles, makes good use of short-time work schemes. These programmes are public schemes that are intended to preserve jobs at firms experiencing temporarily low demand by providing income-support to workers whose hours are reduced due to temporary lay-offs and thereby avoid the permanent dismissal of workers. Even before the economic crisis, the construction industry (and hence, the sub-major group 71) made widespread use of such programmes, perhaps explaining why the specific skill group in Germany exhibits significantly lower odds of occupational mobility.

The presence of short-time work schemes is not the only institutional explanation for differences in the patterns observed in the UK and Germany. For instance, if it is the case that people with specific skills in Germany are receiving more generous unemployment protection than unemployed people with general skills, this could offer another explanation for the differences observed. As illustrated in Figure 2.9, the proportion of the individuals who have specific skills is much higher among unemployed people who receive the higher-tier, contribution based unemployment benefit (*UBI/Alg I*) than it is for the means-tested component in Germany (*UBII/Alg II*) and either form of JSA (income- or contribution-based) in the UK. This suggests that people with specific skills in Germany therefore have more resources to sustain a job search over a longer period of time, securing re-employment in an occupation that matches their previous skill investment. Overall, however, the proportion of people with general skills who receive unemployment benefits (no matter what kind) is much higher than the number of people with specific skills, which may help explain why the individual-level dummy that captured unemployment benefit recipients is statistically significant and positive (Table 2.7 in the Results section).

FIGURE 2.9: Composition of benefit recipients between skill groups in the UK and Germany, 1993-2009³⁴

Source: Author's own calculations, GSOEP (1993-2009), BHPS (1993-2009)

To further investigate the institutional explanation for differences in the relationship between skill specificity and occupational mobility between pre- and post-unemployment in the two countries, the sample is split into three groups corresponding to the introduction of legislative reforms that are predicted to have an effect on the chances of unemployed people experiencing occupational mobility. These reforms include the 1996 introduction of the Jobseekers' Allowance in the UK, the 2005 New Deals in the UK, the 1997 Labour Market Promotion Reform Law in Germany, and the 2004 'Hartz IV' reform in Germany. These reforms can be said to have lowered the generosity of income support for unemployed people through lower benefit levels, shorter benefit durations and stricter eligibility criteria. They were therefore aimed at increasing the exit rate from

³⁴ Note that the JSA also captures recipients of unemployment benefit (UB) before 1996.

unemployment by reducing the disincentive effect of unemployment benefits (Katz and Meyer, 1990; van Ours and Vodopivec, 2008; Tatsiarmos, 2009)³⁵.

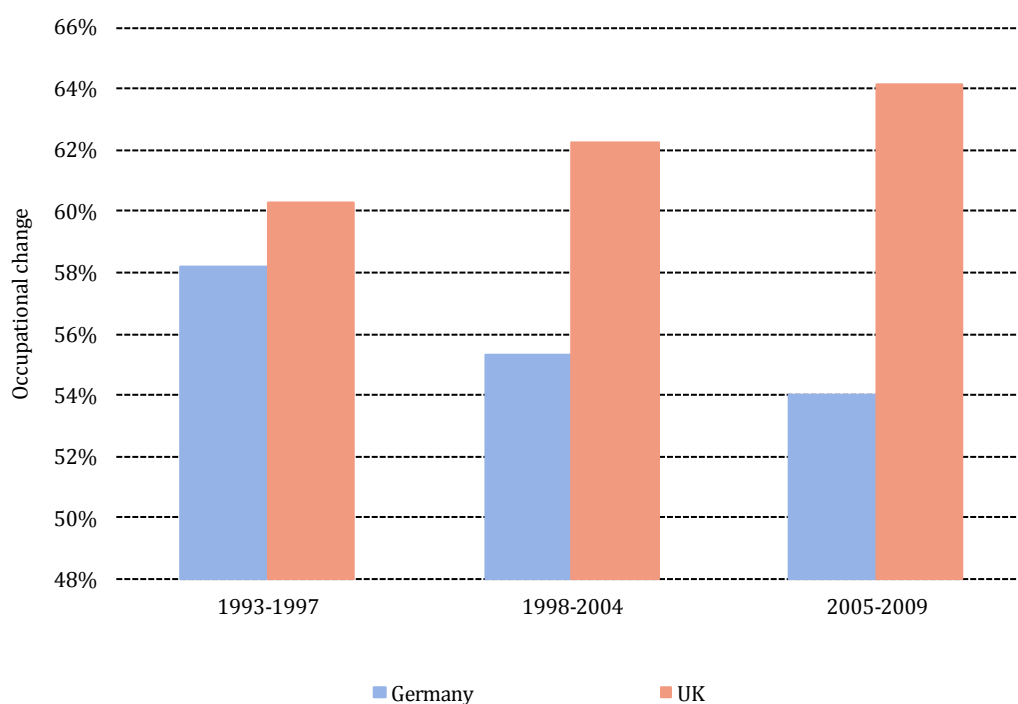
Figures 2.9 to 2.11 illustrate what has happened to the occupational mobility of unemployed people in the time that these reforms were implemented. Somewhat surprisingly, the mobility has decreased in Germany and increased in the UK, despite the broadly similar reform trajectory in both countries. Closer examination of mobility within skill groups further suggests that the two countries are going in very different directions. Figure 2.10 shows that in the UK, occupational mobility has been increasing among all skill groups, but in particular for unemployed people who were previously occupied in jobs requiring specific skills. Figure 2.11 displays a contrasting development in Germany, where the rate of occupational change has decreased substantially for unemployed individuals with high-general and specific skills.

One explanation for this may still be institutional in nature. Although the Hartz Reforms represent an overall reduction in terms of the generosity of benefits, they affected the generosity of lower tier benefits in particular (*Arbeitslosengeld II*). In other words, whilst recipients of the higher tier, earnings-related unemployment benefit continued to enjoy relatively high replacement rates despite the legislative changes (although the duration of contributions was shortened), recipients who were not eligible for this earnings-related component (e.g. atypical workers or long-term unemployed) suffered a substantial reduction in the generosity of their benefits. Palier and Thelen (2010: 136) make a similar argument with reference to employment protection legislation: ‘The very strong employment protections [...] meant that workers in large core firms were not likely to become unemployed in the first place, and skilled workers (particularly in the West) are highly unlikely to stay unemployed for more than a year’. Furthermore, a majority of unemployed workers had already been receiving means-tested benefits since the early

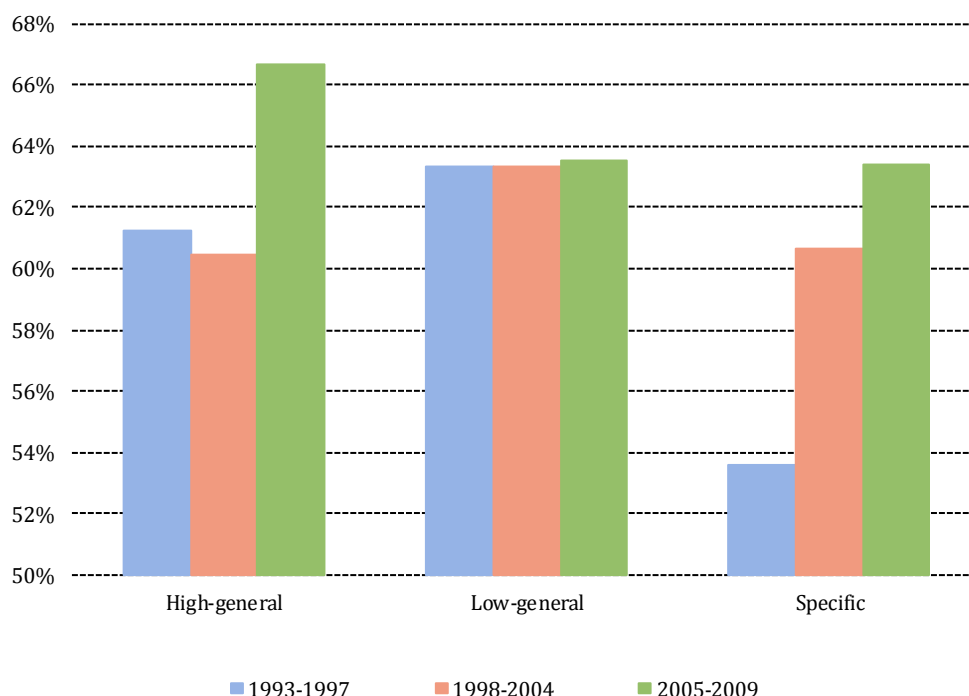
³⁵ Further information on these reforms can be found in Chapter II.

2000s (Bleses and Seeleib-Kaiser, 2004: 48-67; Seeleib-Kaiser and Fleckenstein, 2007). Up until the Labour Promotion Reform Law in 1997, acceptable jobs had legally been defined along a hierarchy of *occupational* levels and skills so that selective job search in pre-unemployment occupations had explicitly been institutionally supported (Gangl, 2004: footnote 13).

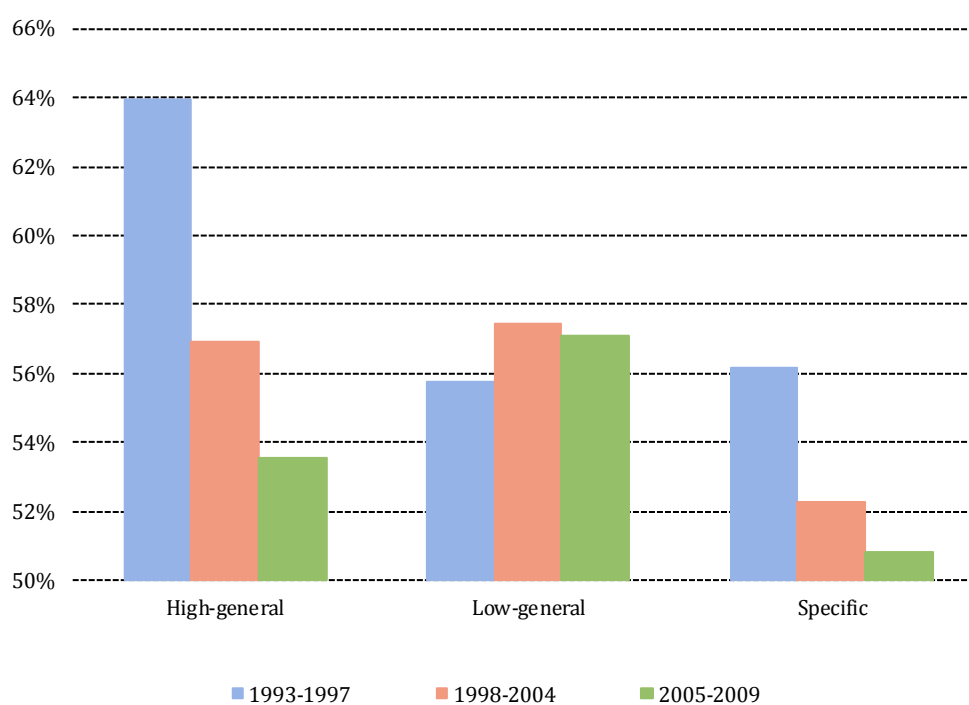
FIGURE 2.10: Development of overall occupational mobility in Germany and the UK across time-periods, 1993-2009



Source: Author's own calculations, GSOEP (1993-2009), BHPS (1993-2009)

FIGURE 2.11: Development of occupational mobility across skill groups over time in the UK, 1993-2009

Source: Author's own calculations, GSOEP (1993-2009), BHPS (1993-2009)

FIGURE 2.12: Development of occupational mobility across skill groups over time in Germany, 1993-2009

Source: Author's own calculations, GSOEP (1993-2009), BHPS (1993-2009)

This might explain why unemployed people in the high-general or specific skill group (covered by the earnings-related *Arbeitslosengeld I*) experienced a *decline* in mobility over time in contrast to jobless individuals with low-general skills (covered by the flat-rate, means-tested *Arbeitslosengeld II*) who experienced an *increase*. The development in Germany might therefore lend support to dualization arguments (e.g. Emmenegger *et al.*, 2012). The falling mobility of workers in the specific and high-general skill groups (insiders) suggest that they are being protected by legislative changes at the expense of labour market members in the low-general skill group (outsiders), who are experiencing rising mobility. The Hartz Reforms have in fact been said to represent a conscious effort by the German government to create a flexible labour market for low-skilled workers in order to cope with rising unemployment among this group (Carlin and Soskice, 2008: 94). The Labour Promotion Reform Law and the Hartz Reforms can further be regarded as a significant departure from the third statutory guideline in the German unemployment insurance system: the abandonment of the aim that the resumption of employment should be dependent on the availability of 'suitable' work (Seeleib-Kaiser, 2002).

The same question can be asked of UK policymakers: is the unemployment protection system in the UK designed to fuel the growing demand for jobs in the low-end services sector? Stories such as that of Cait Reilly, a university graduate and JSA claimant who took legal action against the government for being forced to complete an unpaid placement at Poundland (a low-cost retailer) at the expense of an unpaid internship at a national museum, may suggest that the system is indeed designed to supply low-end services with labour (Guardian, 2012).

The development can also be explained using more general, socio-economic trends. The high and increasing mobility amongst unemployed people with specific skills in the UK could, for example, be part of much broader development towards deindustrialization, associated with the continuous decline of jobs requiring specific skills in the manufacturing

sector alongside rapid growth of jobs in the low-end (*McJobs*) and high-end (*MacJobs*) employment that demand low- and high-general skills, respectively (Goos and Manning, 2003)³⁶. Nevertheless, deindustrialization has also been occurring in Germany and there is no similar development in terms of the loss of specific skills according to the findings above. Figure 2.1 (which illustrated that the number of people with specific skills is declining rapidly in Germany due to deindustrialization) suggests that occupational mobility within this skill-group is high. However, it is clear from the result of the regressions that even though the number of people with specific skills is declining, their overall chances of occupational mobility remain lower than for the other skill groups, at least among the unemployed sample.

Alternatively, deindustrialisation in Germany (as represented by the decline of specific skills) may be driven by the employed workforce rather than people who become unemployed. On the other hand, people with specific skills who become unemployed and consequently leave the labour market altogether could be contributing to the decline of the workforce. Whilst the failure to take such factors into consideration primarily relies on data limitations, people who leave the labour market after an unemployment spell are not accounted for in the concept of occupational mobility. If individuals with specific skills who become unemployed and decide to enter inactivity or early-retirement rather than look for another job, this could affect the overall rate of occupational mobility observed for that group. To some extent, the declining manufacturing sector could therefore explain lower rates of occupational mobility observed in the specific skill group, especially given the likelihood that workers who drop out of the labour force due to a lack of jobs in their sector

³⁶ Other evidence of job polarization, defined as the relative employment increase of low- and high-paid jobs with respect to middle-paid ones has been found in the United States (Wright and Dwyer, 2003; Autor and Dorn, 2009; Acemoglu and Autor, 2011), the United Kingdom (Goos and Manning, 2007), Germany (Spitz-Oener, 2006; Dustmann *et al.*, 2009; Kampelmann and Rycx, 2011) and Japan (Ikenaga and Kambayashi, 2010).

are the same people who would be more likely to experience occupational mobility if they remained in the labour market.

Regardless of the theory (institutional or socio-economic, or both) used to explain the developments observed in this analysis, it is evident that in the event of unemployment, workers with specific skills face more stable employment trajectories in Germany than they do in the UK. This contradicts the hypothesis that skill specificity is negatively correlated with occupational mobility between pre- and post-unemployment. However, the difference between the UK and Germany, two paradigmatic examples of an LME and a CME, respectively, suggest that institutions mediate the relationship between skill specificity and occupational mobility.

Given that the welfare state is increasingly being perceived as an essential component in the development of national production regimes (e.g. Huber and Stephens, 2001), the findings of this analysis offer empirical evidence to back some of the fundamental theoretical assumptions behind VoC literature. From a policymaking perspective, the results have implications for countries wishing to emulate the German manufacturing model. The development of specialised skills required for such a model requires the provision of certain institutions, including unemployment protection that is protective of such skills. The adoption of such a system should however be cautious, given the evidence of an increasing insider/outsider divide at hand. However, the findings also have implications for policymakers in CMEs that rely on such skills. Occupation-specific human capital and skills are considered highly important for the labour market, and a number of studies have found substantial returns to occupational experience (Shaw, 1984; 1987; Zangelidis, 2008; Kambourov and Manovskii, 2009). The loss of such capital after spells of unemployment as a result of insufficient unemployment protection can therefore severely damage the development of such skills, and therefore present a problem for particular production strategies. There is already evidence of a skills shortage in Germany, and only

recently the Federal Ministry of Labour and Social Affairs launched an initiative to counter this development (BMAS, 2011).

The findings also reject the second part of the hypothesis proposed at the beginning of this paper. It was suggested that individuals with low-general skills would be less likely to experience occupational mobility, mainly because they are at the ‘floor’ of the labour market and therefore get trapped in the same, low-paid jobs, particularly when accompanied with a history of unemployment. However, the results do not support this claim, suggesting that people with low-general skills are part of a flexible labour market.

Furthermore, the results contribute to the existing literature on occupational mobility, particularly in relation to skill specificity. Existing studies of occupational change are predominantly based on the general labour force, rather than unemployed people in particular (e.g. Bauer and Zimmermann, 1999; Burda and Mertens, 2001; Couch, 2001; Bender *et al.*, 2002; Gangl, 2004; 2006; Longhi and Brynin, 2010; Bisello, 2013). Similar to the previous chapter, the findings of this analysis further contribute to existing literature on the way institutional unemployment protection settings influence the economic consequences for the individual. The importance of analysing the occupational mobility of unemployed individuals therefore lies in the suggestion that high levels of occupational mobility among unemployed people can severely inhibit their wage growth (Longhi and Taylor, 2013: 71). So far, only Wulfgramm and Fervers (2013) have attempted a similar approach, offering a microeconomic analysis of whether unemployment benefit generosity and the intensity of ALMP are systematically related to post-unemployment employment stability across Europe. However, they do not include skills as an explanatory variable. The above analysis therefore also adds to the literature on how to reduce such scarring effects (Arulampalam, 2001; Gregory and Jukes, 2001; Gangl, 2004, 2006; Gregg and Tominey, 2005), as well as studies that investigate the potential existence of a trade-off between the duration of unemployment and the quality of post-unemployment jobs. It has

been argued that generous unemployment benefits can improve reemployment stability, as longer search times can secure the best available job offer by overcoming information deficits on the labour market (Burdett, 1979).

There are, of course, important limitations that have to be considered in the interpretation of these results. First and foremost, panel data is notoriously error-prone (see e.g. Lynn and Sala, 2006). Changes in occupational coding for no obvious reasons are common, with a person being classified as an IT specialist in one year and as an electrical engineer in the next, despite continuing the same occupation (Longhi and Brynin, 2010:2). Occupations can be misinterpreted when incorrect or insufficient detail is given when answering a survey like the BHPS or the GSOEP. Nevertheless, a vast majority of such inaccuracies take place at the 3- or 4-digit occupational code level, and should therefore not pose a serious problem to this analysis.

The accuracy of the analysis would have been improved further with the use of monthly data, which is only available for certain variables in BHPS and GSOEP. For instance, the results are likely to vary depending on the duration of unemployment, and whether an individual is unemployed for 3 months or 12 months. Whilst the data on whether somebody is unemployed is available monthly, pre- and post-unemployment occupational data is only available annually. With the maturity of other panel data sets such as the European Union Statistics on Income and Living Conditions (EU-SILC), such an analysis may become possible. This would also enable more recent data before and after the unemployment spell to be obtained. Furthermore, a more nuanced and accurate distinction between skills could be used, given how important the specific, low-general and high-general skill groups are for this analysis. In addition, sample sizes are still relatively small, and splitting the sample according to unemployment duration as well as skill-group yields very small sample sizes that cannot be investigated accurately.

Finally, there is need for a further investigation of this topic by addressing the questions from a more extensive, qualitative point of view that lies beyond the scope of this thesis. Whilst a quantitative analysis can succeed in demonstrating whether or not an unemployment protection system helps maintain certain skills over spells of unemployment, it is impossible to reveal whether this encourages skill investment. In other words, whilst VoC theory suggests that young people invest in specific skills in CMEs because they have evaluated the risks of doing so by considering the presence of social protection schemes, there is little evidence that this is the case. On the other hand, the analysis demonstrates that Germany's unemployment protection system encourages the development of specific skills in the labour market by ensuring that unemployed people with specialised skills return to employment with those skills rather than losing them. Whilst it may be unlikely that this encourages others to invest in such skills at the age of 16, it certainly helps those skills survive and develop once they have been invested in.

To conclude, the main finding of this chapter is that skill specificity appears to be negatively correlated with occupational mobility between pre- and post-unemployment in Germany, but not so in the UK. The explanation put forward in this analysis is institutional in nature. The results could suggest that the German unemployment protection system is consciously designed to protect workers with specialised skills and thereby encourage the competitiveness of its high-end manufacturing sector. Granted, the unemployment protection system is not the only wheel in this motor, but it may support or complement other institutions that work in the same direction, such as the design of employment protection legislation, the apprenticeship system or the presence of collective bargaining institutions. The UK system, on the other hand, leans towards more of a 'work first' approach, characterised by high rates of occupational mobility across all skill groups. This may serve the particular purpose of fuelling the demand for labour from the low-end service sector.

However, this does not prove that other explanations are wrong. The role of institutional differences in explaining cross-national variation in the relationship between skill specificity and occupational mobility is therefore further investigated in the following chapter.

Chapter III

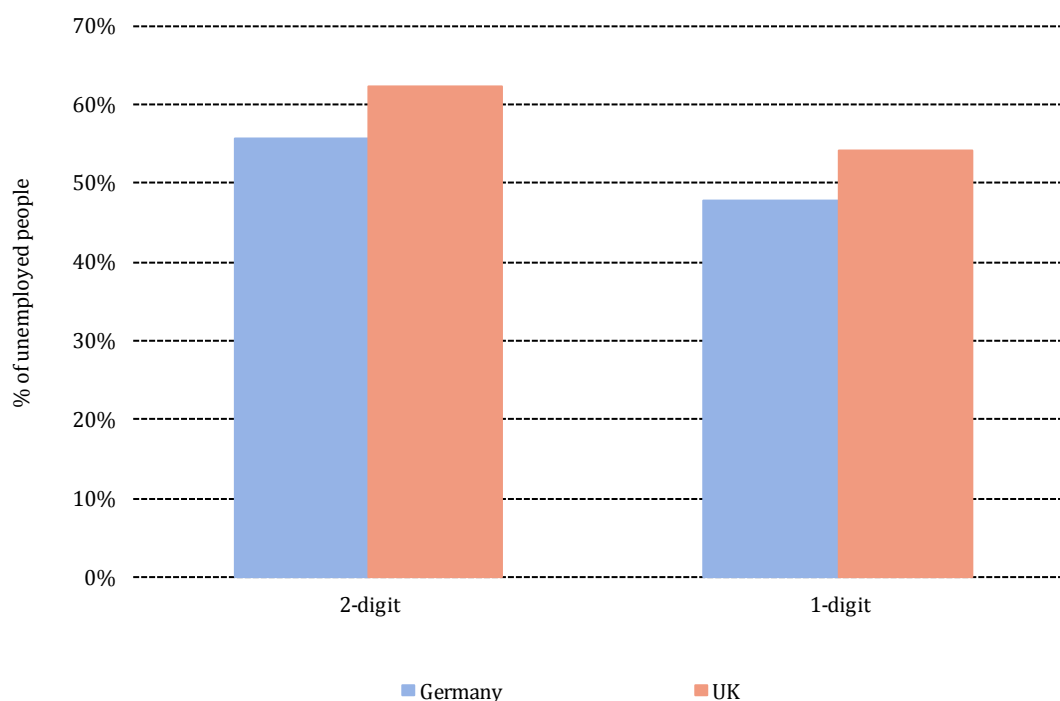
Occupational mobility and institutions: Analysing the UK and Germany

Abstract

The results of Chapter II suggest that the relationship between skill specificity and/or level and the chances of an unemployed person experiencing occupational mobility vary from country to country. In this chapter, I investigate this relationship further by exploring the way in which institutional differences can affect rates of occupational mobility between pre- and post-unemployment. In particular, the role of unemployment protection systems is explored. At the same time, the chapter serves as a policy synopsis of recent labour market reforms in the United Kingdom and Germany, which are the two main case-examples drawn upon in this thesis. The analysis shows that unemployment protection can affect occupational mobility in terms of its structure, the generosity of unemployment benefits, and their conditionality.

Introduction

I begin here with the findings of the previous chapter, which observed higher rates of occupational mobility among unemployed people in the UK compared to Germany. The descriptive results are summarised below, showing that across different measures of occupational mobility (1- and 2-digit), rates are higher in the UK than they are in Germany.

FIGURE 3.1: Rates of occupational mobility among unemployed people in the UK and Germany, 1994-2008

Source: GSOEP (1993-2009), BHPS (1993-2009)

The question I address in this chapter is whether, theoretically, this variation can be explained by institutional differences between the two countries. I do not seek to establish a causal link between the two. Rather, the analysis serves to theorise about the potential relationship between the concept of occupational mobility adopted in this thesis, and how labour market institutions can affect the occupational mobility of unemployed people. In particular, I focus on unemployment protection. Concurrently, the chapter serves to provide a detailed description and overview of past and current unemployment protection policy developments in the two countries, thereby providing a policy background for the UK and Germany which are referred to as case-examples in the empirical chapters to come.

Note that in this chapter, I focus on labour market institutions that affect the occupational mobility of *unemployed* people. There are differences between the mobility rates of employed people in the UK and Germany, but in practice these are influenced by a variety of other factors that lie beyond the scope of this chapter and thesis. Furthermore, there are a

plethora of studies that have investigated the determinants of occupational mobility among employed people or in the general labour force (e.g. Johnson, 1978; Jovanovic, 1979a; Viscusi, 1980; Sicherman and Galor, 1990; Parrado *et al.*, 2007; Kambourov and Manovskii, 2009).

I argue that unemployment protection systems can affect the chances of unemployed people experiencing occupational mobility in three different ways. Firstly, the structure of the system is important to take into consideration, considering that benefits which are tied to previous contributions are likely to decrease the chances of occupational mobility, while flat-rate, means-tested benefits are associated with higher odds. The second important consideration to make is in terms of the generosity of unemployment benefits, which is likely to be *negatively* associated with rates of occupational mobility. Finally, it is becoming increasingly important to incorporate the role of conditionality when taking into consideration the effects of unemployment protection systems on occupational mobility. With both the UK and Germany on a path towards ‘activation’, unemployed people may be being ‘pushed’ into jobs, thereby increasing rates of job mobility.

In the next section, a basic overview of past political and economic developments in the UK and Germany is presented. Following from this, I consider how the occupational mobility of unemployed people can be influenced by institutional unemployment protection in three ways: in terms of its structure, its generosity and rules of conditionality. In Section IV, I provide a brief overview of other institutional effects that need to be acknowledged before providing some concluding remarks in Section V.

Economic and policy context

In comparative welfare state and labour market literature – from Esping-Andersen's three worlds of welfare capitalism (1990) to Hollingsworth and Boyer's 'social systems of production' (1998), or Hall and Soskice's 'welfare production regimes' (2001) – the United Kingdom and Germany have consistently ended up in different typological boxes (Clasen, 2005: 2).

The United Kingdom has often been referred to as the prototypical 'liberal' welfare state (Esping-Andersen, 1990; Bonoli, 1997) and the leading European example of a Beveridgean, predominantly tax-financed welfare state with largely needs-based social security provision. Although this is not necessarily the case when looking beyond income transfers, British social security is firmly guided by the aim of targeting resources rather than providing income maintenance on a comprehensive scale (Clasen, 2011).

Characteristic for the UK are liberal and residual social programmes with an emphasis on poverty alleviation, largely deregulated and flexible labour markets, and a strong reliance on market coordination (Clasen, 2005: 2). Benefits are weaker and tend to be highly targeted, with the aim of mitigating poverty and immediate need rather than status maintenance (Esping-Andersen, 1990; Allan and Scruggs, 2004)³⁷.

British unemployment insurance, as British social insurance more generally, constitutes a weak citizenship model (Crouch, 1999). Benefits have at best been mildly earnings related and thus never been regarded as a 'social wage' as in continental or Nordic countries.

Hence, British workers would not conceive of unemployment benefits as 'deferred wages', whether insurance-based or means-tested.

³⁷ This description does not necessarily apply to all areas of the UK's welfare state. For instance, the NHS is conventionally seen as fundamentally different and based on the concept of universalism. Contribution-based benefits also exist, especially with regard to state pensions.

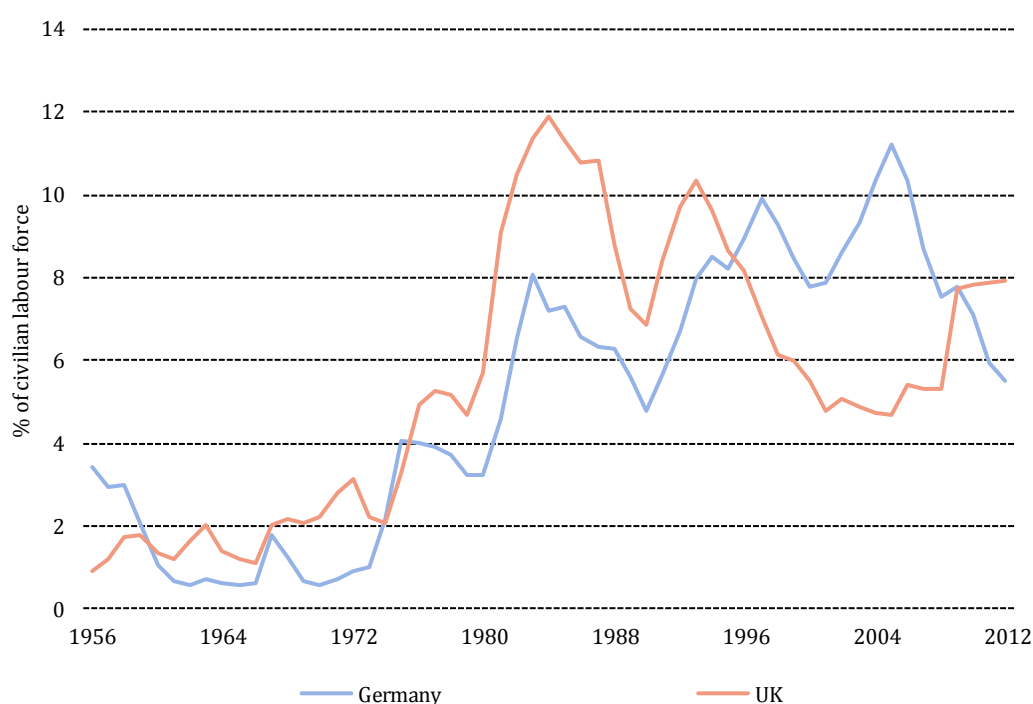
The German welfare state has in the past been considered more generous than its British counterpart (Esping-Andersen, 1990; 1999) with an emphasis on the preservation of the benefit recipient's socio-economic status (Fleckenstein and Seeleib-Kaiser, 2011: 2). The notion of preservation of social status, implying a strong correspondence between individual labour market performance (and thus contribution record) and individual rights to benefits has been considered a main feature of the system (Dingeldey, 2011: 58). Full benefit entitlement within this system is acquired by continuous labour market participation within a standard employment relationship. Furthermore, the social security system has been closely related to the idea of a male breadwinner family, given that the system allows for derived rights for family members (children and non-working spouses) (Dingeldey, 2011: 58).

Germany has further been portrayed as the prototype 'Rhineland model' in social science literature (Hutton, 1995; Hudson and Kühner, 2011: 159). Unemployment insurance is part of social insurance which characterises German social policy as Bismarckian (Palier, 2010) or as conservative-corporatist welfare (Esping-Andersen, 1990). The labour market is much more heavily regulated than in liberal countries, and corporatist negotiations and coordinated wage bargaining complement market relations (Wood, 2001).

Some of the biggest labour market policy changes in recent history took place in and around the oil shocks of the 1970s and 1980s. These economic crises caused a sudden rise of unemployment in both countries, the response to which left profound marks on the development of German and especially British social policy. Most importantly, full employment as a primary macroeconomic goal was substituted by price stability. This meant that the rise in unemployment was politically reinforced due to the emphasis on tackling inflation at the expense of unemployment (Schmidt, 2005; Clasen, 2011). In the UK, the government further promoted the decline of certain industrial sectors, notably mining.

This rapid deindustrialization meant that male employment rates decline from 85% in the late 1970s to almost 75% in the mid-1980s (Clasen, 2011: 17).

FIGURE 3.2: Unemployment rates in the UK and Germany, 1956-2012



Source: OECD, Annual labour force statistics

In addition to macroeconomic responses, significant changes in government took place. In 1979, Margaret Thatcher and the Conservative Party won the general election, ousting the previous Labour government and subsequently going about significantly shaping and changing the political landscape of British social policy. Thatcher's neoliberal approach was strongly guided by a commitment to reduce the scope of the public sector and reduce public borrowing, which resulted in several rounds of incremental reform and cutbacks in social security (Glennister and Hills, 1998; Hills, 1998; Clasen, 2011). Margaret Thatcher explicitly stated self-reliance, privatisation, and 'rolling back the boundaries of the public sector' as primary policy aims (Clasen, 2005: 76).

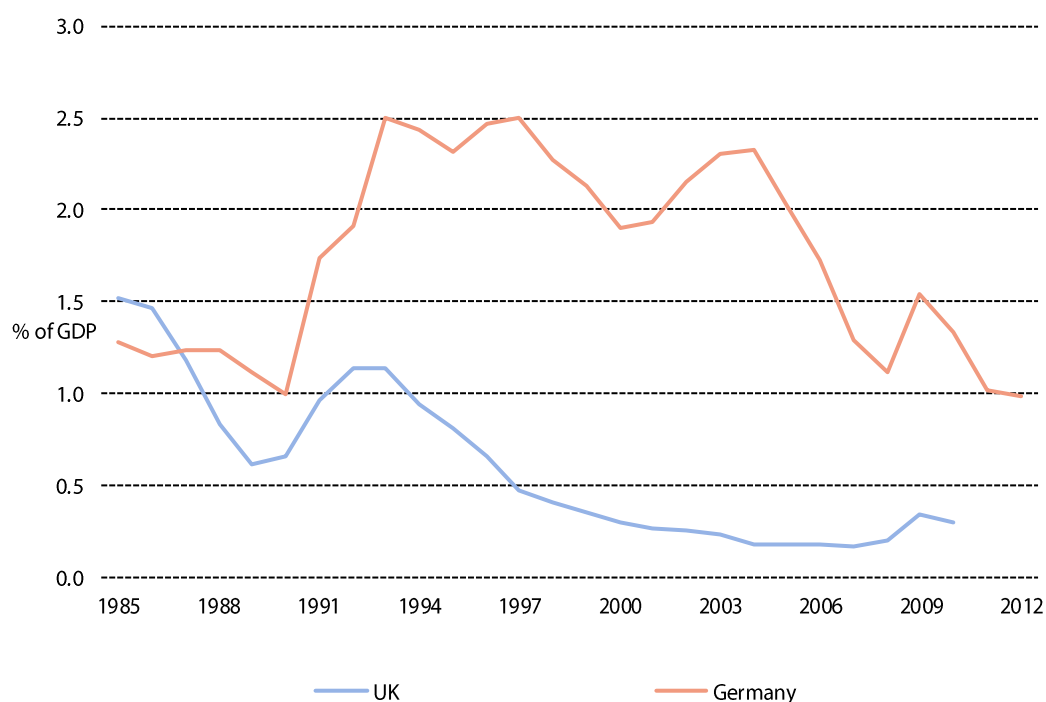
Since then, UK social policy is often portrayed as having undergone a radical overhaul. Although frequently criticised on the grounds of fostering distributive injustice and

increasing poverty and inequality, more recent changes in labour market policy have attracted considerable attention and been held up within other EU member states as an example of progressing modernisation.

In Germany, the responses to the economic crises of the 1970s and 1980s culminated with a policy of strong budget consolidation introduced by the Social Democratic/Liberal government at the beginning of the 1980s in the wake of a second hike in unemployment (Schmidt, 2005; Dingeldey, 2011). In contrast to the UK, until the end of the 1990s Germany was characterised as a ‘frozen landscape’ (Esping-Andersen, 1996; Manow and Seils, 2000; Voß, 1997), highlighting its reluctance to embrace structural policy reform (Pierson, 2001; Dingeldey, 2011). However, since then major reforms have taken place in various social policy arenas (Palier and Martin, 2008), including German unemployment protection policy.

Unemployment protection

In their crudest form, differences in unemployment protection systems can be captured using spending on ‘passive labour market policies’ (early retirement and income maintenance), which is provided by the OECD as a percentage of overall GDP and displayed in Figure 3.3 below. However, this measure is not so much an indicator of differences in the design or generosity of unemployment protection systems, but is rather more closely related to the number of claimants. For instance, spending in Germany is highest after the Reunification of the country in 1990, when unemployment increased markedly.

FIGURE 3.3: Spending on PLMPs in the UK and Germany, 1985-2012

Notes: Data is missing for the UK for 2011 and 2012

Source: OECD (2014) Employment policies and data

Instead, I look at more accurate indicators of differences in unemployment protection below. Traditionally, unemployment protection has been understood as the provision of unemployment benefits that typically provide conditional and time-limited income support to workers experiencing job loss. However, as demonstrated in the sections below, unemployment protection goes beyond the provision of income maintenance and can be designed in different ways, embracing or eschewing means-testing, for instance, or giving contributory principles a major or minor role. Furthermore, the way in which unemployment protection systems are designed has great implications for the unemployed person, as demonstrated with reference to occupational mobility in the following sections.

Structure and administration

Unemployment benefits initially took the form of contributory unemployment insurance, established in the first half of the twentieth century (e.g. the British scheme implemented in 1911) (Alber, 1981). Whilst most of these schemes involved compulsory social insurance systems, voluntary systems run by trade unions exist to this day (Clasen and Viebrock, 2008). In such systems, individuals pay contributions while at work that ensure that in the event of joblessness, unemployment benefits replace part of the previous salary for a set period. Between countries, the generosity (i.e. level) of unemployment benefits can vary, as well as the period that unemployed people are eligible for them (unemployment benefit duration).

Most countries also have a secondary system of unemployment or social assistance that pays benefits to those with inadequate contribution histories and/or those who fail to find work before their regular benefit entitlement expires. These secondary systems mostly pay benefits at a lower level, usually on a means-tested basis (Kvist, 1998; van Langendonck, 1997).

The very structure of unemployment protection probably represents the most important difference between the UK and German systems. One factor which has changed rapidly in the UK, and to a lesser extent in Germany, is the decline of the relevance of social insurance for unemployed people³⁸. Earnings-related benefits were introduced in the UK in the 1960s for sickness and unemployment benefits, when originally flat-rate benefits became partially wage-related. Although the British system retains a contribution-based element, the abolishment of the Earnings-Related Supplement in July 1982 after the Social Security Act 1980 marked an important shift from contributory towards means-tested support for the unemployed.

³⁸ Social insurance still maintains a strong role in pension policy. See, for example, Bridgen and Meyer (2010).

Though the Conservative government under Margaret Thatcher did not eliminate the contribution-based benefit altogether, the tightening of contribution conditions substantially weakened the scope of unemployment insurance in 1988. In the early 1990s, more than half of all registered unemployed people received unemployment benefit as a right based on contributions. By the end of the decade, the share had declined to little more than a quarter (see Figure 3.2). This trend was further reinforced under JSA, which replaced unemployment insurance in 1996³⁹. This may in part be due to changing labour market conditions and more frequent interruptions in working careers. However, stricter eligibility requirements and the reduction of the maximum benefit entitlement have reinforced this erosion during the 1990s (Clasen, 2009a).

Today, unemployment protection in the UK technically remains a two-tier arrangement consisting of a means-tested and a contributory component, but has essentially become a single-tier system. In 1996, Jobseeker's Allowance (JSA) was introduced, which amalgamated unemployment benefit and means-tested Income Support (social assistance) for unemployed people. Nevertheless, both previous benefits essentially continued as two separate components within the new scheme. Two distinct types of JSA exist: 'contribution-based JSA' and 'income-based JSA'. The first represents a flat-rate contribution-based component for a maximum of six months. The second income-based, means-tested JSA was not limited in duration (van Berkel, 2009: 21). Unusually in the international context, the levels of contribution-based JSA (CB JSA) and unemployment assistance (IB JSA) have never diverged much, and have been fully identical for many years (Clasen and Clegg, 2011: 20-21). Income-based JSA can be paid on top of the contribution-based element, although the amount depends on a variety of factors, including the family circumstances of the individual, how much savings they have or whether or not they have a mortgage. The

³⁹ Recently, the increase in unemployment levels after 2008 has raised recipient benefit coverage again, even making insurance-based support more important (though it remains marginal compared with means-tested protection).

relatively minor role played by unemployment insurance is also reflected by the overall share of spending on contributory JSA, which was less than 20% of total JSA expenditure in 2007-8 (Levell *et al.*, 2009: 5).

As an insurance benefit, contributory JSA is technically separate from non-contributory transfers. As was the case with unemployment benefit before, it is paid out of the National Insurance Fund (NIF), which is the common source for all contributory benefits, most notably the basic state pension. NIF benefit spending is financed by mandatory contributions levied on employees and employers. However, unlike many other European countries, the central government has full control over the NIF which effectively means that it is just another form of revenue and expenditure alongside general taxation (Clasen, 2011: 20). Initially, the responsibility for ALMP and benefit delivery remained separate in the UK. There was little integration between training and other 'active' labour market schemes and benefit provision (Clasen, 2011: 19). As a result, the operations of unemployment benefit offices (that provided benefits) and public employment services (that administered ALMPs) were geographically and administratively separate in the 1980s, and job-search support became administratively removed from benefit provision. However, since the 1990s, some steps towards coordination were taken and since 2002 both functions have become fully integrated within the same agency, the network of Jobcentre Plus offices. Since 2006, Jobcentre Plus has been responsible not only for benefit and employment programmes for claimants but for all working-age benefit claimants.

The Conservative and Liberal Democrat coalition has since introduced the 'Work Programme'. This emphasises even more marketisation of the delivery of employment programmes and provides suppliers with more discretion, while restructuring the performance-related pay system. It also involves mandatory 'community activities' for claimants who have been unemployed for two years during a three-year period. The coalition also intends to integrate benefit schemes even more comprehensively in order to

tackle ‘welfare dependency’ as a ‘major problem’. The ‘universal credit’ was announced in November 2010 and envisages an amalgamation of benefit schemes and tax credits (subsidies for people with low wages or in part-time work). The number of households in receipt of tax credits has trebled within 10 years (Evans and Williams, 2009: 68), with 16% of all working households dependent on state subsidies in the form of tax credits in 2009 (excluding child tax credits) (Clasen, 2011: 24). While contributory benefits such as JSA will continue to exist, between 2013 and 2017, the universal credit will merge a range of current benefit programmes (including housing benefits and local tax benefits) into a single integrated scheme, thereby removing the distinction between in- and out-of-work benefits.

In Germany, the two types of benefits are still very distinct. Originally, the German unemployment protection system was highly differentiated, with a wage-related unemployment benefit system, a wage-related and means-tested unemployment assistance system and social assistance (Finn *et al.*, 2005; van Berkel, 2009: 19-20). Unemployment insurance (UI) was adopted by the emerging West-German state with the ‘Social Insurance Adjustment Law’ (*Sozialversicherungs-Anpassungsgesetz*), coming into effect in June 1949. Unemployment assistance (UA) was granted to unemployed individuals who had exhausted UI. Although earnings-related, eligibility was subject to a means test⁴⁰. The entire social security system was eventually reformed in 1961 under the ‘Federal Assistance Law’ (*Bundessozialhilfegesetz*, BSHG), which also defined the eligibility criteria for comparatively generous social assistance (*Sozialhilfe*). This represented a third type of support for unemployed people (as well as others) and was a means-tested and unlimited flat-rate benefit. It could be claimed by all residents without sufficient resources or earned income, including unemployed individuals with no or insufficient work records in order to claim UI or UA. It was also possible to top up insufficient levels of UI or UA. Means testing within SA was harsher than in the UA system and any job offer was considered suitable for claimants.

⁴⁰ Consequently, many long-term unemployed women did not receive UA as their partners’ income was above the applicable ceiling for means-tested eligibility.

Until relatively recently, Germany therefore had a three-tier system of unemployment protection, comprising unemployment insurance, unemployment assistance and social assistance. In 2005, however, the extensive ‘Hartz reforms’ (discussed in more detail below) brought about the introduction of a new means-tested and flat-rate form of unemployment assistance (Unemployment Benefit II/UBII, or *Arbeitslosengeld II/Alg II*) (Dingeldey, 2011: 55) which merged the former middle tier of unemployment assistance (*Arbeitslosenhilfe*) and social assistance (*Sozialgeld*) in 2005. Today, UBII rather than UBI covers the vast majority of jobless benefit claimants in Germany, including long-term unemployed people and those ineligible for earnings-related benefits.

In contrast to the UK, Germany faced the challenge of Reunification in 1990. West German welfare institutions were ‘transferred’ to the East, and the contribution rate for unemployment insurance (paid jointly by employers and employees) rose sharply from 4.3% in 1990 to 6.8% in 1991 (Bäcker *et al.*, 2008: 125) due to the rise in unemployment benefit spending and an enormous extension of active labour market programmes. Both benefits and active labour market programmes are mainly funded through shared contributions by employers and employees to the Federal Employment Office (FEO), subsidised by tax funding from the federal budget. Both UI and active labour market programmes were run by the FEO, a self-governing agency, within which not only the state but also the social partners had rights of co-determination. Although contributions and benefits are determined by legislation, the FEO enjoyed considerable autonomy in terms of implementation of labour market programmes.

Benefits and activation measures for recipients of UI are administered by the federal employment agency and its 178 local public employment service agencies. Furthermore, municipalities were responsible for reintegrating recipients into paid work and many offered measures including labour market programmes as there was no formal entitlement to integration measures by the public employment service for SA claimants.

Structurally, the Hartz reforms brought about changes as a result of the creation of UBII which now provides the same benefits and services for two groups who were previously covered within separate programmes. Financially, this newly created basic security scheme for jobseekers consists of two parts: A support benefit for single adults plus supplements for other adults and children living in the same household is funded by the FEO.

Supplements for housing costs are covered by municipalities (Eichhorst *et al.*, 2008). To administer the different parts of UBII jointly and to integrate labour market services and activation, 356 joint bodies (or consortia) of FEO and municipalities were created, which connect public employment services (PES) and municipal social assistance offices (Konle-Seidl *et al.*, 2007: 38; Eichhorst *et al.*, 2008).

With respect to occupational mobility, the structure and design of unemployment protection systems clearly has implications. For reasons described in greater detail in the next section on unemployment benefit generosity, low benefits may encourage the occupational mobility of unemployed people. If a worker becomes unemployed and receives a means-tested benefit that is considerably lower than their usual earnings, and therefore cannot sustain their previous standard of living during the job search, the individual might be encouraged to accept the first job made available to them. Wage-related, contribution-based benefits might however allow the worker to be more selective with respect to their job search, thereby favouring occupational stability. These potential effects are summarised in Table 3.1.

TABLE 3.1: Potential effects of UP structure on occupational mobility

<i>Country</i>	<i>Potential effects</i>
United Kingdom	- High mobility among claimants of both means-tested and contributory JSA
Germany	- Low mobility among claimants of UBI (<i>Arbeitslosengeld I</i>) - High mobility among claimants of UBII (<i>Arbeitslosengeld II</i>)

For instance, the *Hartz Reforms* are said to have represented a conscious effort by the German government to create a flexible labour market for low-skilled workers in order to cope with rising unemployment among this group (Carlin and Soskice, 2008: 94). In contrast, it has been argued that the *Hartz IV* reforms did not affect insiders much (Palier and Thelen, 2010: 136). Of course, beyond affecting the chances of experiencing occupational mobility among unemployed people, the structure of unemployment protection systems also has other implications. For example, a highly differentiated system can encourage segmentation of the labour market if outcomes are different depending on the benefit received.

This was demonstrated in the previous chapter, which showed that people with specific skills are more likely to be covered by contribution-based benefits than means-tested ones in Germany (Figure 2.8 in Chapter II). Other groups are also affected, as Figures 3.4-3.9 demonstrate below. While gender and age differences between the two types of benefit are marginal (Figures 3.4-3.7), people with higher incomes are more likely to be covered by the contribution-based element (Figures 3.8 and 3.9). This reinforces the argument that contribution-based benefits will be associated with *lower* rates of occupational mobility, since they also tend to cover people who previously had higher incomes (e.g. in the 4th quintile) and who can therefore be more selective during their job search.

FIGURE 3.4: Distribution of men across UBI and UBII in Germany, 1993-2009

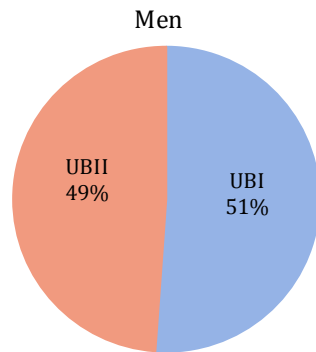
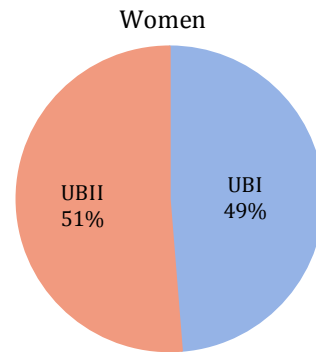


FIGURE 3.5: Distribution of women across UBI and UBII in Germany, 1993-2009



Source: GSOEP, 1993-2009

FIGURE 3.6: Distribution of age-groups in UBI in Germany, 1993-2009

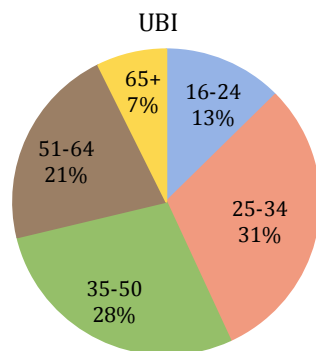
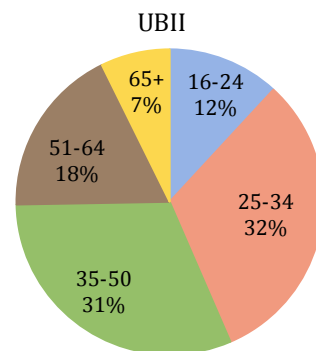
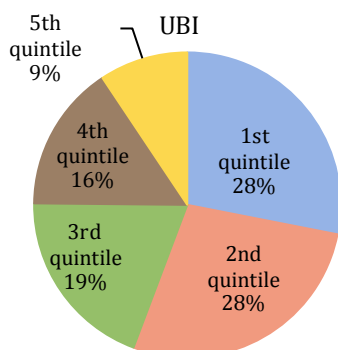
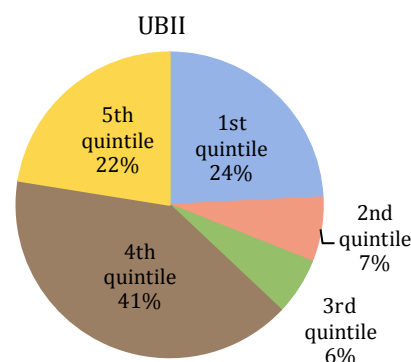


FIGURE 3.7: Distribution of age-groups in UBII in Germany, 1993-2009



Source: GSOEP, 1993-2009

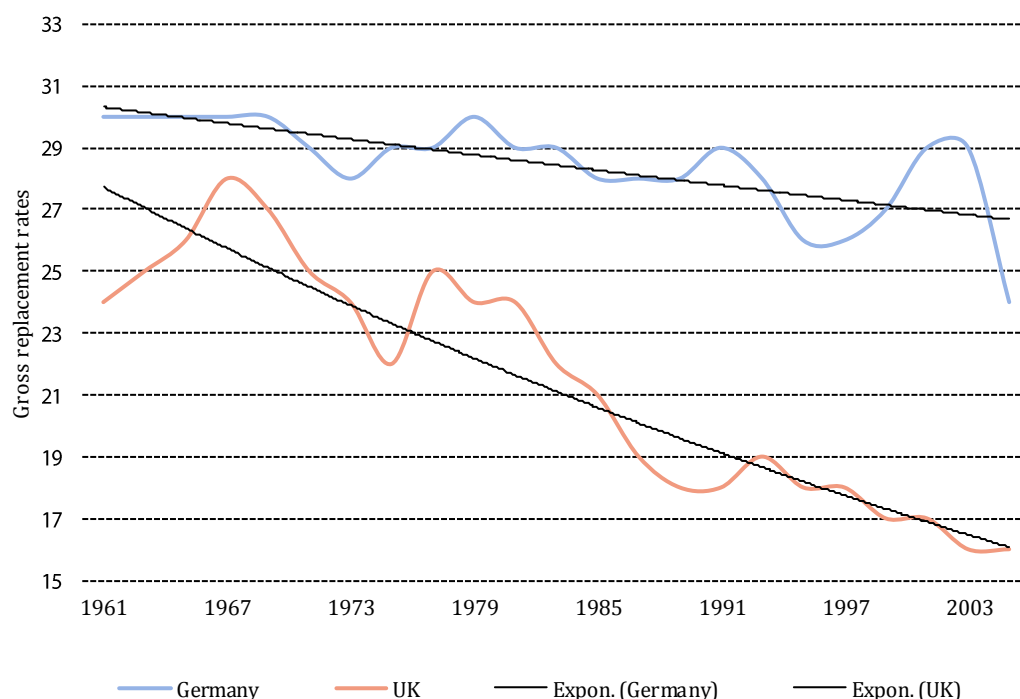
FIGURE 3.8: Distribution of income quintiles in UBI in Germany, 1993-2009**FIGURE 3.9: Distribution of income quintiles in UBII in Germany, 1993-2009**

Source: GSOEP, 1993-2009

Unemployment benefits

Unemployment benefits conventionally represent the very core of unemployment protection systems. They are primarily measured in terms of benefit generosity, which in turn is nearly always represented in terms of the ‘replacement rate’, the percentage of pre-unemployment income that a person is likely to receive in the form of benefits during unemployment.

Traditionally, replacement rates were calculated using the OECD’s gross replacement rate (GRR) in some form or another. The GRR averages replacement rates for two earnings levels, three family situations and three durations of unemployment. A glance at the development of GRRs in the UK and Germany demonstrates that according to this measure, the generosity of unemployment benefits has always been higher in Germany than it has been in the UK (Figure 3.10). However, the rates in both countries have been declining. According to this measure, a recent sharp fall in the generosity of unemployment benefits in Germany has brought the two countries much closer together since 2005.

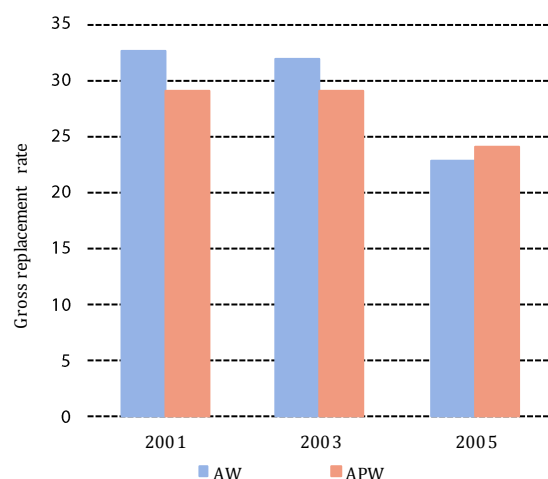
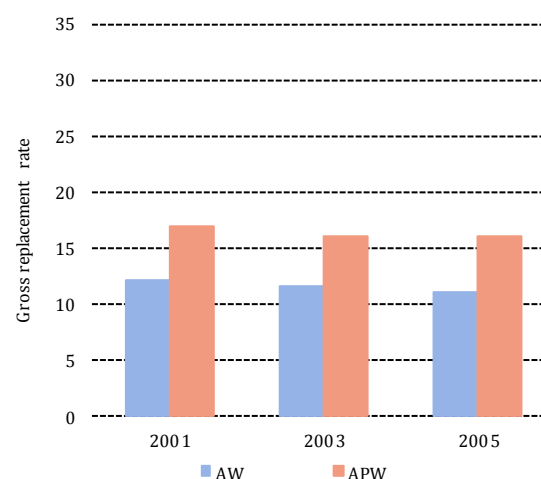
FIGURE 3.10: Unemployment benefit generosity in the UK and Germany based on GRRs, 1961-2005

Source: OECD tax-benefit models

Notes: GRRs are calculated as the average of the gross unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment. They are based on the average production worker (APW). GRRs are only available until 2005.

The decline in the generosity of unemployment benefits in Germany becomes even more pronounced if we look at GRRs based on the ‘average worker’, rather than the ‘average production worker’⁴¹, as illustrated in Figures 3.11 and 3.12 below. The generosity of benefits in the UK increases by around 5%, while the generosity of the German benefits decreases over the first two time periods.

⁴¹ The latter offers a narrower definition as it is based on the average production worker, solely from the manufacturing sector. The former represents the private sector as a whole (OECD, 2014).

FIGURE 3.11: AW- versus APW-based GRRs in Germany, 2001-2005**FIGURE 3.12: AW- versus APW-based GRRs in the UK, 2001-2005**

Source: OECD tax-benefit modules

The Figures clearly show the rapid decline in the generosity of unemployment benefits in the late 1970s and early 1980s in the UK. This fall was primarily driven by the Conservative governments under Margaret Thatcher. After real wages declined under the economic turmoil in the 1970s and 1980s, especially at the lower end of the earnings spectrum, the Thatcher-led government found it necessary to widen the gap between benefits and earnings to tackle ‘disincentives’. As a result, cutbacks were implemented in the form of the temporary suspension of benefit indexation and the introduction of benefit taxation (Clasen, 2011: 17). The introduction of the JSA in 1996 by John Major brought a further decline to the generosity of unemployment benefits in the UK. Although the Labour Party originally opposed the Jobseeker’s Bill, primarily because of the proposed cuts to the unemployment insurance scheme, the party adopted JSA and developed it further.

The JSA has since been described by the Labour Party as the ‘bedrock’ of the UK’s labour market policy and is still in place today. By the late 1990s the British labour market had already been significantly deregulated, with benefit levels for unemployed people having undergone steady and considerable decline. Moreover, since JSA rates are linked to inflation rather than earnings, the generosity of unemployment protection has been declining further. Relative to average full-time adult earnings, the value of unemployment

benefit has dropped from around 20% in the late 1970s to 14% by 1990. In 2010, it was equivalent to just 11% of average earnings (Clasen and Clegg, 2011: 20).

The introduction of JSA was accompanied by a further series of cuts in entitlement to contribution-based benefit for unemployed people. Importantly, the duration of entitlement of unemployment benefit was reduced from one year to six months, and their monetary value aligned with means-tested benefits for the jobless ('income-related' JSA).

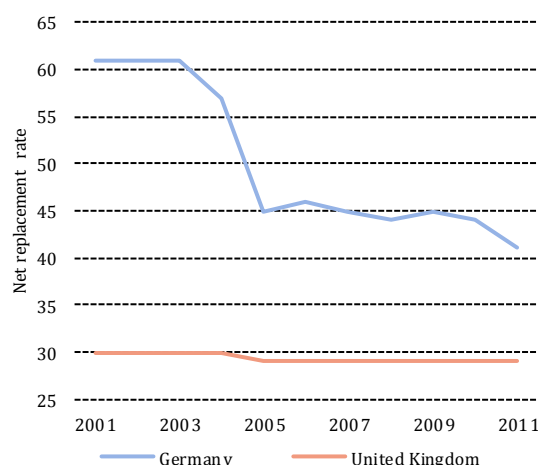
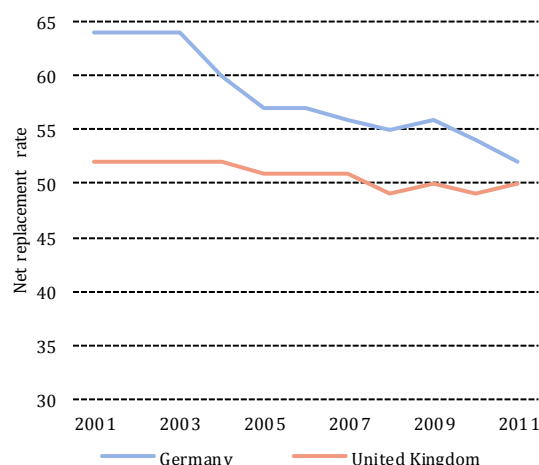
Furthermore, unemployment insurance payable to young people under the age of 25 was reduced. After payments for child dependants had already been abolished in 1984, the JSA further abolished additional contribution-based payments for adult dependents of claimants. The government itself conceded that around 250,000 people would be worse off under JSA than if unemployment benefit had continued unchanged (Hills, 2001: 18).

In contrast to the UK in the 1970s and 1980s, Germany saw a rather modest retrenchment in labour market policy (Schmidt, 2005). In fact, reforms saw both an expansion (e.g. for older workers) and retrenchment (e.g. for job starters or those with shorter contribution records) of social protection for different groups (Dingeldey, 2011: 56). For instance, replacement rates in unemployment insurance were reduced to 63% in 1983 for claimants without children (Steffen, 2009), and entitlement limited to those who had been employed for a minimum of 12 months (within the previous three years). However, for older workers with longer contribution records, the entitlement to insurance benefits was prolonged from 12 to a maximum of 32 months in 1987 (Clasen, 2005: 195-197). In the early 1990s, unemployment insurance (UI) granted an earnings-related benefit replacing 60% of former net earnings (or 67% for individuals with at least one child). Although benefit duration was generally limited to 12 months, since 1987 unemployed people older than 42 were entitled to UI for a maximum of 18 months. For people older than 53, the entitlement was as long as 32 months (Clasen, 2005: 195; Steffen, 2009).

However, a long period of high and persistent unemployment (as described in the introductory section) prompted a series of labour market reforms that culminated with the extensive *Hartz* reforms from 2003 onwards (part of a broader package of reforms known as *Agenda 2010*). These were named after the chairman of the commission *Modern Services on the Labour Market*, which had been installed in 2002, presenting a report six months later consisting of 13 modules for reform. The commission's proposals were translated to parliament in four acts, known as Hartz I, II, III and IV. The reform of the unemployment protection system was specifically triggered by Hartz IV, becoming a major topic for the public at large.

Hartz IV lowered unemployment and social assistance benefits by reducing the length of eligibility for primary unemployment insurance (*Arbeitslosengeld*) for those under 55 years of age to 12 months (Seeleib-Kaiser and Fleckenstein, 2007). Previous claimants of unemployment assistance or social assistance who were 'capable to work' were now covered by a single benefit. Becker and Hauser (2006) calculate that about 60% of previous unemployment assistance claimants consequently faced income reductions due to the reform. However, UBII did improve benefit provision for previous social assistance claimants (Clasen and Clegg, 2011: 63) by giving them access to labour market programmes (as discussed in more detail below).

The decline in the generosity of unemployment benefits since the Hartz reforms is best illustrated by looking at *net replacement rates* (NRRs), available from 2001 (Figures 3.13 and 3.14). The OECD replaced GRRs with this conceptually superior measure, defined as net compensation for a share of net average wage income across wage earners, calculated both with and without social assistance.

FIGURE 3.13: NRRs (excl. SA) in the UK and Germany, 2001-11**FIGURE 3.14: NRRs (incl. SA) in the UK and Germany, 2001-11**

Source: OECD tax-benefit modules

Notes: Calculated as the average of the net unemployment benefit replacement rates for two earnings levels, three family situations and three durations of unemployment

The development of NRRs shows that the two countries are still distinct in terms of the generosity of their unemployment benefits, but they also show how much the gap has narrowed since the introduction of the Hartz reforms. While considerable differences remain with respect to unemployment benefits themselves (Figure 2.5), incorporating social assistance brings the two countries much closer together (Figure 2.6). Due to the modest rates of JSA, it has been common for unemployed people to claim a variety of additional benefits. The receipt of income-based JSA automatically qualifies someone for a number of other means-tested transfer payments, such as free school meals for children, free prescriptions and exemptions from other health costs, as well as council tax benefit. Most importantly, housing benefit plays a major role in the support of unemployed people, with three million JSA claimants receiving an average of £86 per week in 2009 (DWP, 2010; Clasen and Clegg, 2011: 22). This is considerably higher than the rate of JSA (for a single person) of £65 a week (DWP, 2010).

Whilst NRRs are more accurate than their predecessor, the difference between Figures 3.6 and 3.7 highlights an important issue with them. As the measure is highly aggregated, it

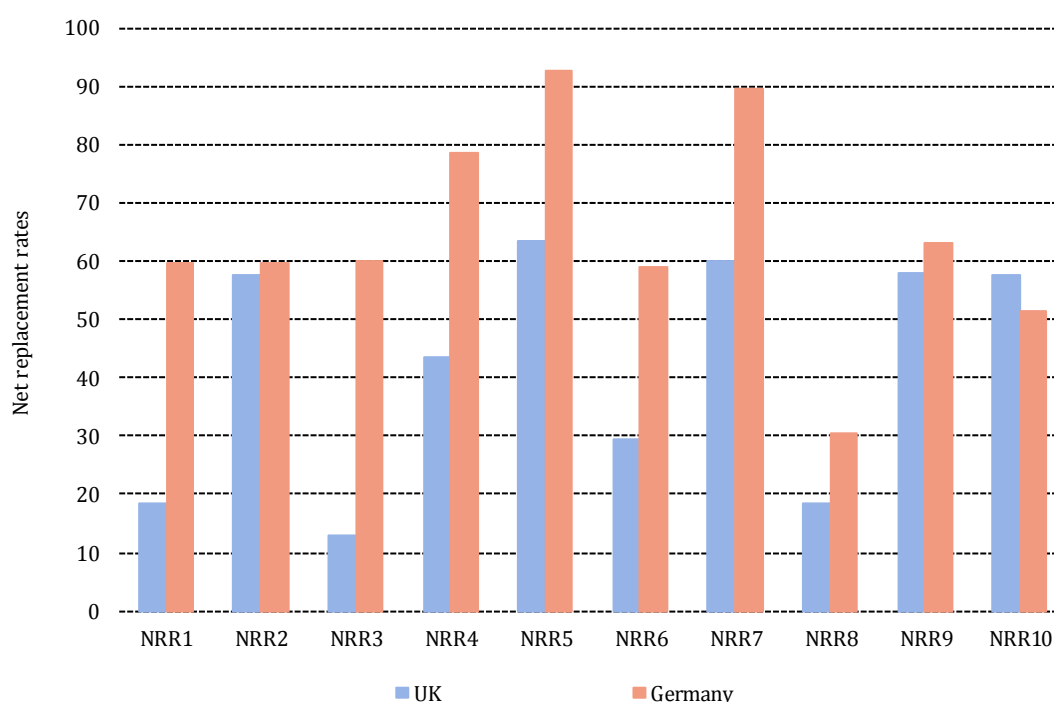
obscures the strong variation that exists across earnings levels, family situations and the stage of unemployment. Table 3.2 and Figure 3.15 display some of this variation. In particular, it is worth noting that there is hardly any difference between the two countries when it comes to the replacement rate for people in long-term unemployment (NRRs 8-10). In the case of long-term unemployed people who receive social assistance, 67% of median income, have no children and are single (NRR10), the UK is even considered more ‘generous’ than its German counterpart.

TABLE 3.2: Average NRRs under different circumstances, 2004-2008⁴²

<i>Type of NRR</i>	<i>UK</i>	<i>Germany</i>
NRR 1: Initial phase, No SA, 67% income, No children, Single	18.6	59.8
NRR 2: Initial phase, SA, 67% income, No children, Single	57.6	59.8
NRR 3: Initial phase, No SA, 100% income, No children, Single	13	60.2
NRR 4: Initial phase, No SA, 67% income, 2 children, Lone parent	43.6	78.8
NRR 5: Initial phase, No SA, 67% income, No children, Two-earner married couple	63.6	92.6
NRR 6: Initial phase, No SA, 67% income, No children, One-earner married couple	29.4	59.2
NRR 7: Initial phase, No SA, 67% income, 2 children, Two-earner married couple	60.2	89.6
NRR 8: Long-term, No SA, 67% income, No children, Single	18.6	30.4
NRR 9: Long-term, No SA, 67% income, 2 children, Two-earner married couple	58	63
NRR 10: Long-term, SA, 67% income, No children, Single	57.6	51.4

Source: OECD tax-benefit modules

⁴² These years were chosen because they represent the years in the analysis of Chapter V.

FIGURE 3.15: Average NRRs under different circumstances, 2004-2008

Source: OECD tax-benefit modules

When it comes to the potential effect of unemployment benefit generosity on the chances of occupational mobility between pre- and post-unemployment, the theoretical framework adopted in this thesis offers a very clear prediction. It suggests that the presence of generous unemployment protection will *decrease* the chances of occupational mobility between pre- and post-unemployment. In the absence of unemployment protection, an unemployed person is presented with the prospect of severe income losses, thereby creating a strong incentive to accept any available job offer irrespective of its type and quality. In the presence of unemployment protection, the unemployed person will be more selective with regard to available job offers (Katz and Meyer, 1990). This enables the unemployed person to spend more time searching for jobs that better match his or her personal skills, thereby improving the fit between pre- and post-unemployment occupational group. This said, there have also been arguments that generous benefits can increase mobility, especially when combined with active labour market policies (discussed in more detail below) (van Ours and Vodopivec, 2008).

TABLE 3.3: Potential effects of UB generosity on occupational mobility

<i>Country</i>	<i>Potential effects</i>
United Kingdom	- Higher chances of mobility among unemployed people due to the low generosity of unemployment benefits
Germany	- Lower chances of mobility among unemployed people due to comparatively more generous unemployment benefits. However, there are likely to be differences between e.g. unemployed people who receive UBI and UBII due to differences in generosity

Although the gap between the two countries has narrowed in terms of the generosity of their unemployment benefits, especially under certain circumstances (e.g. long-term unemployment), objectively Germany can be considered more generous than the UK in terms of its cash transfers. This would also suggest that unemployed people in receipt of benefits in the UK will face higher chances of experiencing occupational mobility than their German counterparts (Table 3.3).

Conditionality

While measuring unemployment benefit generosity remains the dominant method for comparing unemployment protection systems, many authors have favoured a conditionality-based approach (i.e. conditions of benefit and conditions of ‘conduct’, including ALMPs).

At the most basic level, the conditionality of unemployment protection affects the very definition of being ‘unemployed’, or the defined ‘category of support’ that is the primary condition for the receipt of unemployment protection (Clasen and Clegg, 2007). For instance, the 1980s brought a change to who was considered deserving of unemployment benefits in the UK, with some groups being excluded from the status of unemployment, and thereby considered outside the reach of the usual rights and obligations applicable to jobseekers (Clasen, 2011: 18). Unemployed people over the age of 60 were granted a higher level (the long-term supplementary benefit rate) in return for ceasing to register as job-

seeking, thereby transferring this group from unemployment into (quasi) early retirement (Clasen, 2011: 18). In the mid-1980s, almost all under-18 year-olds were barred from eligibility to unemployment benefit and by the late 1980s this applied to all students.

In contrast to this, it has been argued that one of the characteristics of British policy under the previous Labour government, and continued under the current Coalition government, has been to shift the policy focus from unemployment in a narrow sense to a broader notion of 'worklessness' (Clasen, 2005). In other words, policies since the 1990s have widened the target group for employment-related programmes and thus started to blur the distinction between unemployment and other causes for working-age benefit receipt (Clasen, 2011: 23).

For instance, lone parents have gradually been moved from Income Support (which has no work conditionality attached) to JSA if their youngest child is 12 or older (2008), and seven or older (October 2010) (Finn and Gloster, 2010). Until 2008, lone parents were entitled to benefit support without work conditionality attached as long as their youngest child was no older than 16. Since 2001, unemployed couples without children have also been required to make joint claims to JSA. Previously, claimants' partners and lone parents had remained outside the regulation of unemployment.

At this point, it is also worth mentioning that different groups can receive different benefits within the same system. For example, in the UK under-25-year-olds receive lower benefit rates. Reduced rates for this age group had already applied to people in receipt of social assistance prior to 1996, but were subsequently extended to all young people irrespective of benefit type with the introduction of the JSA (Clasen, 2011: 22). This reform is discussed in further detail below.

A second way in which conditionality is referred to is as 'conditions of category', related to eligibility and entitlement criteria, or 'conditions of circumstance' (Clasen and Clegg, 2007). Whilst associated with categories of support mentioned above, conditions of category refer

to the rules regarding the extent to which and how a claimant's work history determines access to benefit rights. For instance, the number, or value, of contributions and/or full days of labour that are required in a given time period to open access to benefits, as well as the extent to which these contributions must be real (from paid work) or credited (from activities such as child rearing, education or home work, etc.) (Clasen and Clegg, 2007: 173).

The way in which these rules and benefits are structured, and whether or not they are loosely or tightly conditional on paid employment, is the prime factor distinguishing 'Beveridgean' and 'Bismarckian' systems of social insurance (cf. Clasen and van Oorschot, 2002). Conditions of category are therefore of primary importance when comparing the unemployment protection systems of the UK and Germany, as explained in the above section addressing the structure and administration of the two unemployment protection systems. Although a contribution-based benefit still exists in the UK, unlike the German component the level at which it is paid out is not wage-related. Qualifying conditions for the contributory component of JSA have not changed during the past 20 or so years, and although they are more complex, they basically require two years' worth of employment history or benefit credits⁴³. Eligibility for UBI in Germany requires at least 12 months of contributions within the last three years, although this can be reduced to 6 for predominantly briefly employed individuals (Venn, 2012: 34).

Thirdly, conditionality can be captured by looking at 'conditions of conduct', defined as the eligibility criteria for ongoing benefit receipt (Clasen and Clegg, 2007). This is arguably the most important way in which the UK and German unemployment protection systems have changed, since both have undergone moves towards 'activation' that are associated with 'conditions of conduct'.

⁴³ 25 weekly contributions to the National Insurance Fund (NIF) paid and 100 credited within the previous two years (Clasen, 2011: f3).

Changes in these conditions can involve ‘loosening’ or ‘tightening’ the behavioural requirements and constraints imposed upon benefit recipient. For instance, benefit recipients are often obliged to provide evidence of job search activities, participate in training programmes or agree to specialised counselling (Clasen and Clegg, 2007). These programmes, whether voluntary or enforced, are referred to as active labour market policies (ALMPs). First introduced in Sweden, where public works programmes existed as a labour market policy instrument before the Second World War, these were then complemented by retraining policies and soon emulated elsewhere. ALMPs are traditionally aimed at helping the labour market reallocation of workers made redundant by less competitive industries (Clasen and Clegg, 2011: 3).

In both countries, benefit entitlement has become increasingly conditioned on participating in work-related activities over the past two decades (Clasen, 2011: 23). In other words, they have become aimed at the ‘activation’ of unemployed people. Activation policies in the UK began in the early 1990s and were strongly expanded with the introduction, and reforming, of New Deal programmes after 1998. In 1996 compulsory ‘restart’ (job search) interviews were introduced for claimants after six months of unemployment (e.g. Finn *et al.*, 2005: 5). Even earlier than this, unemployment benefit recipients became required to be ‘actively’ seeking work on a weekly basis and lost the right to refuse job offers based on low pay after 13 weeks of unemployment in 1989 (Clasen, 2011: 22).

Claimants of either type of JSA are required to sign agreements with the employment office that permit JSA officials to issue a ‘Jobseeker’s Direction’ that requires individuals to take certain steps to ‘improve their employability’. This definition (of ‘actively seeking work’) was tightened under the JSA regime and more frequent interviews introduced (Clasen, 2009a: 76). At different stages of unemployment, different labour market schemes become compulsory and different types of voluntary help become available. This became formalised with the introduction of a range of ‘New Deal’ programmes under the Labour government

after 1997. Since then, after a certain period of unemployment, claimants are transferred to a number of alternatives to benefit receipt, such as training, education or temporary employment (Clasen, 2011: 22).

Having undergone several revisions, the 'Flexible New Deal' was introduced in 2009, which abolished differential treatments for the under- and over-25-year-olds in exchange for a more 'personalised' support. The responsibility for jobseekers is now transferred from 'Jobcentre Plus' to public, voluntary, or private providers which are paid by results.

Claimants enter contracts with their providers (personal action plans), which may include participation in mandatory work-related activities. Since 2010, long-term JSA claimants (over 24 months) have been required to enter a 'work for your benefit' phase of up to 6 months of full-time employment aimed at improving skills and 'work habits' in return for their benefit (Clasen, 2011: 22-23).

With the universal credit, conditionality will be applied not only to claimants who are out of work, but also to those in (subsidised) jobs until they work full-time and are off benefits altogether. Jochen Clasen (2010) has called this process one of 'homogenization'.

In Germany, the Reunification in 1990 brought an enormous expansion of active labour market programmes, part of what has been termed 'Keynesianism against intention' (Bultemeier and Neubert, 1998: 299) aimed at reducing unemployment, which in the east was calculated to potentially rise by 35 % to an actual rate of 12% in 1991 (Schmid and Wiebe, 1999). UI recipients in Germany had access to a wide range of active labour market programmes. In principle, recipients of UA had access to similar active labour market schemes as UB recipients. However, in practice, claimants of UA often remained outside core labour market programmes such as training leading to qualifications, or participated at a scale which was lower than their proportion of all registered unemployed people (Clasen and Goerne, 2012).

Like the UK, job-search requirements and activation more generally have become more pervasive for both insurance and assistance benefit claimants over the past decade. A fairly rudimentary labour market activation system was implemented called the 'help-to-work' scheme (Eichhorst *et al.*, 2008: 20), which contained elements of workfare, as the refusal to accept work offers or to participate in employment schemes could be sanctioned. Moreover, employment opportunities offered by municipalities did not constitute proper employment relationships (that would have renewed access to UI benefits) and provided only a supplement to the benefit (Voges *et al.*, 2000). The so-called 'occupational protection' was removed in 1997, when after the receipt of unemployment benefit for six months any job offer became declared suitable as long as the salary was at least as high as the benefit (Gottschall and Dingeldey, 2000). Furthermore, regulations concerning the suspension of benefit receipt became stricter (Schmid and Oschmiansky, 2005: 266).

Hartz IV eventually made activation an essential element in the German social security system (Seeleib-Kaiser and Fleckenstein, 2007). Furthermore, under the reforms the profile of active labour market policies changed. In principle, UI recipients continued to have access to a variety of ALMPs, including counselling, job placement, training measures and wage subsidies. However, spending on active measures, particularly on further vocational training, has been scaled down significantly since the early 2000s.

Activation requirements have become tighter too, with claimants being required to utilise all possibilities available for their occupational integration. There has been a shift from an emphasis on training schemes to a 'job first' approach and shorter promotion measures (Oschmiansky and Ebach, 2009; Clasen and Clegg, 2011: 62). This includes the participation in placement services and the performance of duties as formulated in a so-called 'integration agreement' (a kind of contract signed between the responsible case manager within the public employment service and the client). UBI recipients were required to search and accept work that can be 'reasonably expected', meaning that employment is

subject to compulsory insurance contributions, comprises a weekly working time of no less than 15 hours and generates earnings at least equivalent to the level of unemployment compensation (Eichhorst *et al.*, 2008). However, recipients are not required to ‘work for benefit’ and in principle continue to have access to various active employment promotion measures.

UB II did improve benefit provision for previous social assistance claimants (Clasen and Clegg, 2011: 63) and gave them access to employment promotion measures previously unavailable to them. However, the number of UBII claimants involved in such programmes is below a level which had been envisaged by the government. Evaluation studies show that UBII recipients are always underrepresented in employment promotion measures such as vocational training (Dingeldey, 2011: 63). While this can partly be explained by differences in occupational backgrounds amongst the two claimant groups, since the beginning of 2009, UBII recipients have been formally excluded from traditional job-creation schemes within the UBI system. It should be noted though that even for UBI claimants these types of schemes have been significantly scaled down and play now a rather marginal role in the German labour market policy as a whole.

Similar to the previous social assistance, UBII recipients are required to accept job offers as long as earnings were as high as the benefits received. Furthermore, UBII recipients can be required to accept so-called ‘one-euro jobs’, an activation measure that does not create a formal employment relationship (liable to social security contributions and paying a proper wage), but merely a top-up to UBII (Clasen and Clegg, 2011: 63).

This brief policy synopsis demonstrates that measuring the effects of conditionality on the chances of experiencing occupational mobility is a complex task. In order to illustrate the differences between the UK and Germany and consider the implications on occupational mobility, I refer to Bonoli’s (2010) distinction between types of active labour market policy. Bonoli (2010: 439) cites literature that distinguishes between two types of ALMPs (or

activation): those that are about improving human capital and those that use essentially negative incentives to move people from social assistance into employment (e.g. Torfing, 1999; Taylor-Gooby, 2004; Barbier, 2004). Similarly, Rueda (2012) has distinguished between ALMP reforms that affect ‘conditionality’ (the demanding side, which makes eligibility more difficult) and those that have an impact on ‘activation’ (the enabling side).

Although both countries have oriented their unemployment protection systems towards ‘conditionality’ in the negative sense, it is commonly held that English-speaking countries such as the UK have pioneered this approach by combining placement services with stronger work incentives, time limits on reciprocity, benefit reductions and the use of sanctions: the so-called ‘workfare’ approach. Nordic countries, on the other hand, are better known for financing extensive vocational training programmes (Bonoli, 2010: 439).

Bonoli (2010) develops this dichotomy further by creating a 4-way classification to describe different orientations in ALMP, including: (i) incentive reinforcement, (ii) employment assistance, (iii) occupation, and; (iv) human capital investment. The first refers to measures that aim to strengthen work incentives for benefit recipients, both in terms of benefit rates and duration. For instance, benefits can be made conditional on participation in work schemes or incentives strengthened through the use of sanctions. This element is said to be particularly strong in English-speaking countries (Bonoli, 2010: 440).

Employment assistance consists of measures aimed at removing obstacles to labour market participation, including placement services or job-search programmes that increase the likelihood of a jobless person establishing contact with a potential employer. For instance, employment assistance can take the form of counselling and job subsidies. For parents, an obstacle to employment may be the lack of child care, which is therefore also considered part of employment assistance (although it is not captured in the measures below). This

type of intervention can also lead to modest increases in human capital, mainly in soft skills and by putting their human capital to good use (Bonoli, 2010: 440-441).

The third classification, 'occupation', is used to describe programmes which have the objective to keep jobless people busy (and not necessarily promote labour market re-entry) to thereby prevent the depletion of human capital associated with an unemployment spell. Many of these experience programmes are in the public or non-profit sector and in some cases, they also involve training (although they do not fundamentally change the type of job a person can do). These were especially popular in Continental Europe in the 1980s and early 1990s (Bonoli, 2010: 441).

Finally, ALMPs that are aimed at 'human capital investment' primarily involve the provision of vocational training to jobless people, especially those whose skills have become obsolete. Bonoli (2010) measures cross-national variation in ALMPs in these four dimensions by using expenditure data on sub-programmes from the OECD. Available categories include public employment services and administration, employment subsidies, job rotation schemes, start-up incentives, training and direct job creation, which can be used to measure three of the four types of ALMPs listed above:

- ALMP I: Employment assistance – 'public employment services and administration', 'employment subsidies', 'job rotation schemes' and 'start-up incentives'
- ALMP II: Occupation – 'direct job creation'
- ALMP III: Human capital investment – 'training'

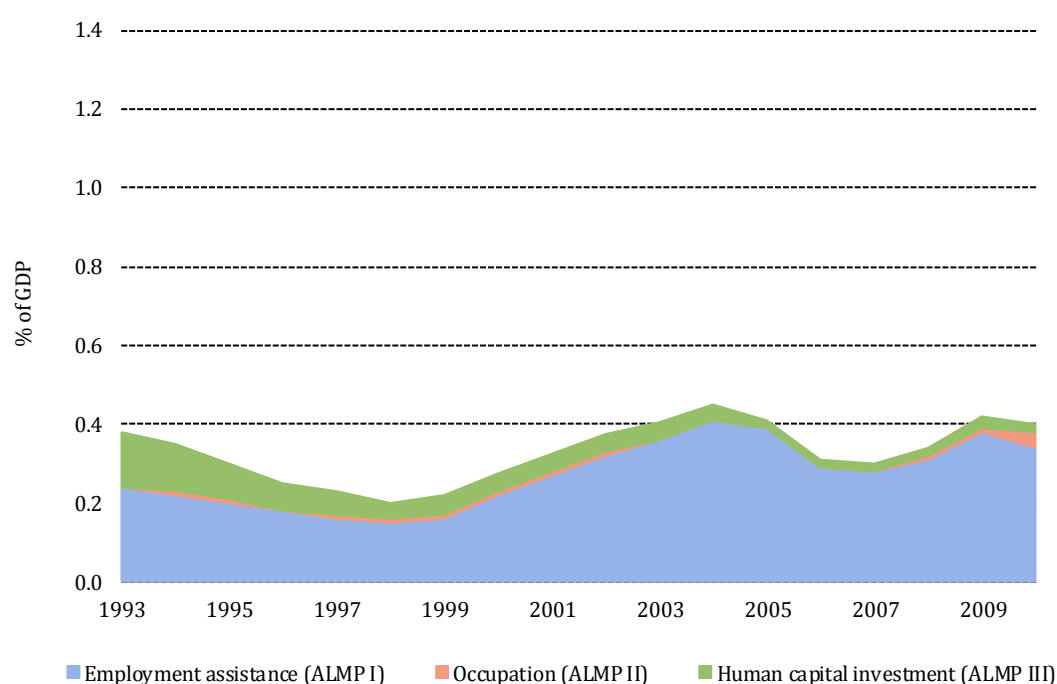
Spending on these different types of ALMPs in the UK and Germany is displayed in Figures 3.16 and 3.17 for the period 1993 to 2010/12⁴⁴. Overall spending on ALMPs is much lower

⁴⁴ Data in the UK is only available until 2010. Additionally, data was imputed for the UK for four years (2000-2003) when no data was available.

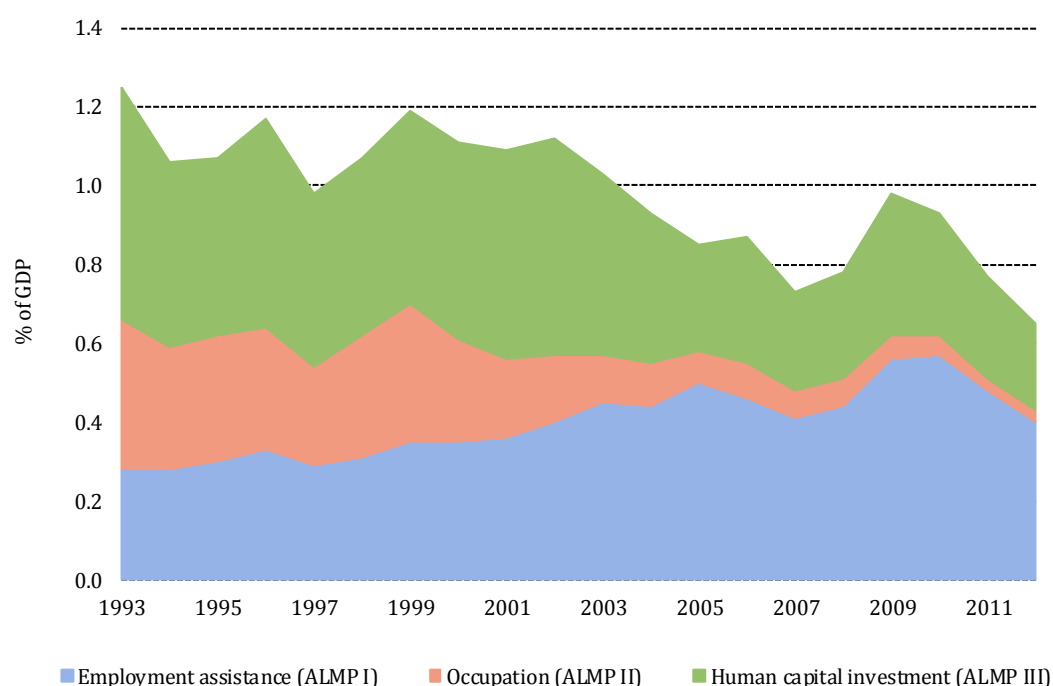
in the UK than it is in Germany. The majority of ALMP spending in the UK is in programmes aimed at employment assistance, which was first expanded under the Conservative governments in the 1980s to reinforce incentives along with a series of cuts to the generosity of unemployment benefits. The Labour government elected in 1996 then took a more significant step in the direction of activation under Third Way, introducing a series of programmes under the New Deals that were targeted to various groups of non-employed people, as described above. These measures consisted of employment assistance, often coupled with incentive reinforcement (e.g. through the use of tax credits).

Training, on the other hand, was traditionally left to employers in the UK. Training schemes and public employment programmes were expanded in response to the rising unemployment in the early 1980s, when spending on the domains reached EU average (Clasen, 2005: 61). In the early 1990s, however, the Conservative government again scaled down spending on ALMPs generally and on training expenditure in particular.

FIGURE 3.16: Spending on different types of ALMP in the United Kingdom, 1993-2010



Source: OECD (2014) *Employment policies and data*

FIGURE 3.17: Spending on different types of ALMP in Germany, 1993-2012

Source: OECD (2014) *Employment policies and data*

Germany, on the other hand, spends a much larger share of its ALMP budget on training and to a certain extent, on direct job creation, although these two elements have been declining, particularly the latter. Nonetheless, employment assistance takes up the largest share of spending. Training measures were largely expanded after the 1969 Employment Promotion Act (*Arbeitsförderungsgesetz*), which emphasised a new, preventative role for labour market policy (Bonoli, 2010: 445).

TABLE 3.4: Potential effects of ALMP spending on occupational mobility

<i>Country</i>	<i>Potential effects</i>
United Kingdom	- High chances of occupational mobility due to high spending on employment assistance, which is combined with incentive reinforcement, but lower than in Germany due to lack of training programmes
Germany	- Higher chances of occupational mobility due to high spending on employment assistance, which is often coupled with incentive reinforcement. Furthermore, high mobility likely due to spending on training.

With ALMPs generally aimed at increasing the employability of jobless workers, differences in the way that countries use ALMPs have big implications for the chances of occupational mobility between pre- and post-unemployment. In general, it can be expected that high spending on ALMPs *increases* the odds of experiencing occupational mobility. In fact, several empirical studies show that extensive use of ALMPs is associated with lower unemployment rates and shorter periods of unemployment (e.g. Nickell *et al.*, 2005), due to encouraging higher exit rates from unemployment. ALMPs can enhance skills, improve job matches and encourage greater risk-taking behaviour by unemployed job seekers (Agell, 1999; 2002), translating into greater mobility among unemployed people (Howell and Rehm, 2009: 65).

However, there are different ways in which this mobility takes place, which depend on the ALMPs in use. For instance, when expenditure on ALMPs is concentrated on training programmes ('human capital investment') that are aimed at refreshing skills and helping unemployed people keep up with the rising skill demands of a knowledge-based economy (Armingeon, 2003), it might be expected that ALMPs encourage 'upward' or 'vertical' mobility. This means that workers change into jobs according to the human capital reinvestment made.

Mobility that is induced by programmes grouped under 'employment assistance', on the other hand, may discourage mobility. Placement services or job-search programmes can increase the likelihood of a jobless person establishing contact with a potential employer and thereby tackle information deficits on the labour market (Card *et al.*, 2010). For instance, when counselling services are used to match unemployed people with job openings, improved pairing of pre- and post-unemployment occupational groups may follow. There has also been evidence of the positive effects of ALMPs on post-unemployment job stability in East Germany (Lechner *et al.*, 2007), West Germany (Lechner *et al.*, 2011), France (Crepon *et al.*, 2012) and Denmark (Munch and Skiller, 2008).

At the same time, spending on programmes aimed at ‘employment assistance’ are often coupled with incentive reinforcement (Bonoli, 2010), which is not captured by ALMP spending above. For instance, spending on employment assistance was significantly over periods when conditionality was tightened, indicating that the two were combined with each other (Bonoli, 2010). Such spending can therefore be associated with higher rates of ‘downward’ mobility by forcing unemployed people into jobs that do not necessarily match their pre-unemployment occupation. As described above, this ‘activation’ strategy has become more prominent in both countries.

ALMP spending on ‘occupation’ has declined in Germany and is nearly non-existent in the United Kingdom. By keeping jobless people busy whilst not necessarily promoting labour market re-entry, these programmes are also not likely to affect occupational mobility.

Other institutional effects

Although unemployment benefits can be said to represent the policy area that most affects the occupational mobility of unemployed people, there are a variety of other institutional effects that are of relevance as well. It is impossible to take all of these into account, as in practice all public policy areas have an effect on the decisions that people make with regard to their reemployment. For instance, an important policy area that has to be left out of this chapter is family policy, which would affect the chances of occupational mobility for parents who take leave to look after their children. In Germany, the introduction of parental leave arrangement in 1986 was not only intended to improve the reconciliation between work and family life but to decrease female labour supply (Schmid and Wiebe, 1999). This regulation led to an institutionalisation of a career break for German mothers that often lasted much longer than three years (Bird, 2001).

Whilst acknowledging this shortcoming, I concentrate on the potential effects of other labour market policy institutions on the occupational mobility. These include employment

protection legislation (EPL), early retirement policies, incapacity programmes and ‘make work pay’ policies. Their potential effects on EPL are summarised in Table 3.5 below.

TABLE 3.5: Potential effects of other labour market policy institutions on occupational mobility

<i>Country</i>	<i>Potential effects</i>
United Kingdom	- Comparatively less strict EPL reduces overall rates of occupational mobility due to lower number of workers in temporary contracts. - Early-retirement schemes and incapacity programmes have become more limited and/or work-oriented, thereby potentially increasing chances of occupational mobility over time - The comparatively widespread use of ‘make work pay’ policies may increase mobility by incentivising reoccupation in new jobs
Germany	- Stricter EPL may increase chances of occupational mobility due to the higher number of unemployed people in temporary contracts. - Early-retirement schemes and incapacity programmes have become more limited and/or work-oriented, thereby potentially increasing chances of occupational mobility over time - Although ‘make work pay’ policies have been introduced in Germany, their use is not as widespread as in the UK. The effects of such policies on the mobility of unemployed people might therefore be considered less strong.

Employment protection legislation

Relative to the UK, Germany has strict employment protection legislation in place for workers with permanent contracts, as well as sector-wide collective agreements. On the other hand, restrictions on the use of temporary workers have been lifted gradually over the last two decades, with temporary employment close to the European average of around 14% (Leschke and Watt, 2010: 34-35). Legislative changes facilitated more options for concluding fixed-term contracts, part-time employment, and working-time flexibility. This made it more difficult for people to fulfill the eligibility requirements of the unemployment insurance system, and thereby may have also contributed to a decline in the relevance of insurance-based benefits.

TABLE 3.6: EPL indices in the UK, 1998-2013

	Individual and collective dismissals (regular contracts)	Individual dismissals (regular contracts)	Collective dismissals	Temporary employment
1998	1.032	1.032	2.875	0.250
1999	1.198	1.198	2.875	0.250
2000	1.198	1.198	2.875	0.250
2001	1.198	1.198	2.875	0.250
2002	1.198	1.198	2.875	0.375
2003	1.198	1.198	2.875	0.375
2004	1.198	1.198	2.875	0.375
2005	1.198	1.198	2.875	0.375
2006	1.198	1.198	2.875	0.375
2007	1.198	1.198	2.875	0.375
2008	1.198	1.198	2.875	0.375
2009	1.198	1.198	2.875	0.375
2010	1.198	1.198	2.875	0.375
2011	1.198	1.198	2.875	0.375
2012	1.032	1.032	2.875	0.375
2013	1.032	1.032	2.625	0.375

Source: OECD Employment protection summary indicators

TABLE 3.7: EPL indices in Germany, 1998-2013

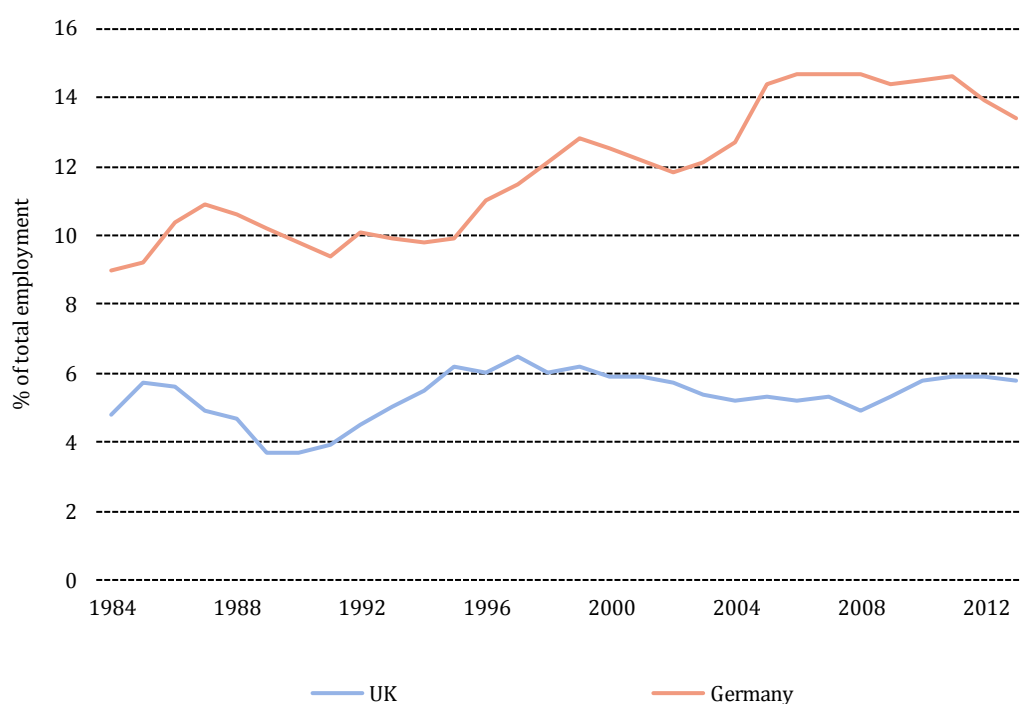
	Individual and collective dismissals (regular contracts)	Individual dismissals (regular contracts)	Collective dismissals	Temporary employment
1998	2.679	2.679	3.625	2.000
1999	2.679	2.679	3.625	2.000
2000	2.679	2.679	3.625	2.000
2001	2.679	2.679	3.625	2.000
2002	2.679	2.679	3.625	2.000
2003	2.679	2.679	3.625	1.500
2004	2.869	2.869	3.625	1.000
2005	2.869	2.869	3.625	1.000
2006	2.869	2.869	3.625	1.000
2007	2.869	2.869	3.625	1.000
2008	2.869	2.869	3.625	1.000
2009	2.869	2.869	3.625	1.000
2010	2.869	2.869	3.625	1.000
2011	2.869	2.869	3.625	1.000
2012	2.869	2.869	3.625	1.000
2013	2.869	2.869	3.625	1.125

Source: OECD Employment protection summary indicators

Even though the UK has a relatively low EPL index for both permanent and temporary contract workers, restrictions on collective dismissals are fairly close to the OECD average. Nevertheless, one possible consequence of lower employment protection legislation is that the UK has a lower share of temporary employment at around 5% of the labour force. In contrast to Germany, temporary employment is also an insignificant phenomenon among young workers (Leschke and Watt, 2010: 39-40).

The effect of these differences can clearly be seen in Figure 3.18, which displays the development of temporary employment in the UK and Germany. The higher incidence of temporary employment in Germany also suggests that institutionally, strict EPL could lead to an increase in the odds of experiencing occupational mobility among unemployed people. Not only are temporary workers more likely to be on means-tested benefits (as identified above, this is associated with higher odds of experiencing mobility), they are by nature employed in volatile occupations that may demand greater flexibility in the labour market.

FIGURE 3.18: Incidence of temporary employment in the UK and Germany, 1984-2013



Source: OECD Labour Force Statistics

In addition to this, it has been argued that EPL affects the costs of hiring and firing. This, in turn, may lead to longer unemployment spells that can affect the chances of matching pre- and post-unemployment occupations (e.g. Nickell, 1997). Whilst this may increase chances of occupational stability (because it ‘gives’ people more time and therefore enables them to be more selective with regards to their reemployment choice), it can also be argued that

higher costs of hiring reduce the number of job openings and therefore the chances of finding a job in the same pre-unemployment occupation, especially for people with very specific skills.

Early retirement policies and incapacity programmes

To reduce high unemployment, early retirement routes became very popular in Germany in the 1980s (Friedrich and Wiedemeyer, 1998: 236; Ebbinghaus, 2006). The number of entrants into old-age pensions due to unemployment reached 13.7% of men and 1.8% of women of all pension entrants in West Germany in 1990 (Bäcker *et al.*, 2008: 368). In 1986, a further measure allowed unemployed people over the age of 58 access to unemployment insurance benefit without the need to seek or be available for work, provided these claimants agreed to enter full pension receipt as soon as possible (Brussig and Knuth, 2006). Statistically, claimants under this regulation were no longer counted as unemployed (Dingeldey, 2011: 56).

It has been argued that public 'pension pathways' (Ebbinghaus, 2006) via early retirement schemes were available only to a limited extent in the United Kingdom. Even when combined with the earnings-related pension benefits (SERPS), the moderate flat-rate basic state pension provided few incentives for employees to retire early (Clasen, 2011: 18). Some workers made use of the job release scheme (JRS), introduced in 1977 and initially restricted to people just one year prior to retirement in high unemployment regions. Despite eligibility conditions being relaxed and coverage widened in the 1980s (Banks *et al.*, 2008), only around 5% of men aged 60-64 eventually took advantage of the scheme in the mid-1980s (Ebbinghaus, 2006: 148). For employees with better paid jobs, occupational pensions were an alternative as most schemes allowed members to draw a benefit once they reached the age of 55. As a whole, the limited opportunities for early retirement help explain comparatively high levels of long-term unemployment in the 1980s, particularly

among British men over the age of 55 in the 1980s (Ebbinghaus, 2006: 94-100; Clasen, 2011: 19).

At the same time, the number of claimants in receipt of long-term sickness or disability benefits rose steadily during the first half of the 1980s and continued to do so after unemployment began declining in 1986. In the late 1980s, four-fifths of all claimants of contributory invalidity benefits were men and half of all claimants were aged 60 or over (Disney and Webb, 1991; Clasen, 2011: 19). The value of disability benefit was around 50% higher than unemployment benefit and the assessment of eligibility conditions took account of not only medical but also 'socio-economic' factors such as age, skill, and experience (Lonsdale, 1993). Clasen (2011: 19) has therefore argued that for older men, disability benefit receipt became a functional equivalent to unemployment protection or early retirement during the 1980s.

The main incapacity benefit in the UK is now Employment and Support Allowance (ESA). Before this, voluntary New Deal programmes for people with disabilities and unemployed people aged 50 and over became gradually more work oriented and conditional. From 2001 onwards, 'work-focused interviews' were introduced for lone parents and incapacity benefit claimants. Since 2005, most claimants have had to agree to an action plan which might include referral to a non-mandatory employment programme (Finn and Schulte, 2008: 313). In 2008, the Employment and Support Allowance (ESA) replaced Incapacity Benefits (and Income Support paid on grounds of incapacity) for new claimants and since 2013 all claimants unable to work through incapacity have been transferred to ESA. The previous Labour government had already implemented a much more employment-focused 'capability' test as a condition for ESA receipt and introduced a wage subsidy ('return to work credit') for a maximum of 12 months for ESA claimants who entered employment. This was aimed at reducing the high number of benefit claims on the grounds of long-term sickness. Along the same lines as the JSA, ESA combined contributory and means-tested

benefits within a single programme. Furthermore, for the first 13 weeks the ESA was aligned with JSA rates, thereby reducing previous rates significantly⁴⁵. The Coalition government has now ruled that receipt of contributory ESA for those who are deemed capable of working ('work-related activity' ESA) is limited to one year, after which claimants are referred to the (lower) JSA (Clasen, 2011: 23-24). The introduction and limitation of the ESA has been considered another indicator of the increasing irrelevance of the contributory principle and the focus on work conditionality in British social policy.

In a similar fashion, access to incapacity benefits has become more limited in Germany, with UBII now covering individuals who have some care responsibilities. Labour market exit via incapacity benefit expanded during the 1980s (Dingeldey, 2011: 56). In the mid-1990s, the labour market activity rate of men older than 60 years of age had declined to 33% in West Germany and 15.7% in East Germany (Bäcker *et al.*, 2008; Dingeldey, 2011: 56). At the beginning of the 1990s, the disability pension was an important pathway out of the labour market especially for men, even though the annual number of new entrances to disability pensions was already in decline in West Germany. Hence, since the beginning of the 1990s, the stock of pensioners due to incapacity has been rather stagnant and the number of new entrants decreased slightly, indicating a trend in contrast to the expansive use of this instrument in many other European countries during the 1990s and beyond, such as the United Kingdom and the Netherlands (Carcillo and Grubb, 2006; Dingeldey, 2011: 61).

Whilst there is no general disability pension in Germany, the incapacity to either pursue one's previous occupation (*Berufsunfähigkeit*) or general incapacity to work (*Erwerbsunfähigkeit*) establish grounds for public pension support (Dingeldey, 2011: 60).

⁴⁵ After 13 weeks of the assessment rate, claimants are placed into one of two groups: the work-related activity group (£101.15 per week as of December, 2014) or the support group (£108.15 per week). Both rates are higher than the JSA rate of £57.35 per week (for under 25-year-olds) or £72.40 per week (for claimants older than 25).

However, both forms require at least five years of contributions to the public pension system and were awarded strictly on medical grounds (see Ebbinghaus, 2006: 142).

Disability benefits and early retirement programmes do not have a direct effect on occupational mobility, as recipients do not tend to re-enter the labour market. However, they can indirectly affect occupational mobility by taking people out of the labour market who would otherwise be very hard to place, especially long-term unemployed people and older jobseekers. This is likely to *decrease* rates of occupational mobility among unemployed people, because these individuals are more likely to suffer a depletion of their human capital or undergo re-training. However, as described above the importance of such programmes has been decreasing in both countries. Whilst it is difficult to compare differences between the UK and Germany, it could be argued that by making access to such benefits more limited (and work-oriented), reforms may be increasing chances of unemployed people experiencing occupational mobility over time in both countries.

'Make work pay' schemes

Another institutional effect on the occupational mobility of unemployed people that is difficult to measure, but must be acknowledged, is the presence of so-called 'make work pay' schemes and policies. These are especially important in the UK, which has a long history of in-work benefits that are aimed at increasing employment by creating additional financial rewards for remaining in, or taking up, low-paid work and to increase incomes of disadvantaged groups of workers and their families. Examples include the Working Families Tax Credit (WFTC) available to families with children, which was introduced in October 1999, replacing its predecessor (the Family Credit). It has since been replaced by the Working Tax Credit and the Child Tax Credit in 2003 and is currently in the process of being integrated into and replaced by the Universal Credit by 2017. Such tax credits are designed to boost employment rates among recipients and have been shown to have been effective among lone parents in particular (Brewer *et al.*, 2006). Unlike Germany, the UK

also has a national minimum wage which was introduced in 1999 and is currently at £6.31 an hour for workers aged 21 years and older (£5.03 per hour for workers aged 18-20).

In Germany, the so-called 'Mini-jobs' can be considered the main pillar of 'make work pay' policies. These were introduced in 2003 and are aimed at boosting employment in the low-wage sector through a rebate of social security contributions paid to employees. However, studies have shown that 'mini jobs' have done little to increase employment, with just a small positive effect on participation equivalent to 36,000 full-time jobs being identified (e.g. Steiner and Wrohlich, 2005).

In theory, make work pay policies can therefore incentivise reemployment and thereby affect occupational mobility. When combined with 'activation' programmes that are aimed at fuelling demand in the low-end services sector, it could be argued that together with ALMPs that are aimed at incentive reinforcement (see previous section), 'make work pay' policies increase the chances of occupational mobility. Based on the more widespread use of such policies in the UK, it could therefore be expected that this institutional effect is stronger in the UK compared to Germany.

Conclusions

Differences in the relationship between skill specificity or level and the occupational mobility of unemployed people prompted this chapter's investigation of national-level determinants of job mobility among unemployed people. These determinants can be cultural, economic or institutional in nature. For instance, occupational mobility can be affected by stigmatisation towards unemployed people, especially when they are considered 'benefit scroungers', thereby inflicting a greater sense of urgency to accept the first possible job that becomes available. Economic conditions are also important. When deindustrialisation affects a mining town in the north of England, unemployed people might be more likely to have to switch occupations, especially if they have to move geographically

as well. However, unemployed people can also be said to be strongly affected most by the system of unemployment protection in place. With regards to this isolated effect, the structure, generosity and conditionality of unemployment benefits all play a role in determining the chances of occupational mobility among unemployed people.

With respect to these three factors, I have hypothesised that the UK is susceptible to higher rates of occupational mobility among its unemployed population for three reasons. Firstly, the structure of the system emphasises means-tested benefits that are more likely to encourage occupational mobility. While a contributory element does exist, it is not wage-related and has since 1996 been equal to the same, low rate that the means-tested benefits are provided at. Secondly, the generosity of benefits for most groups is lower in the UK than it is in Germany. This gives unemployed people in the UK fewer resources to sustain a job search, and can therefore be said to lower opportunities for being more selective with regard to the reemployment occupation. Thirdly, adopting a conditionality-based approach, it should be noted that reforms in the UK have been aimed at activation and increasing work incentives by pushing people into employment, which favours occupational mobility among unemployed people.

On the other hand, this reform path has been adopted in Germany as well. Furthermore, the greater emphasis on training measures in Germany may increase the odds of occupational mobility further. Additionally, the higher incidence of temporary employment due to stricter employment protection legislation in Germany is likely to favour occupational mobility among unemployed people. Nonetheless, overall the institutional effects on increasing occupational mobility among unemployed people are expected to be stronger in the UK than they are in Germany.

Chapter IV

Unemployment protection systems and occupational mobility in Europe

Abstract

The results of Chapter II suggest that the relationship between skill specificity and occupational mobility between pre- and post-unemployment is influenced by other, contextual factors. Whilst skill specificity is observed to be negatively associated with occupational mobility in Germany, no such pattern manifests itself in the UK. This, in turn, suggests that institutional differences (amongst other factors) may mediate the impact of skill specificity on occupational mobility. The following chapter investigates the role that institutional unemployment protection plays in determining occupational mobility among a sample of unemployed people across Europe. It relies on data from the European Union Statistics on Income and Living Conditions (EU-SILC) in 10 European countries of different unemployment protection regimes. The findings suggest that unemployment benefit generosity has a positive effect on the occupational mobility of unemployed, although the statistical significance is not robust. However, there is a robust effect of spending on public employment services and administration (a form of active labour market policy) on chances of occupational change.

Introduction

Skill specificity is related to lower odds of experiencing occupational mobility between pre- and post-unemployment in Germany, but not the United Kingdom. To investigate what this means and why the relationship between skill specificity and portability varies across the UK and Germany, this chapter extends the analysis to a larger sample of countries. This helps address the question whether the relationship between occupational mobility and skill specificity and level are mediated by other factors, such as variations in the design and nature of institutions.

As discussed in the previous chapter, the presence of labour market institutions such as minimum wages, unemployment benefits and activation policies are likely to affect the mobility of unemployed people⁴⁶. In particular, the design, generosity and conditionality of unemployment protection systems can influence the chances of unemployed people experiencing occupational mobility. However, whether ‘generous’ unemployment benefits contribute to lower occupational mobility among unemployed people is unclear and constitutes an empirical shortcoming of existing literature. Furthermore, how the effect manifests itself is uncertain as a variety of mechanisms potentially come into play. Two, in particular, are distinguished: (i) the effect of unemployment benefit generosity, and; (ii) the effect of active labour market policies (ALMP).

In essence, the following analysis therefore serves two purposes. Firstly, it returns to the research question in Chapter III by re-assessing the relationship between skill specificity and occupational mobility (i.e. labour market insecurity). Using the larger sample of unemployed people across Europe, rather than two separate samples from within the United Kingdom and Germany, should improve the robustness of the results and shed light on this question. Secondly, if the relationship between skill specificity and occupational mobility *does* vary between countries (like it does between the United Kingdom and Germany), do any patterns emerge? Are comparatively generous unemployment protection systems associated with *lower* levels of occupational mobility for people with specific skills, as the comparison of Germany and the UK in Chapter II suggest? Alternatively, do other factors help explain differences in occupational mobility between skill groups and across countries, such as employment protection legislation or macroeconomic circumstances?

As in Chapter II, the following analysis uses a measurement of ‘occupational mobility’ (the percentage of unemployed people changing occupational status across jobless spells) to

⁴⁶ Although the mobility of employed members of the workforce is also likely to be affected by the presence of other labour market institutions, this relationship is not discussed as part of this chapter.

capture the effect of institutional unemployment protection on unemployed people's exposure to labour market risks. It is hypothesised that occupational mobility will be lower among unemployed people in countries characterised by generous unemployment benefits. In theory, unemployed people in such institutional settings can sustain a job search for longer and can therefore find post-unemployment occupations that better match their existing human capital investments.

The quantitative analysis relies on multi-level models to investigate the mobility of unemployed people in a number of European countries. Panel data from the European Union Survey on Income and Living Conditions (EU-SILC) is used in addition to macro-level data from the OECD. The findings suggest that despite the suggestion that generous unemployment benefits decrease the chances of occupational mobility, quite the opposite is observed: the presence of generous benefits is associated with higher chances of experiencing occupational mobility across an unemployment spell. However, by including different measures of generosity based on different family situations, the findings prove not to be robust. Nonetheless, spending on ALMPs, especially ALMPs aimed at 'public employment services and administration', have a strong and positive effect on chances of occupational mobility. This contradicts previous findings that have suggested that countries characterised by high spending on ALMPs tend to reach more stable reemployment levels (e.g. Wulfgramm and Fervers, 2013).

The chapter is organised as follows. The following section will outline the theoretical background against which the analysis takes place. After this, previous findings relating to the effect of unemployment protection on occupational mobility are reviewed in Section III. Section IV will present the data, discuss the dependent and independent variables, and introduce the analytical strategy used to tackle the research agenda. The fifth section presents the results of the descriptive analysis as well as of the multilevel results. The final section discusses the findings as a whole.

Theoretical framework

Varieties of Capitalism (VoC) theory proposes that the risk-averse worker must decide which skills to invest in. The primary consideration that the worker must make in this decision-making process is how the specificity of his or her skills affects exposure to labour market risks. The more specific a worker's skills are, the greater the labour market risks they face. This is because workers with specific skills face lower chances of finding another job in the event of unemployment, and therefore a greater risk of losing their previous skill investment.

The worker must therefore choose whether to invest in specific skills, which are associated with greater labour market risks, or to invest in more general ones. VoC theory suggests that the worker's skill-investment choice will reflect the presence or absence of certain institutions that restrict workers' (and firms') behaviour (Campbell *et al.*, 1991; Hollingsworth *et al.*, 1994; Herrigel, 1996). Hall and Soskice (2001) specifically refer to these institutions as employment, wage and unemployment protection. Such institutions can offset the labour market risks presented by the specificity of skills. For instance, whilst workers with specific skills face higher labour market risks because the limited portability of their skills makes it more difficult to find another job and protect the skill investment, generous benefits can give workers the extra time that they need to sustain a more difficult job search.

In particular, the presence of generous unemployment protection is said to incentivise the investment in industry-specific skills (Hall and Soskice, 2001: 4): it provides assurance that in the event of a job loss, the worker's income, occupational status and therefore also his or her skill investment are protected by sufficient unemployment benefits until they find suitable employment elsewhere. In the absence of such arrangements, the worker will – in theory – opt to invest or co-invest into a more portable set of *general* skills and shy away

from a 'risky' investment in specialised skills that are likely to become redundant when the worker is laid off.

Whilst lower chances of experiencing occupational mobility therefore signal greater exposure to labour market risks, these risks can be offset in the presence of unemployment protection. The presence of generous unemployment protection might therefore be said to *decrease* the chances of occupational mobility between pre- and post-unemployment, because it gives the worker more chance to find employment that satisfies his or her previous skill-investment. The absence of such protection, on the other hand, can be said to *increase* chances of occupational mobility, as the worker is under pressure to accept a job that may not reflect his or her previous skill-investment, making it obsolete and presenting a deadweight loss to the worker.

These arguments are in line with neoclassical economic theory, which suggests that in the absence of unemployment protection, an unemployed person is presented with the prospect of severe income losses, thereby creating a strong incentive to accept any available job offer irrespective of its type and quality. On the other hand, in the presence of unemployment protection, the unemployed person will be more selective with regard to available job offers (Katz and Meyer, 1990). This enables the unemployed person to spend more time searching for jobs that better match his or her personal skills, thereby improving the fit between pre- and post-unemployment occupational group. Theoretically, based on both VoC and job search theory, the following hypothesis on the effect of unemployment protection systems on the occupational mobility of unemployed people can therefore be formed:

Hypothesis B: The presence of generous unemployment protection will be associated with lower chances of occupational mobility

This said, generous unemployment benefits can also lead to increased occupational mobility. Generous benefits may raise the reservation wage of an unemployed person, leading to post-unemployment wage gains and the possibility of an occupational change into better jobs (van Ours and Vodopivec, 2008: 684). Secondly, the moral hazard argument would suggest that longer-lasting benefits may depress the intensity of job search, thereby prolonging unemployment without improving the quality of post-unemployment jobs, worsening post-unemployment outcomes and leading to a loss of human capital (e.g. Vodopivec, 2004a).

In addition, modern unemployment protection systems are usually accompanied by further institutional resources such as employment services and a wide range of active labour market policies (ALMPs) that seek to improve workers' labour market prospects. Their effect on occupational mobility is ambiguous, as existing evidence outlined below demonstrates. By encouraging unemployed people back into the labour force, ALMPs can either reduce occupational mobility (by e.g. increasing the efficiency of the job matching process) or they can increase levels of job change (by e.g. re-skilling unemployed people). This is discussed in greater detail in the following section and included in the specification of the model.

Literature review

Existing evidence of the effect of institutional unemployment protection on occupational mobility is largely dominated by microeconomic studies that consider the 'disincentive effect' of generous unemployment benefits on the duration of unemployment (e.g. Lancaster and Nickell, 1980; Katz and Meyer, 1990; Moffitt, 1992; Holmlund, 1998). More recently, studies have emerged that take into account post-unemployment outcomes which

relate more to occupational mobility by comparing pre- and post-unemployment occupations.

As described in Chapter I as well as the previous section, job search theory helps explain the potential effect that the presence of institutional unemployment protection has on an unemployed person's chances of occupational mobility. In mainstream economics, the relationship between unemployment protection and the labour market is well investigated, albeit hotly contested. Neoclassical economic theory suggests that in the absence of unemployment protection, an unemployed person is presented with the prospect of severe income losses, thereby creating a strong incentive to accept any available job offer irrespective of its type and quality.

In the presence of generous unemployment benefits, however, the unemployed person will be more selective with regard to available job offers (Katz and Meyer, 1990). Generous unemployment protection may therefore encourage unemployed workers to take up jobs that are more suited to their previous skills in the long-term, making the job they attain more sustainable (Marimon and Zilibotti, 1999). Consequently, unemployed workers may be more likely to experience employment stability across jobless spells and therefore lower occupational mobility in countries characterised by generous unemployment protection. This effect is referred to as the 'disincentive effect', an outcome that is typically thought of as being a negative one as it can lead to prolonged unemployment spells. There have been a plethora of studies that support the existence of the disincentive effect, predominantly based on the work of Lancaster and Nickell (1980) and/or Katz and Meyer (1990)⁴⁷.

In terms of occupational mobility, the neoclassical economist would therefore hypothesise that systems providing less generous unemployment benefits are associated with high levels of mobility for unemployed people. The presence of generous unemployment

⁴⁷ See, for example, Heckman (2003), Bassanini and Duval (2006) or for evidence against this argument: Kenworthy (2004; 2008), Pontusson (2005), Howell and Rehm (2009) or Howell and Azizoglu (2011).

benefits can consequently contribute towards enhancing the capacity of workers to maintain their economic status across spells of unemployment, thereby reducing occupational mobility (Gallie and Paugam, 2000). For instance, Wulfgramm and Fervers (2013) have demonstrated that generous unemployment benefits enable unemployed individuals to take more time to search for jobs that better match their personal skills, thereby improving post-unemployment job match quality (Ehrenberg and Oaxaca, 1976; Burdett, 1979).

Furthermore, it has been demonstrated that unemployment protection systems are essential for the maintenance of high-skill job structures (Acemoglu and Shimer, 1999; Acemoglu, 2001) and that they help sustain skills by protecting workers from having to accept jobs that do not correspond to their skill qualifications (Mares, 2001: 16; Busemeyer, 2009: 377; Fleckenstein *et al.*, 2011). Unemployment benefits have been shown to help individuals smoothe consumption over the life cycle and over macroeconomic downturns, thereby improving job mobility and supporting the human capital formation necessary for long-term growth (Prasad and Gerecke, 2010: 219). Gangl (2004; 2006) has carried out a thorough investigation of occupational mobility of unemployed people to provide compelling evidence that unemployment protection can truncate the job offer distribution and thereby reduce the risk of future career breaks, consequently generating career continuity instead.

This connects with the literature on the effect of institutional unemployment protection on the post-unemployment outcomes of jobless people, especially studies that investigate the potential existence of a trade-off between the duration of unemployment and the quality of post-unemployment jobs. According to this account, generous unemployment protection leads to a rise in the quality of post-unemployment outcomes as a result of the extended job search possibilities (Atkinson and Micklewright, 1991). Several studies have also confirmed the positive effect of unemployment insurance on post-unemployment wages (e.g. Addison

and Blackburn, 2000; DiPrete and McManus, 1996, 2000; McManus and DiPrete, 2000; Nolan *et al.*, 2000; Burda and Mertens, 2001). For instance, Arulampalam (2001) has argued that joblessness is not only associated with lost income during the unemployment spell, but with a scarring effect on wages after reemployment⁴⁸.

More crucially, it has been argued that generous unemployment benefits can improve reemployment stability, as longer search times are required in order to find the best available job offer due to information deficits on the labour market (Burdett, 1979). For example, investigations have demonstrated that unemployment increases the chances of future unemployment experience (Narendranathan and Elias, 1993; Arulampalam *et al.*, 2000), and that individuals who experience repeat interruptions go into jobs that are low paid and unstable (Stewart, 2000; Böheim and Taylor, 2000). Gangl (2004; 2006) argues that unemployment benefits not only increase post-unemployment wages, but have the additional outcome of reducing the ‘scar effects’ of unemployment (recovery from)⁴⁹.

In contrast to ‘passive’ unemployment benefits, active labour market policies (ALMPs) can enhance skills, improve job matches and encourage greater risk-taking behaviour by unemployed job seekers (Agell, 1999; 2002), translating into greater mobility among unemployed people (Howell and Rehm, 2009: 65). ALMPs are generally regarded as being one of the key components of flexicurity policies and are important in that they are aimed at increasing the employability of jobless workers. By being aimed at fostering the employment prospects of participants, ALMPs are therefore also likely to increase occupational mobility. Indeed, several empirical studies show that extensive use of ALMPs

⁴⁸ Arulampalam (2001) demonstrates that a spell of unemployment is found to carry a wage penalty of about 6% on re-entry in Britain, earning 14% less compared to what an unemployed person would have received in the absence of unemployment after three years.

⁴⁹ Similar to this investigation of occupational mobility, Gangl (2006) observes workers’ post-unemployment trajectories for the US and 12 EU member states to illustrate how workers can use unemployment insurance to sustain costly job search for adequate reemployment in terms of earnings, occupations and job stability.

is associated with lower unemployment rates and shorter periods of unemployment (e.g. Nickell *et al.*, 2005), due to encouraging higher exit rates from unemployment.

However, the extent to which this increased exit rate is associated with higher mobility depends on the ALMPs in use. For instance, when expenditure on ALMPs is concentrated on training programmes that are aimed at refreshing skills and helping unemployed people keep up with the rising skill demands of a knowledge-based economy (Armingeon, 2003), we might expect ALMPs to encourage mobility. However, when ALMPs are associated with tackling information deficits on the labour market (Card *et al.*, 2010), they may discourage mobility. When counselling services are used to match unemployed with job openings, improved pairing of pre- and post-unemployment occupational groups may follow. There has also been evidence of the positive effects of ALMPs on post-unemployment job stability in East Germany (Lechner *et al.*, 2007), West Germany (Lechner *et al.*, 2011), France (Crepon *et al.*, 2012) and Denmark (Munch and Skiller, 2008).

More recently, Wulfgramm and Fervers (2013) use EU-SILC and OECD data to conduct comparative micro and multilevel survival analyses in order to test the hypothesis that generous unemployment benefits and ALMP spending promote reemployment stability⁵⁰. They show that ALMPs improve the skill-level of unemployed people with the view of enhancing their chances of finding high quality jobs whilst counselling services tackle information deficits in the labour market, thereby improving the matching process.

Furthermore, when mobility does occur due to the use of ALMPs, two types need to be distinguished. Two types of ALMPs have been distinguished in existing literature: those that are about improving human capital and those that use essentially negative incentives to

⁵⁰ In contrast to this analysis, they observe the impact on the *duration* of post-unemployment occupations rather than taking into account pre-unemployment occupations and observing occupational mobility across jobless spells. Furthermore, this does not reveal whether institutional unemployment protection settings help protect skill investments as suggested by Varieties of Capitalism scholars (Hall and Soskice, 2001).

move people from social assistance into employment (e.g. Torfing, 1999; Taylor-Gooby, 2004; Barbier, 2004; Rueda, 2012). While mobility associated with the former can be characterised as ‘upward’ or ‘vertical’ change, relating to job changes due to human capital reinvestments and retraining, the latter are related to ‘downward’ mobility⁵¹.

In order to assess whether the potential mobility caused by the use of ALMPs is associated with human capital reinvestments or not, I further distinguish ALMPs based on Bonoli’s (2010) 4-way classification between (i) incentive reinforcement, (ii) employment assistance, (iii) occupation, and (iv) human capital investment. The first refers to measures that aim to strengthen work incentives for benefit recipients, both in terms of benefit rates and duration. For instance, benefits can be made conditional on participation in work schemes or incentives strengthened through the use of sanctions. This element is said to be particularly strong in English-speaking countries (Bonoli, 2010: 440).

Employment assistance consists of measures aimed at removing obstacles to labour market participation, including placement services or job-search programmes that increase the likelihood of a jobless person establishing contact with a potential employer. For instance, employment assistance can take the form of counselling and job subsidies. This type of intervention can also lead to modest increases in human capital, mainly in soft skills and by putting their human capital to good use (Bonoli, 2010: 440-441).

The third classification, ‘occupation’, is used to describe programmes which have the objective to keep jobless people busy (and not necessarily promote labour market re-entry) to thereby prevent the depletion of human capital associated with an unemployment spell. Many of these experience programmes are in the public or non-profit sector and in some cases, they also involve training (although they do not fundamentally change the type of job

⁵¹ For a more detailed discussion, refer to Chapter II.

a person can do). These were especially popular in Continental Europe in the 1980s and early 1990s (Bonoli, 2010: 441).

Finally, ALMPs that are aimed at 'human capital investment' primarily involve the provision of vocational training to jobless people, especially those whose skills have become obsolete. With the exception of ALMPs oriented at 'occupation', all these measures can be said to affect chances of mobility. In particular, 'incentive reinforcement' and 'human capital investment' can increase chances of downward and upward mobility, respectively. Spending on 'employment assistance' can go either way. On one hand, when spending is on counselling services and other programmes to reduce obstacles and information deficits for re-entry into the labour market, it can improve job matches and thereby increase mobility. On the other, such spending has often gone hand in hand with the tightening of conditionality (i.e. incentive reinforcement) and can thereby increase chances of 'downward' mobility (Bonoli, 2010).

The importance of analysing the occupational mobility of unemployed individuals lies in the suggestion that high levels of occupational mobility amongst unemployed people can severely inhibit their wage growth (Longhi and Taylor, 2013: 71). By measuring occupational change among unemployed individuals across various institutional settings, the following chapter helps understand the connection between institutions and such scarring effects. Furthermore, the findings enrich the existing literature on occupational mobility. Most previous studies are limited to single countries and rarely approach the mobility from a comparative perspective⁵². Due to the lack of sufficient micro data in many European countries, previous analyses have also been restricted to the United States, Canada, the United Kingdom and Germany. Finally, as already mentioned, the mobility of

⁵² E.g. Goos and Manning (2007) for the UK, Autor *et al.* (2003; 2008) for the US or Burda and Mertens (2001), Couch (2001), Bender *et al.* (2002) and Gangl (2004; 2006) for Germany.

unemployed people is rarely measured separately, and usually excluded from analyses or treated as part of the mobility in the general labour market.

Data and Methodology

This chapter considers two levels of analysis: the individual (level 1) and the country (level 2). Due to data limitations at the sub-national level (there are no regions available in the dataset), nations are selected as the unit of analysis. The analysis utilises micro panel data from the European Union Survey of Income and Living Conditions (EU-SILC). EU-SILC is a representative study of households across Europe and was launched by the European Commission in 2003 in 6 EU member states, expanding over time to include the EU-15 from 2004/5 and the 10 new member states in 2005.

The EU-SILC dataset is chosen for several reasons. First, it is one of the few that includes comparable longitudinal occupational data from a large number of European countries (longitudinal data is necessary for capturing occupational mobility). Second, the survey includes important individual-level control variables (such as household income) that may have an impact on the chances of mobility. Third and most importantly, EU-SILC has rarely been used in analyses of occupational mobility, mainly because the dataset has not fully matured and remains relatively young (spanning just 5 years at the time of writing).

Previous investigations have predominantly focused on data from single countries, such as the United Kingdom by using the British Household Panel Survey (e.g. Muffels and Luijkx, 2008), Germany by utilizing the German Socio-Economic Panel (e.g. Bauer and Zimmermann, 1999) or the United States by relying on the Panel Study of Income Dynamics (e.g. Kambourov and Manovskii, 2008). In addition to the micro-level EU-SILC data, the analysis extracts macro-level data from the OECD for country-level control and explanatory variables.

A number of individual-level control variables are included, more information on which can be found in the equivalent section of the previous chapter. These are gender, age, income, education and trade union membership. It is expected that female respondents are more likely to be exposed to occupational mobility when unemployed. The same is hypothesised for older respondents, who are less likely to change career paths than younger people. As in the last chapter, income is predicted to exhibit a negative correlation with chances of occupational mobility. Furthermore, skills are controlled for, the distribution across countries of which can be observed in Table 4.1 below in order of the share of specific skills:

TABLE 4.1: Share of high-general, low-general and specific skills among unemployed people in Europe, 2004-2008

<i>Country</i>	<i>High-general</i>	<i>Low-general</i>	<i>Specific</i>
Spain	14%	52%	34%
Italy	25%	44%	31%
Ireland	28%	44%	28%
France	33%	41%	27%
Portugal	29%	46%	26%
Finland	15%	59%	26%
UK	23%	51%	26%
Austria	16%	60%	24%
Sweden	36%	44%	21%
Total	24%	56%	20%
Belgium	29%	57%	14%

Source: EU-SILC (2004-2008)

The profile of skills is likely to, and does, vary in accord with the structure of a nation's educational system, thereby explaining cross-national variance in social protection according to VoC scholars (e.g. Iversen and Soskice, 2001). Some countries provide more training than others in vocational skills that are specific to particular jobs, firms, or industries. In Germany, for instance, more than one-third of any age cohort goes through extensive vocational training (3-5 years), whereas in the United States the comparable figure is only a few percentage points (even counting those in the junior college system).

The primary explanatory variable of interest is the role of institutional unemployment protection. Particularly in cross-comparative investigations of the relationship between skill specificity and exposure to labour market risks, it can be expected that differences in the institutional architecture of unemployment protection will affect workers' chances of experiencing occupational mobility between pre- and post-unemployment.

At the macro-level, institutional unemployment protection is primarily measured in terms of unemployment benefits. The following analysis uses NRRs in the initial phase of unemployment and includes social assistance as the primary country-level explanatory variable⁵³. It is hypothesised that individuals in countries characterised by more generous replacement rates will be *less* likely to experience mobility. As argued by Burdett (1979), generous unemployment benefits provide a search subsidy, giving unemployed people more time to search for jobs that match their personal skill profile. Due to information deficits on the labour market and incomplete information about available job offers, longer search time might be necessary in order to find the best available job offers. It can therefore be expected that generous unemployment benefits improve reemployment stability, leading to lower mobility.

The second institutional explanatory variable of interest is spending on active labour market policies (ALMPs). It is hypothesised that the requirement to participate in ALMPs will influence the chances of unemployed people experiencing occupational mobility. However, the exact direction of the effect is unclear. On one hand, ALMPs can enhance skills, improve job matches and encourage greater risk-taking behaviour by unemployed job seekers (Agell, 1999; 2002), translating into greater mobility among unemployed people (Howell and Rehm, 2009: 65). On the other hand, ALMPs aimed at tackling information deficits on the labour market - such as the presence of counselling services

⁵³ I check the robustness of the results using other measures of net replacement rates in the final section of this chapter.

provided by Public Employment Services (PES) (Card *et al.*, 2010) – can lead to an improved matching process and thereby result in a lower chance of experiencing mobility for unemployed people. This means that ALMPs can have a variety of impacts on the mobility of unemployed people.

In order to capture these ambiguous effects, I distinguish between spending on four types of ALMPs using Bonoli's (2010) classification: (i) those aimed at 'incentive reinforcement', (ii) 'employment assistance', (iii) 'occupation' and; (iv) 'human capital investment'. While spending on ALMPs aimed at 'occupation' is considered to have no effect on the occupational mobility of unemployed people, expenditure on 'human capital investment' is considered likely to increase the chances of 'upward' or 'vertical mobility'. Spending on ALMPs aimed at 'employment assistance' can either lead to lower rates of occupational mobility by tackling information deficits, or to higher rates of 'downward' mobility when combined with 'incentive reinforcement'. In order to further distinguish between these two effects, I disaggregate spending on 'employment assistance' to isolate expenditure on 'public employment services (PES) and administration'. There was a significant expansion of integrated job centres that dealt with both benefits and labour market programmes at the same time as conditionality was tightened in the UK (e.g. Job Centre Plus) and Germany. Spending in this area may therefore be associated with 'incentive reinforcement'.

Thirdly, an OECD measurement of unemployment rate is used to account for differing labour market conditions between different countries. The probability of dismissals is likely to be higher in countries with high unemployment, while the odds of being hired are lower. On the one hand, this can lead to prolonged spells of unemployment, thereby giving the worker more time to find a job that better suits his or her skill-match. On the other hand, the limited availability of jobs may force the worker to change occupational groups and lead to greater chances of mobility. The effect of the unemployment rate is therefore ambiguous.

Finally, the OECD's overall employment protection legislation (EPL) indicator is included in the analysis to account for policy-induced differences in labour market dynamics. EPL refers to the regulations that concern the hiring and firing of workers, both on permanent and temporary contracts (OECD, 1999b: 50). Although the relationship between EPL and the mobility of unemployed people is not self-evident, it is included as a control in the model due to the potential effects it has on increasing the costs of hiring. This, in turn, may lead to longer unemployment spells that result in a greater chance of matching pre- and post-unemployment occupations (see e.g. Nickell, 1997).

The dependent variable is 2-digit occupational mobility, the definition of which is identical to Chapter II (see corresponding section). The difference between the two chapters is that mobility is captured across a different time period (2004-2008) from that in the previous chapter (1993-2009).

The sample is first restricted to respondents who experienced a spell of unemployment⁵⁴ in the years 2005, 2006 or 2007⁵⁵. The years 2004 and 2008 are also included in the analysis. However, these years are only used to collect pre- and post-unemployment data for the respondents experiencing unemployment immediately before or after. This effectively results in a time period of 2004 to 2008 over which the analysis takes place. There are two reasons for this relatively limited stretch. Firstly, the longitudinal data from EU-SILC only spans back to 2004 (with data from just three countries going back to 2003). Secondly, including occupational data from beyond 2008 seriously risks the analysis being skewed by the adverse effects of the major economic crisis that began ensuing then. The sample is further restricted to include just those unemployed people who display pre- and post-

⁵⁴ Unemployment is defined according to standard ILO definitions.

⁵⁵ Using variables PL210A-PL210L ('Main Activity in January' - 'Main Activity in December').

unemployment occupational data⁵⁶. As in the previous chapter, it should be noted that by doing this, the analysis potentially removes people who drop out of the labour force because of, for example, long-term unemployment. This means that they are also difficult to place, and would therefore have been more likely to experience occupational mobility.

Due to methodological constraints, only 10 countries are included in the sample: Austria, Belgium, Spain, Finland, France, Ireland, Italy, Portugal, Sweden and the United Kingdom⁵⁷. At each EU-SILC interview, the survey respondent is asked about their current labour market status. If the individual is currently unemployed, or reports having been unemployed for at least one month in the past 12 months, details about the most recent pre- and post-unemployment occupation are collected. Using three longitudinal waves from EU-SILC (2004-2006⁵⁸; 2004-2007; 2005-2008), classifications are distinguished by ISCO-88 to determine whether mobility has taken place between pre- and post-unemployment. Unemployment is captured using monthly data, and the most recent pre- and post-unemployment occupational code is subsequently compared to determine whether mobility has taken place. Identical to Chapter II, occupational change is measured at the 2-digit level.

All 'successful' unemployed job-seekers (i.e. those displaying pre- and post-unemployment occupational data) are coded '1' if they changed from one of these 28 occupational sub-

⁵⁶ The exception involves unemployed people whose pre- or post-unemployment occupational data falls into the 6th ISCO-88 category. Major Group 6 involves 'Skilled agricultural and fishery workers', who do not fit into any of the three skill groups described in the methodology section of this paper. There are, however, only a handful of individuals who fall into this category who therefore do not yield any significant finding or affect the existing findings in any way.

⁵⁷ Data from the new member states is not included because they are only included in the sample from 2005 onwards, leaving a very short period in which to analyse the mobility of unemployed people before the beginning of the recession. Due to methodological issues with the occupational data and the lack of collected data for some years, I also exclude Denmark, the Netherlands and Norway. Greece is excluded because of the lack of data on ALMP spending. EU-SILC does not provide longitudinal data for Germany over the period analysed.

⁵⁸ The 2006 release of longitudinal EU-SILC data only starts in the year 2004 for most countries, which is when the survey was launched.

groups to another and '0' if they remained in the same one. As a result, the sample consists of successful unemployed job seekers who satisfy the following conditions: (i) they are considered unemployed for at least one month between 2007 and 2009; (ii) they report a valid occupational code sometime before the relevant unemployment spell, and; (iii) they report a valid occupational code sometime after the relevant unemployment spell. In total, the sample includes 5,410 individuals that satisfy these conditions, 2,135 (39.5%) of which have experienced mobility and 3,275 (60.5%) who have not. The descriptives are summarised in Table 4.2 below:

TABLE 4.2: 2-digit occupational mobility among unemployed people in the UK and Germany, 1994-2008

	<i>N</i>	<i>Mean</i>	<i>Standard deviation</i>
Europe	5410	0.4	0.49

Source: Author's own calculations, EU-SILC (2004-2008)

The analysis begins with a descriptive investigation of occupational mobility across Europe. I then predict the chances of unemployed people experiencing occupational mobility by employing a multilevel mixed-effects logit regression with 2 levels.

There are two main reasons for choosing multilevel models in this analysis. Firstly, multilevel analysis accounts for the clustered nature of EU-SILC, in which individuals are nested within countries, meaning that it may violate the major assumptions of single-level, ordinary least squares (OLS) models that require observations (and hence error terms) to be independent of each other. Regular regression ignores the average variation between entities (in this case, national samples of unemployed people). Individual regressions may also face sample problems and a lack of generalization. This model is a theoretically and statistically appropriate means of combining different levels of analysis into a single framework, as it takes into account nested sources of variability (Snijders and Bosker, 1999). For example, multilevel modelling helps distinguish between the individual-level effects (of e.g. skills or income) and institutional factors (e.g. unemployment benefit

generosity, unemployment rate). Without correctly assessing the variability between countries *as well as* individuals, the wrong conclusions could be drawn. Secondly, the use of multilevel models allows for the investigation of whether contextual factors such as the design of unemployment protection systems influences individuals' chances of experiencing occupational mobility. It is reasonable to assume that the institutional environment in which the unemployed person finds him- or herself in will influence his/her chances of experiencing mobility, and exactly this institutional environment varies from country to country.

Mixed-effects modelling is a regression analysis that allows two kinds of effects: *fixed effects*, meaning that intercepts and slopes are meant to describe the population as a whole, just as in an ordinary regression analogous to the one predicted in Chapter II; and also *random effects*, meaning that intercepts and slopes can vary across subgroups of the sample. The mixed-effects regression is performed on the dependent variable (occupational mobility as a binary outcome), with random intercepts and slopes for each value of *country*. The random effects are not directly estimated (although they may be obtained post-estimation) but are summarised according to their estimated variances and covariances. Random effects take the form of either random intercepts or random coefficients, and the grouping structure of the data may consist of multiple levels of nested groups (in this case, there are two). This produces trends in occupational mobility which are a combination of the overall trend (fixed effects), and the variations on that trend (random effects) for each country.

Nevertheless, there are some limitations of using this modelling strategy that have to be acknowledged. The primary limiting factor is the sample size of the highest unit of analysis. For instance, having 500 unemployed people from each of the 10 countries would give a reasonable total number of observations, but not enough to get stable estimates of country effects nor of the country-to-country variation. 10 people from 500 countries (leading to

the same total number of observations) would be preferable, although in practice this is of course impossible in cross-comparative studies of occupational mobility (particularly due to the limited availability of panel data). The distribution of the sample across countries is displayed in Table 4.3 below:

TABLE 4.3: 2-digit occupational mobility among unemployed people between countries, 2004-2008

<i>Country</i>	<i>0</i>	<i>1</i>	<i>Total</i>
Austria	488	446	934
Belgium	98	123	221
Spain	628	505	1133
Finland	163	96	259
France	485	395	880
Ireland	108	48	156
Italy	979	279	1258
Portugal	190	115	305
Sweden	88	77	165
United Kingdom	48	51	99
Total	3275	2135	

Source: Author's own calculations, EU-SILC (2004-2008)

To address some of these issues, I include the macro-level variables into the fixed part of the model, meaning that the between-country variation is purely a reflection of factors that are not associated with the macro-level variables specified above (e.g. unemployment rates, ALMP spending, unemployment benefit generosity)

Furthermore, there can also be problems with the random effects if the outcome is skewed. For instance, if one country has only a few unemployed people in the sample and all of them experience occupational mobility, there would be no variability within that country. As summarised in the table above, this is however not the case.

The extent and direction of occupational change among unemployed jobseekers is estimated. Here, the dependent variable distinguishes between successful job seekers who remain in the same sub-major occupation and those who change sub-major occupation. The

probability that the successful job seeker experiences a change in sub-major occupation is modelled via the latent variable:

$$(2) \log\left(\frac{\pi_y}{1-\pi_y}\right) = \beta_0 + \beta_1 x_{ij} + \beta_2 x_{ij} + \dots + \beta_n x_{ij} + u_{0j}$$

Where $\beta_n x_{ij}$ are the independent variables fitted to the fixed part of the model, β_0 denotes the intercept shared by all countries while the random effect u_{0j} is specific to country j .

The random effect is assumed to follow a normal distribution.

I estimate the equation (2) using a multilevel model in which the explanatory variables include the range of individual and country-level characteristics described above. To briefly recap, these include gender, age, skills, educational attainment, marital status and income at the individual level, and unemployment rate, change in GDP, EPL index, unemployment benefit generosity, PLMP spending and ALMP spending at the macro level. These are included in different combinations to avoid the potential of colliding effects on the dependent variable (especially between income, education and skills, but also at the macro level between unemployment benefit generosity, PLMP spending and the unemployment rate).

Estimation of mixed effects logit models is completed with the *xtmelogit* function in Stata 11.2 and therefore relies on maximum likelihood estimation. This command fits mixed-effects logit regression models for binary outcomes (0, 1), with random intercepts for each level of *country*⁵⁹. A logistic regression model is justified because our dependent variable (whether or not somebody has experienced occupational mobility) is dichotomous. By default, 'xtmelogit' uses adaptive quadrature with seven integration points. Given that

⁵⁹ The conditional distribution of the response given the random effects is assumed to be Bernoulli, with success probability determined by the logistic cumulative distribution function. The function performs optimisation using the original metric of variance components.

running the model with a larger number of quadrature points reveals two sets of model parameters that are substantially the same, seven integration points are considered more than enough⁶⁰. As in Chapter II, I display odds ratios alongside the coefficients and standard errors for each independent variable.

Five models are built up in a stepwise manner, where blocks of explanatory variables corresponding to different social processes are added sequentially, creating a series of increasingly complex models. The models are defined as follows:

- Model 1: Baseline model predicting occupational mobility.
- Model 2: Builds on the baseline model by adding covariates for personal characteristics, including gender, age (at time of occupational change), skill group of respondent, level of educational attainment (using ISCED), marital status and income.
- Model 3: Alongside the individual-level control variable, this model adds the country-level control variables unemployment rate, change in GDP and EPL index.
- Model 4: Adds country-level explanatory variables: unemployment benefit generosity (using NRRs) and ALMP spending as a percentage of GDP.
- Model 5: Adds country-level explanatory variables: unemployment benefit generosity (using NRRs) and ALMP spending as a percentage of GDP but disaggregated according to Bonoli's (2010) classification.
- Model 6: Final model, including individual-level control variables, country-level covariates and a further disaggregation of ALMP spending on PES and administration.

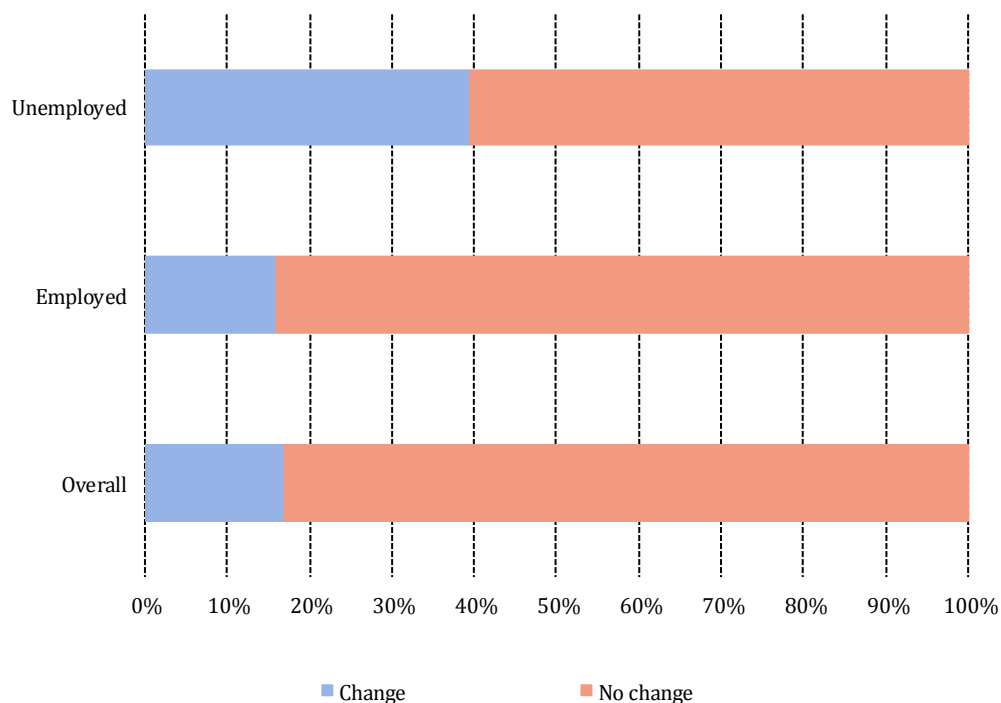
⁶⁰ Techniques for applying mixed-effects modelling to panel datasets were adopted in and around a class with Professor Ray Duch at Nuffield College, Oxford in Hilary and Trinity Terms 2012.

Using this methodological strategy, the following analysis seeks to investigate the hypothesis that the presence of generous unemployment protection will be associated with lower chances of occupational mobility.

Results

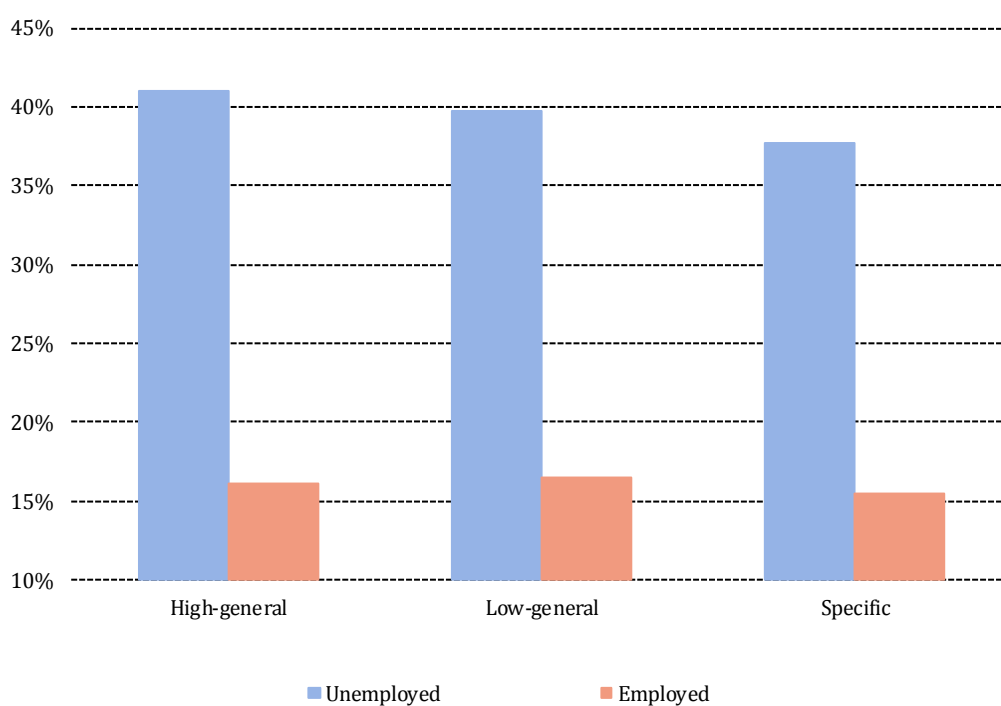
According to the descriptive results, close to 40% of unemployed people experienced 2-digit occupational mobility across their jobless spell in Europe over the time period analysed. This is much higher than for the employed or overall population. At the same time, it is considerably lower than the results presented in the previous chapter, which found rates of above 60% in the UK and over 55% in Germany using the same measure. However, as discussed later in this section, variation between countries is considerable and the UK is one of the countries with the highest rates of occupational mobility among unemployed people (51.5%), so the results of the two chapters are broadly comparable given that they measure occupational mobility over different time periods. The mobility rate observed for the employed sample is broadly in line with previous findings. For instance, Kambourov and Manovskii (2008) find that 15% of workers change occupations at the 2-digit ISCO-88 level in the United States, which compares to the 16.1% observed here. Similar to the previous chapter, however, rates of mobility among unemployed people are considerably higher than those observed by Longhi and Taylor (2013), who find that the probability of finding a new job in the same occupation as the previous job is relatively low at around 30% for unemployed people.

FIGURE 4.1: Occupational mobility among unemployed people, employed people and in the overall European sample, 2004-2008



Source: Author's own calculations, EU-SILC (2004-2008)

FIGURE 4.2: Occupational mobility among unemployed and employed people across skill groups in Europe, 2004-2008



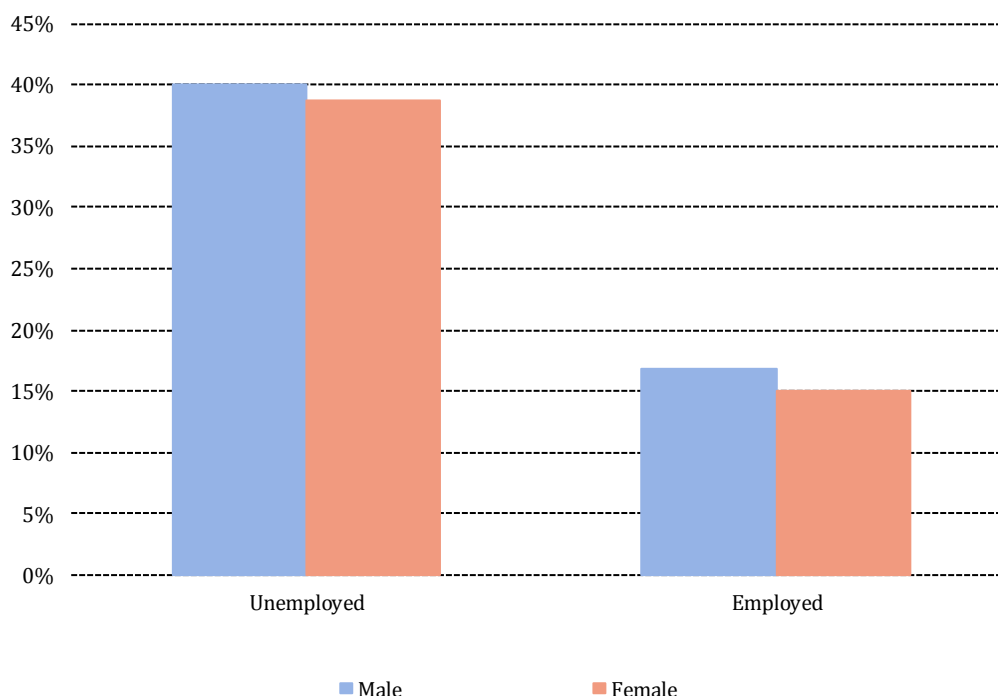
Source: Author's own calculations, EU-SILC (2004-2008)

Figure 4.2 illustrates that respondents with specific skills display lower rates of mobility than those with more general ones. Among the employed sample, this difference is only very marginal, with the specific skill group displaying a mobility rate of 15.4% compared to 16.1% and 16.5% for the high- and low-general group, respectively. For unemployed people, these differences are larger, with the specific skill group displaying a rate of 37.7% compared to 41% and 39.7% for the high- and low-general groups, respectively.

Gender differences in the rate of mobility are displayed in Figure 4.3, demonstrating very similar rates between the mobility of men and women among both samples of employed and unemployed people. This suggests that gender is not a significant predictor of mobility and contradicts previous findings that have observed women to experience higher rates of mobility due to the higher likelihood of experiencing career breaks (e.g. Longhi and Brynin, 2010). This finding might therefore only be relevant to certain countries, such as those with weak institutional protection for mothers and fathers who take breaks from work in order to bring up children.

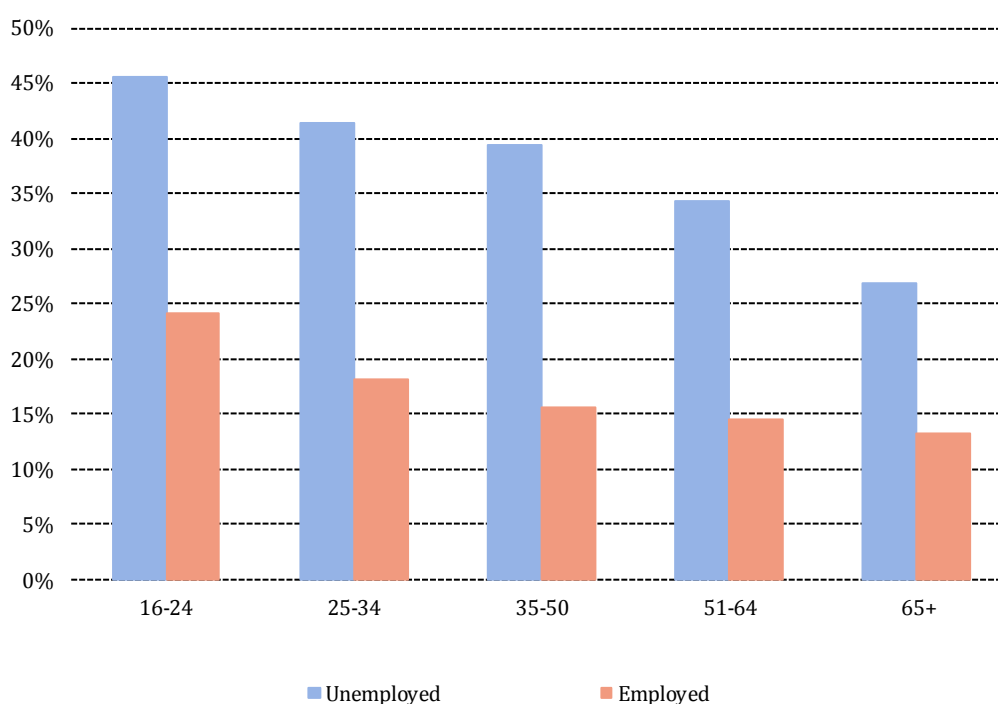
As observed in the UK and Germany, rates of mobility for unemployed as well as employed people decline with age group, confirming previous findings (e.g. Jovanovic, 1979a; 1979b; Kambourov and Manovskii, 2008). Similar to the results of the previous chapter for the UK, the rate of occupational mobility among young unemployed people in Europe is particularly high, with almost half experiencing a change in occupation across a jobless spell. The older an individual is when becoming unemployed, the less incentive there is to re-learn skills and change occupational groups (and therefore career paths), given that the returns on such an investment are likely to be less than they are for a younger worker. Furthermore, older workers may find it more difficult to re-learn skills required in a knowledge-based economy, and face alternatives such as early retirement.

FIGURE 4.3: Occupational mobility among unemployed and employed people across men and women in Europe, 2004-2008

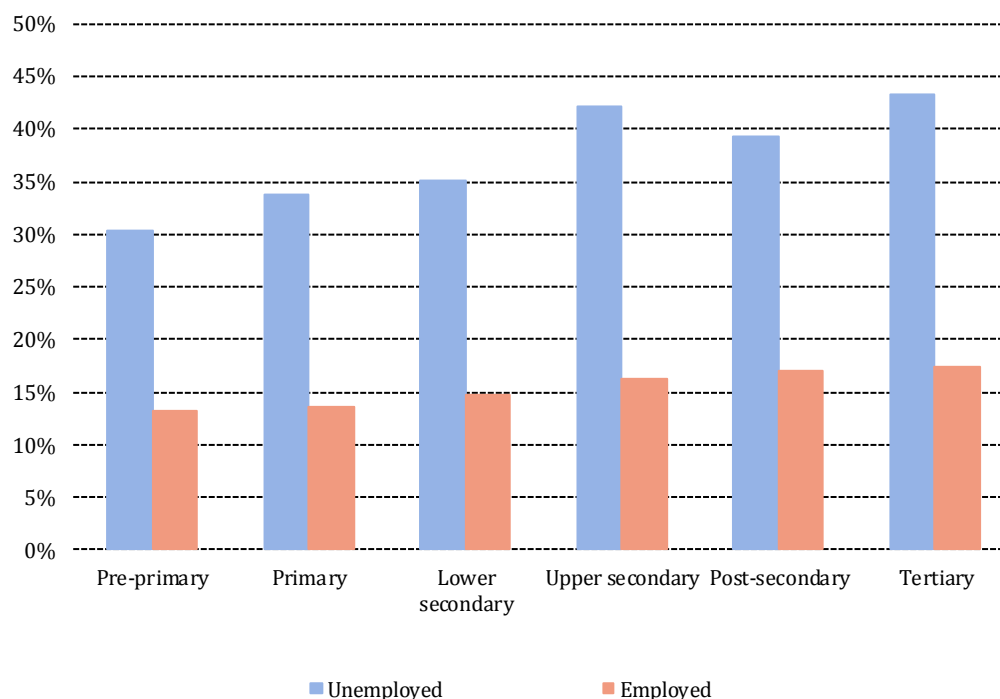


Source: Author's own calculations, EU-SILC (2004-2008)

FIGURE 4.4: Occupational mobility among unemployed and employed people across age groups in Europe, 2004-2008

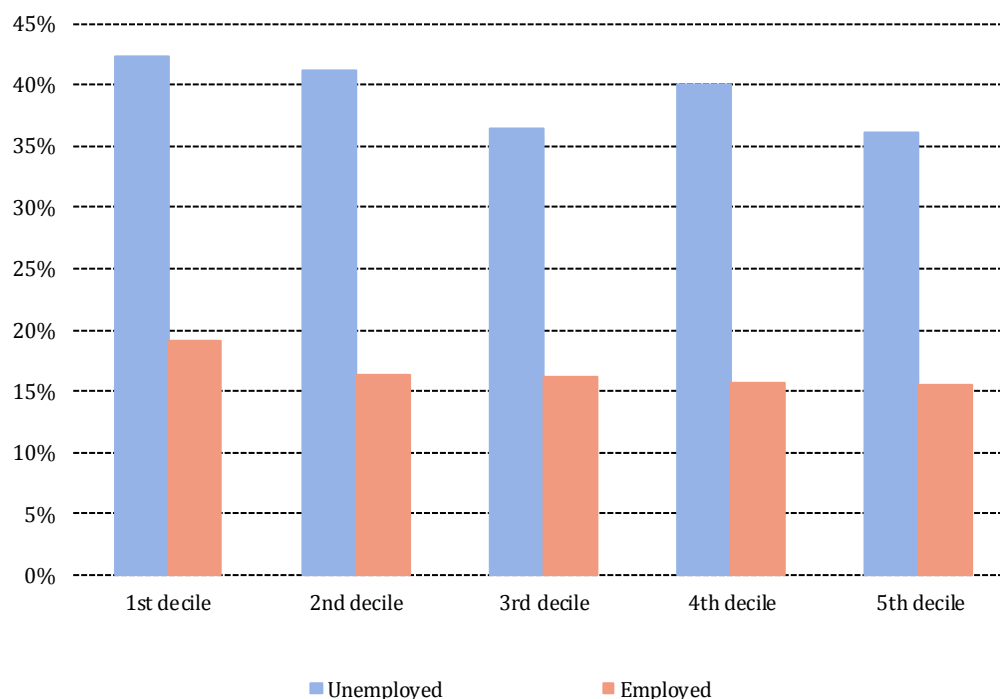


Source: Author's own calculations, EU-SILC (2004-2008)

FIGURE 4.5: Occupational mobility among unemployed and employed people across different levels of educational attainment in Europe, 2004-2008

Source: Author's own calculations, EU-SILC (2004-2008)

In contrast to the analysis of the UK and Germany, there appears to be a positive relationship between levels of educational attainment and rates of occupational mobility among both employed and unemployed people in the European sample. The difference in the mobility rate of unemployed people who have completed the primary level of education and those who have a tertiary qualification is 10%. This may confirm arguments that suggest that the achievement of higher qualifications is associated with greater levels of occupational flexibility as they confer transferable skills and human capital (especially to those who have achieved a university degree).

FIGURE 4.6: Occupational mobility among unemployed and employed people across income quintiles in Europe, 2004-2008

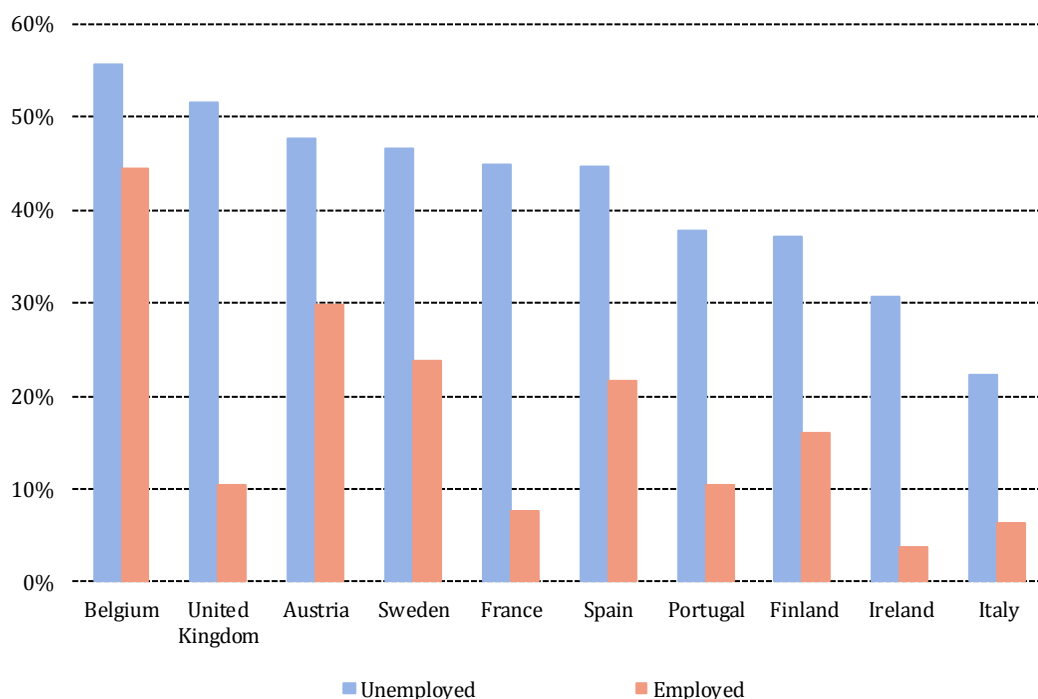
Source: Author's own calculations, EU-SILC (2004-2008)

Whilst mobility does not tend to decrease with income quintile, it by no means does so in a linear fashion for unemployed people. Within the employed sample, rates of mobility steadily decrease the higher the income group gets. For the unemployed sample, the 3rd (middle) quintile displays the lowest rates of mobility. Whilst these findings do not contradict job search theory, they do not fully support it either. Certainly, it does not appear to be the case that individuals in the 4th quintile are able to secure a better skill-match than individuals in the 3rd quintile.

To complete the descriptive results, it is evident from Figure 4.7 that there is strong variation in the rate of mobility between countries analysed in the sample, thereby justifying the use of a multilevel modelling strategy in the next stage of the analysis. Unemployed individuals in Mediterranean countries such as Italy and Greece feature the lowest rates of mobility among unemployed people, while rates lie above 50% in the United Kingdom and Belgium. However, there does not appear to be a pattern of occupational

mobility between pre- and post-unemployment across unemployment welfare regimes. For example, even though Italy and Spain belong to the same 'Sub-Protective' regime, they are characterised by considerably different rates of mobility among their unemployed (22.2% versus 44.6%, respectively). Similarly, whilst Ireland has a comparatively low mobility rate among its unemployed sample (30.8%) the rate measured in the UK is nearly double (51.5%), despite both being part of the Liberal/Minimal regime. The cross-country descriptive results therefore suggest that conventional unemployment welfare regime distinctions (as suggested by, e.g. Gallie and Paugam, 2000) are not applicable to the analysis of occupational mobility and the institutional effects of unemployment protection on the chances of experiencing occupational stability.

Another interesting observation is that mobility rates between unemployed people across countries in no way match the mobility rates among employed members of the labour force. This is most evident in the UK, for instance, where a very high rate (51.5%) among unemployed people is accompanied by a very low rate (10.5%) within the sample of employed individuals. This may highlight the importance of institutional unemployment protection as a mediator of occupational mobility among unemployed members of the labour force.

FIGURE 4.7: Country differences in rates of mobility among unemployed and employed people, 2004-2008

Source: Author's own calculations, EU-SILC (2004-2008)

Turning to the results of the multi-level model, Table 4.4 displays the null model (Model 1) and a multi-level model that controls for individual-level independent variables. These two models allow for a basic examination of the likelihood of occupational mobility among unemployed people in Europe and how much it varies across European countries. The variance partition coefficient (latent interclass correlation coefficient⁶¹) is 0.119, meaning that 11.9% of the residual variation in the propensity of occupational change among unemployed individuals is attributable to unobserved country-level characteristics. Because the variation is beyond 10% (considered the minimum expected for further modelling), this further justifies the use of a multilevel modelling strategy⁶².

⁶¹ Calculated using the formula $icc = \text{var}(u_0) / [\text{var}(u_0) + \pi^2/3]$

⁶² N.B. The author also constructed two alternative 3-level models. The first was run with country-year wave at Level 2 and country-level at Level 3, and the second with country-level at Level 2 and regime-type (using unemployment welfare regimes defined by Gallie and Paugam (2000)) at Level 3. However, in both cases the ICC for the additional level (i.e. country-wave and regime-type) was below 10% (7.2% and 5%

TABLE 4.4: Predicting the occupational mobility of unemployed people in Europe at the individual level⁶³

	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 1 (baseline)		Model 2	
Intercept	-0.353*** (0.132)		-0.452** (0.203)	
<i>Individual-level control variables</i>				
Gender				
Male			0.087 (0.064)	1.091
Female (<u>ref.</u>)				
Age				
16-24 (<u>ref.</u>)				
25-34			-0.100 (0.090)	0.905
35-44			-0.102 (0.103)	0.904
45-54			-0.286** (0.117)	0.752
55-64			-0.610*** (0.166)	0.543
Skills				
Low-general skills			0.051 (0.077)	1.053
High-general skills			0.169* (0.096)	1.185
Specific skills (<u>ref.</u>)				
Educational attainment (ISCED)				
Pre-primary			-0.123 (0.492)	0.884
Primary (<u>ref.</u>)				
Lower secondary			0.091 (0.106)	1.095
Upper secondary			0.260** (0.108)	1.297
Post-secondary			0.552*** (0.182)	1.737
Tertiary			0.268** (0.123)	1.307
Marital status				
Married (<u>ref.</u>)				
Never married			0.229*** (0.074)	1.257
Separated			-0.043 (0.200)	0.958
Widowed			0.353 (0.306)	1.423
Divorced			0.147 (0.135)	1.158
Income				
Quintile 1 (<u>ref.</u>)				
Quintile 2			-0.096 (0.088)	0.909
Quintile 3			-0.328*** (0.088)	0.721
Quintile 4			-0.203** (0.091)	0.816
Quintile 5 (highest)			-0.376*** (0.106)	0.687
Country-level variation	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>
	0.404	0.098	0.391	0.094
Wald chi2(0):			99.58	
Prob > chi2:			0.000	
Log likelihood:	-3518.4479		-3431.9207	
<i>N</i> (Level 2)	10		10	
<i>N</i> (Level 1)	5410		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: EU-SILC (2004-2008)

respectively) when predicting the mobility of unemployed people, which justified the use of a 2-level model rather than a 3-level model.

⁶³ It should be noted that it was not possible to control for the receipt of unemployment benefits as in the previous chapter. This is because despite the inclusion of such a variable in the EU-SILC database, information for it has not been collected across all of the countries analysed. However, unemployment benefit generosity is controlled for at the macro-level.

After the addition of individual-level control variables (gender, age, education, skills, marital status and income), the results of Model 2 are displayed in the second column of Table 4.4. The model fit improves, as evidenced by a drop in the log pseudo-likelihood and residual variance. In contrast to existing investigations of the occupational mobility of the overall labour force (rather than employed and unemployed groups) that show gender to be a significant predictor of occupational mobility, the results of the multilevel model confirm the descriptive findings presented earlier and demonstrate that gender is insignificant in predicting the mobility of unemployed individuals (e.g. Longhi and Brynin, 2010). Women are no more likely to experience mobility than men when unemployed. This observation remains true throughout the rest of the analysis, even after the introduction of further explanatory and control variables at the individual- and country-level.

Confirming the descriptive analysis that shows mobility to decline with age, the same pattern emerges according to the results of the regression. Individuals in older age groups are statistically and consistently less likely to experience mobility than the youngest reference group (16-24).

The individual-level results further show that higher educational attainment is associated with greater odds of experiencing occupational change for unemployed people, confirming the results of the descriptive analysis and of analyses of occupational mobility in the general labour force (e.g. Kambourov and Manovskii, 2008; Longhi and Taylor, 2013). This may be explained by the transferable skills and therefore the greater levels of occupational flexibility conferred by the achievement of higher qualifications. However, another reason may be that individuals with higher educational attainment tend to come from better jobs than those with lower qualifications. Given the scarring effects of unemployment on the career of a worker, workers entering unemployment from 'good' jobs may be more likely to experience occupational change into 'bad' jobs (Pissarides, 1994). In contrast to this, individuals with lower levels of educational attainment may already be in such 'bad' jobs

and therefore face lower odds of experiencing mobility across an unemployment spell. In other words, a lower 'level' of skills could imply that the worker has reached the floor of the labour market, where occupational mobility is less likely.

However, this finding contradicts the results of the previous chapter, which show the level of education to be an insignificant predictor of occupational mobility among unemployed people. Another inconsistent finding is that in contrast to levels of educational attainment, levels of skill do not appear to be negatively associated with chances of occupational mobility between pre- and post-unemployment. The low-general skill group dummy is statistically insignificant compared to the specific skill group dummy. The hypothesis of the previous chapter is confirmed with the observation that unemployed people previously occupied in positions requiring specific skills are less likely to experience occupational mobility in Europe than individuals equipped with high-general skills.

In order to understand the relationship between skills, education and occupational mobility between pre- and post-unemployment, the model is re-run using several different combinations, the results of which are displayed in Table 4.5. In addition to skills and education, the combinations also take into account income, as it can often be understood as a proxy of education⁶⁴. The exclusion of the education dummies confers greater statistical significance on the high-general skill dummy, confirming the interplay between the two. Nonetheless, no matter what the combination, the robustness of the result remains, and unemployed people in the specific skill group are significantly less likely to experience occupational mobility than people with high-general skills.

⁶⁴ As in the previous chapter, the model was also run with higher education (tertiary) as an indicator of general skills. However, the dummy had no statistical significance.

TABLE 4.5: The effect of skills, education and income on occupational mobility between pre- and post-unemployment in Europe, 2004-2008

	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 2		Model 2a		Model 2b		Model 2c	
Intercept	-0.452** (0.203)		0.079 (0.064)		-415** (0.193)		-0.599*** (0.197)	
Skills								
Low-general skills	0.051 (0.077)	1.053	0.069 (0.076)	1.072			0.067 (0.077)	1.069
High-general skills	0.169* (0.096)	1.185	0.250*** (0.088)	1.283			0.156* (0.096)	1.169
Specific skills (ref.)	(ref.)		(ref.)					
Educational attainment (ISCED)								
Pre-primary	-0.123 (0.492)	0.884			-0.136 (0.491)	0.873	-0.061 (0.0491)	0.941
Primary (ref.)								
Lower secondary	0.091 (0.106)	1.095			0.094 (0.106)	1.099	0.056 (0.106)	1.058
Upper secondary	0.260** (0.108)	1.297			0.281*** (0.107)	1.324	0.200* (0.107)	1.221
Post-secondary	0.552*** (0.182)	1.737			0.591*** (0.180)	1.806	0.463*** (0.180)	1.589
Tertiary	0.268** (0.123)	1.307			0.340*** (0.116)	1.404	0.173 (0.120)	1.189
Income								
Quintile 1 (ref.)								
Quintile 2	-0.096 (0.088)	0.909	-0.086 (0.087)	0.918	-0.094 (0.088)	0.910		
Quintile 3	-0.328*** (0.088)	0.721	-0.293*** (0.087)	0.746	-0.329*** (0.088)	0.720		
Quintile 4	-0.203** (0.091)	0.816	-0.166* (0.090)	0.847	-0.197** (0.091)	0.821		
Quintile 5 (highest)	-0.376*** (0.106)	0.687	-0.327*** (0.103)	0.721	-0.360*** (0.105)	0.698		
Country-level variation	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>
	0.391	0.094	0.397	0.096	0.397	0.096	0.393	0.095
Wald chi2(0):	99.58		87.31		96.52		80.16	
Prob > chi2:	0.000		0.000		0.000		0.000	
Log likelihood:	-3431.9207		-3473.2235		-3433.5452		-3442.1769	
<i>N</i> (Level 2)	10		10		10		10	
<i>N</i> (Level 1)	5359		5410		5359		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age and marital status.

Source: EU-SILC (2004-2008)

Other individual-level findings show that singles ('never married') display higher odds of experiencing mobility between pre- and post-unemployment, perhaps reflecting the fewer (e.g. geographic) constraints attached to singles compared to individuals with partners. This finding also contributes to existing evidence on the importance of marital status in predicting the mobility of unemployed people (e.g. Longhi and Taylor, 2013). Furthermore, as in the previous chapter, higher income is associated with lower odds of experiencing occupational change, a finding that provides further evidence that unemployed people with higher incomes can sustain their job search for longer and thereby secure a better skills-match across jobless spells.

At the macro-level, Model 3 first adds controls for differences in the economic performance of the economy and the labour market, before Model 4 adds variations in the OECD's employment protection legislation index. The measure for GDP growth is removed as it proves statistically insignificant alongside the measure of changes in unemployment rate, which is considered a proxy for economic performance in the labour market that is more important in determining occupational mobility among unemployed people. It can be observed that whilst EPL is insignificant in predicting the occupational mobility of unemployed people, adverse economic conditions (reflected by higher unemployment rates) are negatively correlated with occupational mobility, thereby confirming the results of the UK and German analysis. This contradicts the suggestion that the higher probability of dismissals and the lower probability of getting hired would reduce the chances of employment stability across jobless spells. Nevertheless, similar to the hypothesised effects of EPL, fewer job openings may result in longer unemployment spells that give unemployed individuals more time to match pre- and post-unemployment occupations. Furthermore, the results may also be a reflection of people's behaviour during worsening labour market conditions. When labour market risks (such as the risk of unemployment) are high, risk-adverse individuals are less likely to change jobs when in employment, and

unemployed people may also be less inclined to change career paths and enter new occupations when the labour market is volatile.

TABLE 4.6: Predicting the occupational mobility of unemployed people in Europe at the macro level - 1

	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 3a		Model 3b	
Intercept	1.224* (0.711)		0.907 (0.618)	
<i>Country-level control variables</i>				
% Unemployment	-0.200*** (0.076)	0.818	-0.192*** (0.067)	0.826
GDP	-0.026 (0.068)	0.974		
EPL Index			0.072 (0.207)	1.074
Country-level variation	<i>Estimate</i> 0.516	<i>SE</i> 0.141	<i>Estimate</i> 0.509	<i>SE</i> 0.135
Wald chi2(0):	107.20		107.52	
Prob > chi2:	0.000		0.000	
Log likelihood:	-3426.9831		-3426.9982	
N (Level 2)	10		10	
N (Level 1)	5359		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for individual-level variables from Model 2.

Source: EU-SILC (2004-2008)

Table 4.7 displays the macro-level results of Model 4 (including country-level explanatory variables). The effect of the country-level control variables (unemployment rate and EPL) remains the same, while unemployment benefit generosity has a positive effect on chances of occupational mobility. This is true whether or not it is measured in terms of the OECD's net replacement rate (which we will come back to in the discussion), or in terms of spending on passive labour market policies according to the two models. This contradicts Hypothesis B, suggesting that unemployed people in countries with more generous unemployment protection systems are more likely to change occupational group and thereby lose their previous skill investment.

TABLE 4.7: Predicting occupational mobility of unemployed people in Europe at the macro level – 2

	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 4a		Model 4b	
Intercept	-0.210 (1.190)		0.408 (1.152)	
<i>Country-level control variables</i>				
% Unemployment	-0.277*** (0.081)	0.758	-0.407*** (0.096)	0.666
GDP				
EPL Index	-0.602 (0.466)	0.548	-0.265 (0.429)	0.767
<i>Country-level explanatory variables</i>				
UB generosity (NRR, OECD)	0.071* (0.039)	1.074	0.044 (0.034)	0.666
PLMP spending (% of GDP)			1.037*** (0.349)	2.820
ALMP spending (% of GDP)	-1.129 (0.932)	0.323	-1.262* (0.706)	0.283
Country-level variation	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>
	0.516	0.141	0.509	0.135
Wald chi2(0):	107.20		107.52	
Prob > chi2:	0.000		0.000	
Log likelihood:	-3426.9831		-3426.9982	
N (Level 2)	10		10	
N (Level 1)	5359		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for individual-level variables from Model 2.

Source: EU-SILC, (2004-2008)

In addition to UB generosity and PLMP spending being associated with greater odds of experiencing mobility, ALMP spending is associated with *lower* odds of experiencing mobility (only when the model is run with PLMP spending rather than NNRs as a measure of generosity). This suggests that ALMPs tackle information deficits on the labour market (Card *et al.*, 2010), thereby reducing occupational mobility. For instance, the use of counselling services can match unemployed people with job openings and thereby improve the pairing of pre- and post-unemployment occupational groups and skills. This finding may therefore support previous studies on the effect of ALMPs, such as Wulfgramm and Fervers' (2013) paper which suggests that ALMPs improve unemployed people's chances of finding high quality jobs. Nonetheless, the finding should be treated with caution, as the statistical significance of the ALMP dummy only manifests itself in the presence of the PLMP spending dummy (and not, for example, when using NNRs instead).

TABLE 4.8: Predicting the occupational mobility of unemployed people in Europe at the macro level using different measures of ALMPs

	<i>B</i> Model 5	<i>OR</i>	<i>B</i> Model 5a	<i>OR</i>	<i>B</i> Model 5b	<i>OR</i>	<i>B</i> Model 5c	<i>OR</i>
Intercept	-0.531 (0.776)		0.936 (0.844)		-0.054 (0.699)		-0.577 (0.577)	
<i>Country-level control variables</i>								
% Unemployment	-0.209*** (0.062)	0.811	-0.363*** (0.089)	0.696	-0.218*** (0.062)	0.805		
EPL Index	0.581 (0.382)	1.788	0.269 (0.207)	1.309	0.219 (0.190)	1.244		
<i>Country-level explanatory variables</i>								
UB generosity (NRR, OECD)	-0.026 (0.024)	0.975						
PLMP spending (% of GDP)			1.008*** (0.357)	2.740				
ALMP 1 spending (% of GDP)	3.688* (1.980)	39.972	0.724 (1.156)	2.063	1.811* (1.013)	6.118	0.827 (0.888)	2.287
ALMP 2 spending (% of GDP)	4.165** (2.137)	64.372	0.075 (1.631)	1.078	2.286* (1.332)	9.836	1.080 (1.067)	2.944
ALMP 3 spending (% of GDP)	0.816 (1.828)	2.261	-3.353* (1.926)	0.035	-0.493 (1.502)	0.611	-0.535 (1.310)	0.586
Country-level variation	<i>Estimate</i> 0.347	<i>SE</i> 0.091	<i>Estimate</i> 0.416	<i>SE</i> 0.116	<i>Estimate</i> 0.378	<i>SE</i> 0.098	<i>Estimate</i> 0.343	<i>SE</i> 0.084
Wald chi2(0):	114.19		117.04		113.11		102.35	
Prob > chi2:	0.000		0.000		0		0	
Log likelihood:	-3423.4812		-3419.5542		-3424.0164		-3430.6843	
N (Level 2)	10		10		10		10	
N (Level 1)	5359		5359		5359		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for individual-level variables from Model 2.

Source: EU-SILC (2004-2008)

TABLE 4.9: Predicting the occupational mobility of unemployed people in Europe at the macro level using spending on 'PES and administration'

	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
	Model 6		Model 6a		Model 6b		Model 6c	
Intercept	-1.577*** (0.589)		-1.178* (0.711)		-1.251* (0.688)		-1.478*** (0.432)	
<i>Country-level control variables</i>								
% Unemployment	-0.211*** (0.057)	0.810	-0.292*** (0.091)	0.747	-0.185*** (0.062)	0.831		
EPL Index	-0.283 (0.234)	0.754	0.304* (0.169)	1.355	0.216 (0.154)	1.241		
<i>Country-level explanatory variables</i>								
UB generosity (NRR, OECD)	0.047** (0.020)	1.048						
PLMP spending (% of GDP)			0.820*** (0.311)	2.270				
ALMP spending on 'PES and admin' (% of GDP)	7.208*** (1.714)	1350.517	6.989*** (2.099)	1085.031	1.811* (1.013)	467.561	4.985*** (1.572)	146.173
'Other' ALMP spending (% of GDP)	-1.265 (1.093)	0.282	0.093 (0.654)	1.097	2.286* (1.332)	3.313	0.584 (0.419)	1.793
Country-level variation	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>	<i>Estimate</i>	<i>SE</i>
	0.248	0.071	0.324	0.107	0.313	0.088	0.262	0.066
Wald chi2(0):	124.21		115.16		114.64		110.29	
Prob > chi2:	0.000		0.000		0.000		0.000	
Log likelihood:	-3420.1174		-3418.4099		-3422.6798		-3428.1395	
N (Level 2)	10		10		10		10	
N (Level 1)	5359		5359		5359		5359	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for individual-level variables from Model 2.

Source: EU-SILC (2004-2008)

In order to explore the finding that ALMP spending is significant in explaining occupational mobility, several different combinations are tested and the results displayed in Table 4.8. These models also include a disaggregated measure of ALMP spending according to Bonoli (2010), with ALMPs 1-3 denoting ‘employment assistance’⁶⁵, ‘occupation’ and ‘human capital investment’ (e.g. training) respectively. As expected, unemployed people in countries characterised by high spending on ‘employment assistance’ (ALMP 1) are more likely to experience mobility, even though this finding is not robust (when we control for PLMPs instead of net replacement rates as an indicator of unemployment benefit generosity, for instance). Surprisingly, spending on ‘occupation’ is also associated with greater odds of experiencing mobility (although again, this finding is not robust with the addition of spending on PLMPs). Spending on ‘human capital investment’ (ALMP 3) is statistically insignificant, and is only associated with *lower* rates of mobility when combined with spending on PLMPs.

When disaggregating the spending on ALMPs, the statistical significance of unemployment benefit generosity is wiped out, suggesting that the finding that it is associated with *greater* odds of experiencing occupational mobility is not robust.

To test the theory that spending on ‘employment assistance’ is a sign that countries have turned towards ‘activation’ by tightening conditionality, I include a further disaggregation of the ALMP variable (the descriptives can be seen in Table 4.10 below). Spending on ‘PES and administration’, which is considered part of spending on ‘employment assistance’ (ALMP 1) is isolated, because such expenditure expanded significantly over the same period as conditionality was tightened in the UK and Germany (e.g. due to the expansion of

⁶⁵ This includes measures of ‘incentive reinforcement’. Although Bonoli (2010) distinguishes between four different types of ALMP including the three mentioned here as well as ‘incentive reinforcement’, it is difficult to identify ‘incentive reinforcement’ using expenditure data, as the very nature of such measures does not involve spending but a tightening of conditionality. The assumption I make here is that expenditure on ‘employment assistance’ indicates measures towards ‘incentive reinforcement’ as the two have been shown to occur at the same time. For instance, Bonoli (2010) has suggested that in the UK, spending aimed at ‘employment assistance’ was increased in the same time as conditionality was tightened.

integrated job centres). All other ALMP spending is included as part of ‘Other’, which captures spending on programmes such as ‘training’, ‘employment incentives’, ‘direct job creation’, ‘supported employment and rehabilitation’ and ‘start-up incentives’.

TABLE 4.10: Average spending on ALMPs as a % of GDP between ‘PES and administration’ and ‘other’, 2004-2008

	<i>PES and administration</i>	<i>Other</i>
United Kingdom	0.322	0.048
Germany	0.274	0.622
France	0.226	0.686
Sweden	0.216	0.852
Belgium	0.196	0.93
Finland	0.168	0.73
Austria	0.166	0.492
Portugal	0.15	0.448
Spain	0.128	0.656
Ireland	0.126	0.532
Italy	0.088	0.432

Source: OECD (2014)

The results of this model are displayed in Table 4.9 and suggest that the ALMP dummy is significant in the positive direction. In other words, spending on ‘PES and administration’ can be said to strongly (according to the odds ratios) increase the odds of unemployed people experiencing occupational mobility. Furthermore, the effect of unemployment benefit generosity (both in terms of NRRs and spending on PLMPs) is positively significant, which contradicts Hypothesis B.

Discussion and Conclusion

The two main findings show that: (i) individuals who experience joblessness in unemployment protection systems that are more generous also appear to be more likely to experience occupational mobility, and; (ii) that unemployed people in countries that are characterised by higher spending on public employment services and administration face higher odds of experiencing such occupational change. The findings therefore contradict Hypothesis B, which states that generous systems of unemployment protection are likely to reduce the chances of occupational mobility.

I first consider these two observations separately, before turning to the question of how they interact with each other. Regarding the first finding, it has in theory been argued that generous benefits can increase occupational mobility. This can happen when generous benefits depress the intensity of the job search, and thereby prolong unemployment as well as worsening the quality of the post-unemployment job (as argued by Vodopivec, 2004). This is at odds with the hypothesis stated at the beginning of the chapter, that generous benefits increase the chances of a person finding a job that matches their previous occupational group, thereby protecting their skill investment and reducing occupational mobility.

However, the finding that unemployment benefit generosity has a positive impact on occupational mobility should be taken with a degree of caution. When ALMPs are disaggregated according to Bonoli's (2010) classification (as shown in Model 5 in Table 4.8), the variable is insignificant. Furthermore, the measure of NRRs adopted in the model represents the net replacement rate of a single worker in the initial phase of unemployment, who receives 67% of the average production worker's (APW) earnings in his or her country⁶⁶, has no children and receives no social assistance. Tables 4.11 and 4.12 display the results of model 5 and 6 (which differ depending on how spending on ALMPs is disaggregated) when they are run with a variety of NRRs for people in other situations, displaying only the result of the unemployment benefit generosity and ALMP variables. Both tables show that the effect of unemployment benefit generosity is not robust across these different combinations. In fact, the statistical significance of the variable manifests itself in the first measure described above in model 6.

⁶⁶ An average production worker (APW) is defined as somebody who earns the average income of full-time production workers in the manufacturing sector. The average production worker is single and his or her earnings are net earnings, meaning that it is referring to earnings after deductions rather than gross pay (i.e. before deductions). These deductions include personal income taxes, employees' social security contributions, employers' social security contributions (which, whilst not deducted from employees' pay, are treated as though they are) as well as payroll taxes for the countries that have them (which represent a slightly different way of calculating social security contributions as it employs a percentage of the total payroll to be paid by the employer *and* the employee, rather than differentiating between the two, and which is employed in the US, for example).

TABLE 4.11: Results of model 5 with different combinations of NRRs

Measure of NRR used	<i>NRR</i>		<i>ALMP 1</i>		<i>ALMP 2</i>		<i>ALMP 3</i>	
	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
Initial phase, No SA, 67% income, No children, Single	-0.026 (0.024)	0.975	3.688* (1.980)	39.972	4.165** (2.137)	64.372	0.816 (1.828)	2.261
Initial phase, SA, 67% income, No children, Single	-0.016 (0.025)	0.984	2.211* (1.186)	9.122	2.974* (1.712)	19.574	-0.561 (1.478)	0.571
Initial phase, No SA, 100% income, No children, Single	0.004 (0.027)	1.004	1.670 (1.484)	5.311	2.122 (1.884)	8.268	-0.705 (2.217)	0.494
Initial phase, No SA, 67% income, 2 children, Lone parent	-0.030 (0.034)	0.970	3.214* (1.895)	24.870	3.157** (1.645)	23.511	1.211 (2.430)	3.355
Initial phase, No SA, 67% income, No children, Two-earner married couple	-0.055 (0.049)	0.947	3.299** (1.643)	27.076	2.939** (1.395)	18.905	1.657 (2.362)	5.241
Initial phase, No SA, 67% income, No children, One-earner married couple	-0.029** (0.013)	0.972	2.931*** (0.998)	18.748	3.654*** (1.285)	38.621	0.601 (1.325)	1.824
Initial phase, No SA, 67% income, 2 children, Two-earner married couple	-0.032 (0.043)	0.968	2.793* (1.644)	16.330	2.793** (1.463)	16.332	0.605 (2.053)	1.831
Long-term, No SA, 67% income, No children, Single	-0.007 (0.012)	1.007	1.939** (0.999)	6.951	1.307 (1.995)	3.694	-0.998 (1.651)	0.369
Long-term, No SA, 67% income, 2 children, Two-earner married couple	-0.031 (0.021)	0.969	1.659* (0.923)	5.254	3.435** (1.436)	31.023	-0.205 (1.363)	0.815
Long-term, SA, 67% income, No children, Single	0.008 (0.008)	1.008	1.326 (1.056)	3.765	1.906 (1.293)	6.727	-1.172 (1.549)	0.310

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, marital status, education, income, skills, unemployment rate and EPL index.

Source: EU-SILC, 2004-2008

TABLE 4.12: Results of model 6 with different combinations of NRRs

Measure of NRR used	<i>NRR</i>		<i>ALMP 1</i>		<i>ALMP 2</i>	
	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>	<i>B</i>	<i>OR</i>
Initial phase, No SA, 67% income, No children, Single	0.047** (0.020)	1.048	7.208*** (1.714)	1350.517	-1.265 (1.093)	0.282
Initial phase, SA, 67% income, No children, Single	0.015 (0.018)	1.015	6.085*** (1.924)	439.145	0.873 (0.629)	2.394
Initial phase, No SA, 100% income, No children, Single	0.034 (0.021)	1.034	7.120*** (1.980)	1236.478	0.061 (0.852)	1.062
Initial phase, No SA, 67% income, 2 children, Lone parent	0.023 (0.036)	1.023	6.437*** (1.935)	624.655	0.425 (1.337)	1.530
Initial phase, No SA, 67% income, No children, Two-earner married couple	0.020 (0.051)	1.021	6.587*** (2.237)	725.415	0.823 (1.059)	2.278
Initial phase, No SA, 67% income, No children, One-earner married couple	-0.002 (0.017)	0.998	6.019*** (2.381)	411.030	1.252* (0.767)	3.499
Initial phase, No SA, 67% income, 2 children, Two-earner married couple	0.044 (0.040)	1.045	6.931*** (2.007)	1023.304	0.317 (0.927)	1.373
Long-term, No SA, 67% income, No children, Single	-0.000 (0.006)	1.000	6.154*** (1.989)	470.494	1.204** (0.566)	3.333
Long-term, No SA, 67% income, 2 children, Two-earner married couple	-0.008 (0.018)	0.993	5.864*** (2.059)	352.064	1.265** (0.540)	3.543
Long-term, SA, 67% income, No children, Single	-0.008 (0.009)	0.992	7.534*** (2.588)	1869.657	1.587** (0.701)	4.889

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, marital status, education, income, skills, unemployment rate and EPL index.

Source: EU-SILC, 2004-2008

Spending on ALMPs, on the other hand, consistently has a strong and statistically significant positive effect on the occupational mobility of unemployed people in model 6 according to Table 4.12. This is especially true of the variable that captures spending on PES and administration, although the other variable is relevant when using measures of long-term unemployment benefit generosity.

The observation that ALMP spending encourages occupational mobility across the unemployment spell contradicts previous findings, such as the ones made with regard to reemployment stability by Card *et al.* (2010) as well as Wulfgramm and Fervers (2013). Here, the argument is that public employment services (PES) tackle information deficits in the labour market, and thereby secure improve the quality of the job-matching process. They can also reduce the mobility of unemployed people via an interaction effect with other labour market programmes. For instance, consultants at work agencies can design suitable and individualised combinations of options for unemployed people (Card *et al.*, 2010; Wulfgramm and Fervers, 2013).

The conflicting evidence on this matter supports the view that the effect of ALMPs on the chances of experiencing occupational mobility really depends on the type of ALMPs in question. Although all ALMPs share the aim of pushing people back into employment, they can do so using different methods. On the one hand, they can force people back into employment by reducing the attractiveness of benefits. On the other, they can instead focus on providing recipients with the skills required to be successful when looking for jobs (Rueda, 2012: 7). For instance, David Rueda has distinguished between ALMP reforms affecting ‘conditionality’ (the demanding side, which makes eligibility more difficult) and those that have an impact on ‘activation’ (the enabling side), arguing that it is essential to consider levels of enabling and demanding workfare independently, as they have ambiguous effects.

Despite disaggregating the ALMP spending variable into two, one of which measures spending on PES and administration, and the other that captures expenditure on other programmes such as job creation, the variables do not reveal whether the spending is on the 'enabling' or the 'demanding' side of active labour market policies. However, the liberal unemployment protection system of the UK has the highest spending on 'PES and administration' among the countries analysed (see Figure 4.8) reflects the central role that fully integrated job agencies (Jobcentre Plus) play in combining job placement, benefit payments and placing participants on active programmes. In the UK, this spending is therefore likely to be concentrated on the 'demanding' side of active labour market policies. After all, the description of this classification is described as referring to the national employment service 'whose main responsibility is to facilitate the integration of unemployed and other jobseekers in the labour market' (Eurostat, 2013b: 14, see Table 4.13 below). The rise in expenditure on PES and administration has in fact been linked with the toughening of work search requirements in the late 1980s and early 1990s (see e.g. van Reenen, 2000: 477).

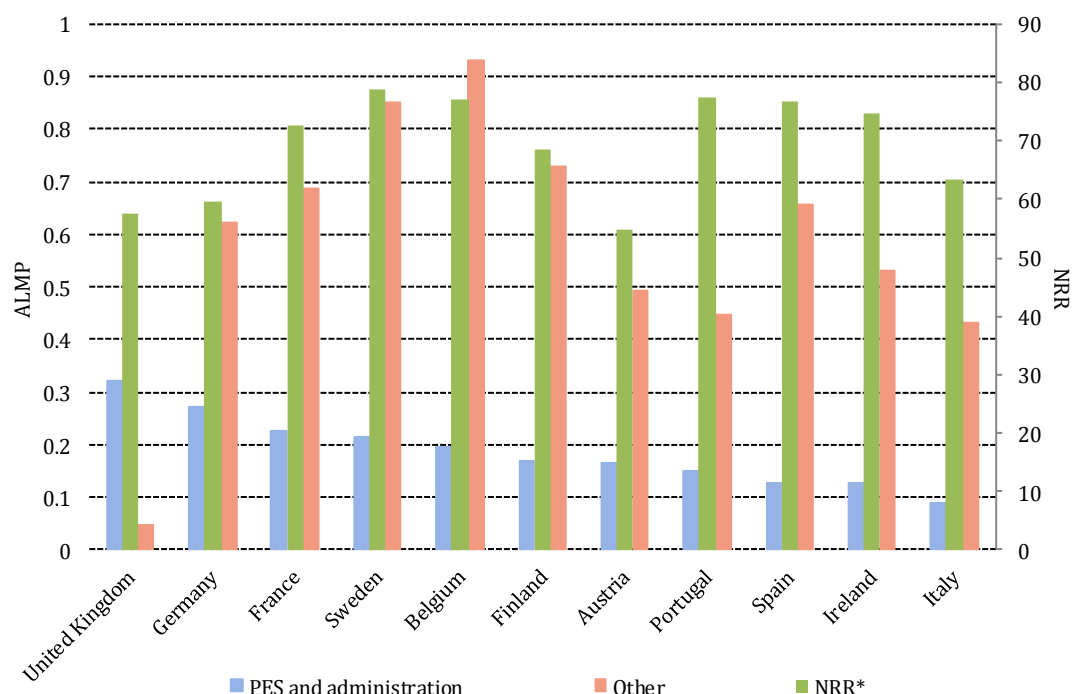
At the same time, these two results should not be treated separately. For instance, the finding that generous benefits are associated with high mobility may in part be influenced by ALMPs that interact with benefits. Countries with comparatively generous unemployment benefit systems, such as Sweden are often also characterised by higher spending on ALMPs. For instance, the receipt of generous benefits could be associated with participation in ALPMs that 're-skill' the individual, thereby leading to higher chances of mobility.

TABLE 4.13: Descriptive of elements of ALMP

<i>Name</i>	<i>Description</i>
ALMPs	Sum of PES and administration, training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives (note that 'job rotation and job sharing' is no longer used).
PES and administration	<i>PES</i> should be understood to refer to the national employment service (and regional/local equivalents) together with any other publicly funded bodies whose main responsibility is to facilitate the integration of unemployed and other jobseekers in the labour market. Administration covers activities of the PES related to the administration and payment of labour market programme (LMP) <i>supports</i> and/or the supervision by the PES of other bodies that undertake the payment/administration function.
Training	Training covers measures that aim to improve the employability of LMP target groups through training, and which are financed by public bodies.
Employment incentives	Employment incentives covers measures that facilitate the recruitment of unemployed persons and other target groups, or help to ensure the continued employment of persons at risk of involuntary job loss.
Supported employment and rehabilitation	Supported employment and rehabilitation covers measures that aim to promote the labour market integration of persons with reduced working capacity through sheltered or supported employment or through rehabilitation.
Direct job creation	Direct job creation covers measures that create additional jobs, usually of community benefit or socially useful, in order to find employment for the long-term unemployed or persons otherwise difficult to place.
Start-up incentives	Start-up incentives covers measures that promote entrepreneurship by encouraging the unemployed and other target groups to start their own business or become self-employed.

Source: Eurostat (2013b)

There may also be an inverse relationship between unemployment benefit generosity and ALMP spending on public employment services and administration. Spending on such ALMPs is particularly high in countries with comparatively low generosity of unemployment benefits, such as the UK and Germany (Figure 4.8). This, in turn, suggests that while countries like the UK have low levels of unemployment benefits and a near absence of 'enabling' ALMPs (Rueda, 2012), they have shifted spending on unemployment protection towards administrative side. For example, the UK has an extensive network of jobcentres, which may be what this spending on ALMPs reflects. This may explain why higher spending on ALMPs, especially on the administrative side of them, increases the mobility of unemployed, since this higher spending occurs in countries with a comparatively low generosity of benefits.

FIGURE 4.8: Components of average ALMP spending across countries analysed, 2004-2008

**NRRs are depicted for a person who earns 67% of the median income, receives social assistance, has no children and who is single.*

Bonoli (2010) has further suggested that spending aimed at ‘employment assistance’, which includes expenditure on public employment services and administration, was increased in the same time as conditionality was tightened. Chapter III described this development, and how employment services became more ‘integrated’ in the course of reforms such as the introduction of JSA in the UK in 1996, or the Hartz reforms in the mid-2000s in Germany. This meant that administration of labour market programmes - which was previously separated from benefit provision – came under the management of a single job centre (e.g. Jobcentre Plus). This also meant that participation in such labour market programmes came closer to the rules and sanctions imposed under the receipt of benefits. This also means that the change that is influenced by spending on such ALMPs is likely to be ‘downward’ mobility caused by stricter conditionality, as argued in the previous chapter.

There is also a clear interaction between spending on ‘other’ ALMPs and unemployment benefit generosity, as evidenced in Table 4.12. Here, whether a measure of generosity for

the initial phase or over the long-term is used affects the statistical significance of the variable, which captures spending on programmes such as training and employment initiatives. This observation suggests that ALMPs have a different effect on long-term unemployed people than they do on people who, for instance, experience frictional unemployment.

To conclude, institutional unemployment protection can therefore help explain at least some of the variation in occupational mobility between pre- and post-unemployment across Europe. While the statistical significance of the unemployment benefit generosity variable is not robust when taking into account different measures, spending on public employment services and administration as a percentage of GDP appears to be robust and positively associated with chances of occupational change for unemployed people.

Nonetheless, the results do not confirm Hypothesis B and therefore do not support the theoretical framework of this thesis, which is largely guided by rationalistic assumptions from VoC literature. VoC suggests that generous unemployment benefits are associated with lower odds of experiencing occupational mobility, but the results of this chapter suggest that this is not the case.

Nonetheless, according to the descriptive results, despite the large variation between countries in terms of the mobility of unemployed people, countries typically found to be in the same cluster in political economy literature (e.g. Esping-Andersen, 1990) display very inconsistent levels of mobility. For instance, Wulfgramm and Fervers (2013) find Denmark to boast some of the most sustainable reintegration in Europe against neighbour Sweden, which displays some of the lowest. Likewise, the results of this chapter show large differences in the mobility rates of unemployed people between countries otherwise grouped together in political economy literature. Even though Ireland and the UK are considered 'liberal' welfare regimes (Esping-Andersen, 1990), the rate of mobility among

unemployed individuals in the UK is almost double that of Ireland. This presents a further avenue of research that needs to be explored.

This means that models of unemployment protection cannot explain variation in occupational mobility across countries. Instead, variation is likely to be explained by other, unobserved differences across the European sample. Some of these may also be institutional in nature. For instance, two-tier benefit systems characterised by a lower means-tested and a higher contribution-based element could encourage higher or lower mobility depending on the type of benefit the unemployed person receives. The creation of a new, lower-tier benefit as part of the 'Hartz reforms' was said to have represented a 'conscious' effort by the German government to create a flexible labour market for low-skilled workers in order to cope with the rising unemployment among this group (Carlin and Soskice, 2008: 94).

As argued in Chapter III, differences in unemployment benefit generosity or ALMP spending might not be relevant to occupational mobility at all. Instead, their conditionality is more important in determining the chance of whether an unemployed person is likely to be change occupational group or not. I have assumed that spending on public employment services and administration reflects such stricter conditionality, but a closer investigation needs to be made to validate this. However, taking differences in conditionality within such a large sample lies beyond this analysis. Within a smaller group of Scandinavian countries, Jon Kvist (1998) has already provided analyses that demonstrate the complexities of assessing unemployment benefits due to the variation in their conditionality.

Another institutional effect on the chances of occupational mobility of unemployed people that has not been considered in this analysis is 'make work pay' policies such as minimum wages. Policies that 'make work pay' can affect occupational mobility by facilitating entry into the labour market by topping up low pay jobs (Rueda, 2012: 7-8). For instance, in the same way that the generosity of unemployment benefits supposedly reduces chances of

occupational mobility, policies that ensure that post-unemployment job quality is of a certain wage or standard can affect the reemployment decisions of unemployed people. They could prolong unemployment by increasing the reservation wage (according to job search theory), but also make reemployment in a particular job or sector more attractive, thereby encouraging mobility.

At the same time, variations in the mobility of unemployed people across Europe can be the result of factors completely unrelated to institutions or skills. The considerations that individuals take into account when seeking reemployment are influenced by a wide range of factors which are institutional, economic or cultural in nature. For instance, in some countries the stigma attached to unemployment might be stronger than others, which could put people off seeking reemployment in the same job or profession in which they were previously occupied. In countries that are more oriented towards a male-breadwinner model, childbirth might make it less likely for a mother to return to their same occupation in the event of an interruption in employment⁶⁷. There are a plethora of reasons that could explain these variations, not all of which can be discussed and explored within the time- and data-limitations of this thesis, but which present an important direction for other research. Among this major shortcoming, there are a number of other issues with the methodology (e.g. the definition of skills used or errors in the measurement of occupational mobility) that are discussed further in Chapter VII.

Aside from the investigation of institutional factors that may influence the chances of experiencing occupational mobility across an unemployment spell, the findings reaffirm the results of the previous chapter on Germany. Specific skills and low-general skills are associated with lower odds of experiencing occupational mobility in Europe, and therefore lend some support to VoC assumptions. Whilst previous analyses have suggested that the

⁶⁷ While this may not affect occupational mobility directly (because the mother drops out of the sample), it affects the chances of mobility indirectly. By dropping out of the sample, the overall rate of occupational mobility may increase compared to a country where women tend to return to their job after childbirth.

type of previous occupation has little impact on the probability of experiencing occupational change over an unemployment spell (e.g. Longhi and Taylor, 2013), these findings suggest otherwise.

Chapter V

Skill specificity in relation to unemployment protection preferences in Europe

Abstract

While it was hypothesised that workers with specific or low levels of skills are less likely to experience occupational change, this chapter is concerned with the question whether this translates into higher rates of support for social protection. In particular, Varieties of Capitalism theory suggests that workers with specific skills will be in favour of unemployment protection in order to protect their riskier skill investment. Drawing on the 2008 wave of the European Social Survey (ESS), the analysis therefore investigates whether European workers' unemployment protection preferences are guided by the specificity or level of their skills. Unemployment protection preferences are predicted across 19 European Union member states using multilevel models. The findings reveal that workers with specific and low-general skills are more likely to support unemployment protection, and that institutional settings (in particular, spending on public employment services and administration) influence the likelihood of a worker supporting such policies.

Introduction

Physical assets and capital, such as income or savings, have long been recognised as essential for understanding the political preferences of their owners. Alongside these, public policy preferences can also be influenced by investments in human capital according to Varieties of Capitalism (VoC) scholars. Due to the lower portability of their skills, workers who have made heavy investments in asset-specific skills stand a greater risk of losing a substantial portion of their income than workers who have portable skills do. For this reason, it is argued, such individuals have a strong incentive to support policies and institutions that protect their jobs. Individuals with skills that are portable, by contrast, do not require the same extensive nonmarket protection (Iversen and Soskice, 2001: 875).

While the previous two chapters investigated the first half of the assumption by analysing whether specific skills are in fact associated with lower portability and therefore a higher risk of losing them, Chapter V is concerned with the second half of this hypothesis. So far, the results of the analyses lend some support to the notion that skill specificity is linked to lower chances of occupational mobility. Furthermore, the previous chapter suggests that this relationship is mediated by the design of unemployment protection systems, especially spending on active labour market policies (ALMPs).

In order to extend the analysis of VoC to unemployment protection preferences rather than occupational mobility, the investigation turns to public opinion data rather than panel data. Specifically, I rely on the 4th round of the European Social Survey (2008), which contains a question that addresses support for unemployment protection. Despite the multitude of studies on redistribution preferences, as well as an increasing amount of research on specific policies such as employment protection legislation, there have been comparatively fewer investigations of unemployment protection preferences.

The analysis covers a sample of citizens across 19 countries in Europe. To simultaneously estimate the relationship between individual and country-level covariates with individual unemployment protection preferences, I rely on two-level mixed regression models. The findings show that people with specific and low-general skills are more likely to support unemployment protection than their colleagues with high-general skills, provided two very broad indicators of political ideology and perceptions of labour market insecurity are not included in the analysis (as the robustness tests show).

In addition to these findings, the comparative analysis shows that there is strong variation in support for unemployment protection across European countries. Whilst spending on ALMPs explains some of this variation, the question of whether differences in the skill-composition of labour markets can account for these differences is further investigated in Chapter VI.

The remainder of the chapter is organised as follows. The theoretical background for the analysis of unemployment protection preferences is outlined in the next section, as well as a summary of previous evidence on public policy and in particular, unemployment protection preferences. Section III presents data, discusses the methodology as well as the dependent and independent variables used in the analysis. Firstly, individual-level results are presented, followed by country-level findings in Section IV. Finally, the fifth and final section discusses these findings and their possible implications for policymakers, as well as a conclusion.

Literature review and theoretical framework

Existing literature has generally distinguished between three different sources in the formation of redistribution preferences:

1. Economic factors: According to these arguments, welfare policy is fundamentally about redistribution from rich to poor. Self-interested voters will support welfare policy up to the point at which their gain from income redistribution matches their share of the cost (Moene and Wallerstein, 2001: 859-860).
2. Risk-averse considerations: Following these arguments, the essence of welfare policy is the public provision of insurance, and self-interested voters will support welfare policy to obtain protection against the risks that private insurance markets fail to cover (Moene and Wallerstein, 2001: 859-860).
3. Non-economic reasons: These suggest that individuals are in favour of redistribution out of principle. According to this view, people's opinions are guided by belief and ideology.

The economic models of Romer (1975), Roberts (1977), as well as Meltzer and Richard (1981) form the backbone of investigations into the politics of redistribution from a

rationalistic perspective, and highlight the importance of income in shaping preferences towards it. These models predict that political competition will drive the level of welfare spending towards the ideal point of the median voter. For instance, the Meltzer-Richard Model (1981) depicts a flat-rate benefit R paid through a proportional tax, meaning that those below the mean will prefer redistributive spending up to the point where the benefit to them is exactly outweighed by the efficiency cost of taxation. According to such models, income is therefore negatively correlated to the support for redistribution. Consequently, the higher the income, the less supportive individuals will be of such measures. The individual is therefore portrayed as a self-interested, rational being who weighs the benefits of redistribution against the costs of taxation.

This said, an increasing number of issues associated with explanations based on the Meltzer-Richard model⁶⁸ have prompted several authors to propose alternative models that highlight the importance of variables other than income. Moene and Wallerstein (2001) argue that if risk-aversion is sufficiently high, it is possible for those with higher incomes to prefer more redistributive spending because they subsequently have more to lose. In addition to redistributing income from the rich to the poor, redistributive spending is said to serve insurance purposes by cushioning the effects of income losses, thereby affecting the shape of the relationship between income and redistribution preferences. Accordingly, exposure to risks such as unemployment or hyperinflation will inevitably outweigh the negative effect of higher income on redistribution preferences (Cusack *et al.*, 2006).

Central to these arguments has been the role of job insecurity in explaining social policy preferences. Rodrik (1997) and Garrett (1998) argue that economic insecurity is the

⁶⁸ E.g. the observation that countries with more unequal distributions of market income redistribute less than countries with less equal distribution (Rueda and Pontusson, 2010). Described as the 'Robin Hood paradox' (Lindert, 2004: 15), redistribution from rich to poor is therefore least present where it is most needed.

predominant factor in generating demand for social protection. It is commonly remarked that economic insecurity affects the need for social protection (Aldrich *et al.*, 1999; Anderson and Pontusson, 2007; Scheve and Slaughter, 2004). For instance, Rehm (2005) shows that the risk of unemployment influences preferences over redistribution. To a certain extent, economic insecurity remains related to low income and is therefore indistinguishable from the Meltzer-Richard model. However, economic insecurity goes beyond low income situations. It can be generated by adverse labour market conditions and the threat of unemployment. Saint-Paul (2004: 55) suggests that social policy preferences depend on the economic environment and that when the economy is volatile and insiders are exposed to the possibility of unemployment, they will be more likely to take into account the concerns of unemployed people. Similarly, Cusack *et al.* (2006) find a clear structure of popular preferences, party competition, and government policies that are firmly rooted in economic self-interest and stable institutional differences. They argue that social policy preferences are shaped by an individual's exposure to labour market risks, especially as reflected in actual or threatened unemployment, demonstrating that exposure to risk and relative income are remarkably strong predictors of redistributive preferences. Some studies further show that subjective economic insecurity tends to increase people's positive attitudes towards compensatory benefit programmes, and in particular, unemployment insurance (Aldrich *et al.*, 1999; Kramer and Stephenson, 2001). In addition to these studies, a number of scholars have considered how labour market conditions affect welfare policies by virtue of economic insecurities such as de-industrialisation (Iversen and Cusack, 2000), international economic openness (Katzenstein, 1985; Rodrik, 1997; Garrett, 1998) and the specificity of skills (Estevez-Abe *et al.*, 2001; Iversen and Soskice, 2001).

In highlighting the importance of risk-aversion in shaping redistribution preferences, such insurance-based arguments are also closely related to the presence (or absence) of institutions that mitigate labour market risks. As a result, such institutions can also shape redistribution (and especially) unemployment protection preferences. Anderson and

Pontusson (2007), for instance, use survey data from 15 OECD countries to analyse whether and how cross-national differences in social protection affect the extent to which workers worry about losing their jobs. Their findings show that the ex-ante provision of unemployment insurance and active labour market provisions targeted at unemployment risks (and not so much social policy in general) tend to significantly reduce subjective economic insecurity. Chung and van Oorschot (2011) have similarly analysed the impact of institutional and economic contexts on the perceived insecurity of individuals. Hence, one might expect individuals to be *less* supportive of unemployment protection in such institutional settings, given that their perception of labour market risks is reduced. Nevertheless, although the particular link between subjective insecurities and social policy assistance is increasingly mentioned in literature on the politics of social policy, less is known empirically (Scheve and Slaughter, 2004).

The third and increasingly popular group of arguments suggests that the politics of redistribution is shaped by non-economic matters, such as religion, ethnicity or ideology (Cusack *et al.*, 2006). Often, as Rehm (2005: 3) has highlighted, this consideration has not formed part of economic models because the 'lack of data precludes dealing with the selfless version of the 'desire for equity' logic of preference formation'. Nevertheless, there are a number of scholars that have studied the role of values and beliefs as sources of social attitudes, such as norms of 'deservingness', standards of fairness, beliefs about the causes of inequality, partisan ideology, altruism, national identity and other factors (e.g. Kangas and Svallfors, 1995; Kangas, 1997; Fong, 2001; Alesina and Angeletos, 2005; Shayo, 2009). Several studies have emphasised the importance of religion in particular. Scheve and Stasavage (2006) argue that religious involvement and social spending both serve to insure individuals against the effects of adverse life events. As a result, religious individuals prefer lower levels of social insurance provision than secular people, meaning that countries with higher levels of religiosity are likely to have lower levels of welfare spending.

Theories highlighting the importance of denominational differences have played a large role in political economy literature in general. One of the most seminal studies in comparative social policy, Esping Andersen's *Three Worlds of Welfare* (1990), emphasises the difference in welfare policies adopted by Christian Democratic parties and those pursued by Social Democratic parties. Van Kersbergen (2003) has described the origin and development of national Christian democratic parties, arguing that their presence has resulted in the development of a distinct type of welfare regime that he calls 'social capitalism'. Extending this project, van Kersbergen and Manow (2009) have provided a careful analysis of the impact of Protestantism on the development of the European and American welfare state. It has also been argued that religion may influence how individuals believe the economy functions, and that religious people may be more likely to believe that hard effort will be rewarded with higher income (Piketty, 1995), or that they maintain the belief that the world is just and that this hard effort will be rewarded (Benabou and Tirole, 2006).

Furthermore, some accounts exist that have relied on interpersonal preferences to explain social policy attitudes, such as group loyalty (Luttmer, 2001), the importance of relative status (Corneo and Grüner, 2000) as well as race and ethnicity (Alesina *et al.*, 2001).

Regardless of the explanation used to investigate social policy preferences, recent studies show that large sections of the European population support the delivery of welfare provision (e.g. Svallfors, 1997; 1999; 2012; Taylor-Gooby, 2001) and that the welfare state therefore maintains popular support in most countries. At the same time, unemployment protection systems are being rolled back across Europe with the aim of promoting a quicker reintegration of unemployed people to the labour market by reducing income support through lower benefit levels, shorter benefit durations and stricter eligibility criteria.

This has partly been made possible because unemployment protection enjoys less support in the public than broader welfare state programmes, as evidenced by the increasing use of terms such as ‘welfare dependency’ or ‘benefit scroungers’ in the public and political debate within the UK (Turn2Us, 2012). Reeskens and van Oorschot (2013) suggest that although studies show that the welfare state continues to enjoy support, less is known about the *type* of welfare system that is most preferred. Comprehensive and universal benefits such as health care and pensions enjoy considerably more backing than targeted programmes such as unemployment benefits (van Oorschot, 2000). Europeans have been found to share a common and fundamental deservingness culture: across countries and social categories there is a consistent pattern that elderly people are seen as most deserving, closely followed by sick and disabled people; unemployed people are seen as less deserving still, and immigrants as least deserving of all (van Oorschot, 2006: 23).

In other words, existing evidence seems to suggest that the preference formation for different parts of the welfare state is influenced by different factors. Treating welfare state or redistribution preferences as a whole might therefore obscure these differences. In particular, there has been scant research on the formation of unemployment protection preferences. Whilst preferences for unemployment protection are likely to be influenced by a variety of factors, such as income and political ideology, preference-formation in this area is particularly linked to insurance-based arguments. For instance, it makes sense that attitudes towards unemployment protection will be strongly shaped by an individual’s exposure to labour market risks, especially as reflected in actual or threatened unemployment. Even people with high incomes or particularly right-leaning political allegiances are likely to find some sympathy for unemployment protection when they themselves are threatened by unemployment.

As mentioned, there has been an increasing interest in the link between employment risks and welfare state preferences in political economy literature (e.g. Rodrik, 1997; Garrett,

1998; Saint-Paul, 2004; Cusack *et al.*, 2006; Rehm, 2009; Hacker *et al.*, 2013). Investigations of labour market outsidership, usually defined as atypical, low income or unemployment situations, have represented a further extension of research on the impact of insecurity on social policy preferences. These studies suggest that ‘outsiders’, who are threatened by economic insecurity, have different policy preferences from ‘insiders’ (e.g. Rueda, 2005; 2007; Marx and Picot, 2013). However, such enquiries tend to treat social policy preferences as an entity rather than distinguishing attitudes towards different parts of the welfare state. Dependent variables are often defined by ‘support for income redistribution’ (e.g. Rehm, 2005) and authors have even described it as a ‘positive’ aspect that the dependent variable is broad enough to capture the various sources of redistribution preferences (Rehm, 2005: 7).

Meanwhile, a number of studies have targeted employment protection rather than redistribution preferences and thereby addressed the ‘politics of employment protection’ (Saint-Paul, 2002). Some of these have approached employment protection preferences from an insider/outsider perspective (e.g. Saint-Paul, 1996; Dolado *et al.*, 2002; Rueda, 2005; 2007; Emmenegger, 2009; Bentolila *et al.*, 2012; Guillaud and Marx, 2013) or with respect to the role of firms (Emmenegger and Marx, 2011). In their analysis of employment protection preferences in France, Guillaud and Marx (2013) also present preliminary findings to show that outsiders demand more unemployment protection whilst insiders do not. Furthermore, Boeri *et al.* (2001) find evidence for outsiders’ higher demand for unemployment protection.

Although unemployment protection preferences have received less attention than attitudes towards EPL, a small number of studies have investigated attitudes towards unemployment protection as well as unemployed *people* (as investigated in greater detail in the next chapter). Rueda (2006) explores the politics behind the promotion of active labour market policies (ALMPs) that are often considered part of the unemployment protection system,

finding that being an outsider is significantly associated with an increase in employment promotion preferences. He uses a dependent variable that relies on a question from Eurobarometer relating to whether a respondent is prepared to pay more tax to create new jobs (Rueda, 2006; 395-396). Burgoon and Dekker (2010) perhaps come closest to predicting *passive* unemployment protection preferences by using a dependent variable related to the question: 'Do you agree or disagree with the following statement: *The government should provide a decent standard of living for the unemployed*', with answers coded on a 1-5 scale. However, in contrast to this analysis, Burgoon and Dekker concentrate on the impact of flexible, part-time or temporary employment on unemployment protection preferences, rather than controlling for skill specificity and level.

Consequently, it can be expected that economic insecurity ought to significantly increase support for social policy programmes that mitigate or compensate for the risks of unemployment. Economic insecurity can, in turn, be linked to several other factors at the individual- as well as country-level. For instance, multivariate studies of job security perceptions have concluded that both labour market conditions and institutions have significant impacts (e.g. Green *et al.*, 2000; Anderson and Pontusson, 2007; Clark and Postel-Vinay, 2009)⁶⁹.

Similarly, economic insecurity is influenced by a number of factors at the individual level. Under certain conditions, characteristics such as gender and race can influence a person's perceived level of economic insecurity. However, building on the human capital arguments discussed and developed up until now in this thesis, the role of skills receives particular scrutiny in this chapter.

Given that human capital represents a substantial portion of personal income, VoC scholars hypothesise that the asset specificity of this capital matters a great deal to the worker. Just

⁶⁹ Some authors have argued that only market conditions matter (e.g. Erlinghagen, 2008).

as physical assets (e.g. income) are recognised as essential for understanding the political interests of their owners, public policy preferences are said to be influenced by investments in human capital. Workers who have made heavy investments in asset-specific skills stand a greater risk of losing a substantial portion of their income than workers who possess portable skills do. The results of Chapters III and IV lend some support to this, showing that specifically skilled workers face lower chances of changing jobs between pre- and post-unemployment than workers with general skills, implying that they are less likely to find re-employment in a different occupational group due to the specificity of their human capital and therefore lose their skill investment. In this chapter, I investigate whether this has an effect on the social policy preferences of such workers.

Due to the greater risk of losing previous skill investments faced by workers with specific skills, it has been claimed that such individuals have a strong incentive to support policies and institutions that protect their jobs and income (Iversen and Soskice, 2001). VoC therefore draws a link between the specificity of skills and the social policy preferences of individuals, arguing that an individual's preferences for social protection are a function of the portability of one's skills.

There is empirical evidence to show that workers with specific skills are more predisposed towards supporting redistributive policies (Estevez-Abe *et al.*, 2000; Iversen and Soskice, 2001). The specificity of human capital has been shown to affect support for both passive and active unemployment assistance and broader redistribution (Cusack *et al.*, 2006; Iversen and Soskice, 2006). However, VoC authors generally argue that skill specificity affects preferences for *all* forms of social protection, since all forms of social protection reduce the variability of expected future income (Iversen, 2006: 440-441). For instance, Iversen and Soskice (2001) evaluate the role of skill specificity on four dependent variables that address government spending on unemployment benefits, health care, pensions and declining industries for the purpose of protecting jobs.

However, there remain important empirical gaps in this research. Firstly, it has been argued that the link between skill specificity and social protection is most obvious in the case of labour market institutions that administer unemployment insurance or job security regulations (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-98; Kitschelt, 2006: 414). Whilst scholars have followed up on this argument with regards to EPL (e.g. Emmenegger, 2011), the link between skill specificity and unemployment insurance has been less explored.

Secondly, the measurement of skill specificity in existing studies of social policy preferences remains disputed⁷⁰. Iversen and Soskice (2001) have differentiated between ‘direct’ and ‘indirect’ approaches to measuring skill specificity, both of which have been called into question in political economy research (e.g. Kitschelt and Rehm, 2006: 81; Fleckenstein *et al.*, 2011). It has also been held that Iversen and Soskice’s (2001) skill indicator is a *relative* one, and that using an *absolute* measure would show that because specific skills are difficult to replace, workers with such qualifications would in fact be less concerned about their job security (Goldthorpe, 2000; Emmenegger, 2009). These debates therefore call for more research into the link between skill specificity and social policy preferences using alternative measures.

The third area in which existing research falls short is with respect to skill *level*. Whilst the specificity of skills determines exposure to labour market risks and hence to preferences over social insurance, the level of skill can be expected to determine income and therefore redistributive preferences. Even though unskilled workers have no interest in regulations that would increase the chances of making a return on their human capital investment (since this investment is very low), they nonetheless face economic insecurity due to the *absence* of skills. As a consequence, low-skilled workers are likely to be favourably disposed

⁷⁰ For a more detailed discussion, see Chapter I.

towards stricter job security regulations and unemployment protection. Although the subject of non-employment due to the lack of skills has been a prominent one in recent political economy research due to the popularity of insider/outsider and dualization arguments (e.g. Rueda, 2005; 2007; Palier, 2010; Palier and Thelen, 2010; Emmenegger *et al.*, 2012), the effect of both skill level and skill specificity on social policy preferences (let alone unemployment protection preferences) have rarely been studied together.

For these reasons, I find it worthwhile and a contribution to the existing literature on the topic to investigate the role of skill specificity and skill level on unemployment protection preferences. Chapters III and IV lend some support to the view that skill specificity - or at least, the measure adopted in this thesis - is related to economic insecurity. This is because by displaying lower odds of experiencing occupational mobility between pre- and post-unemployment, workers with specific skills will face greater difficulties finding other jobs in the event of unemployment and therefore a greater risk of losing their previous skill investment. However, this risk can be mitigated by the presence of protective labour market institutions, which can lend the worker the resources required to protect the returns of their specific skill investment. Equally, unskilled individuals will be predisposed towards generous unemployment protection since they face greater risks of unemployment. This leaves us with the following hypothesis:

Hypothesis C: Skill specificity will be positively associated with unemployment protection preferences, while skill level will be negatively associated with attitudes towards unemployment protection.

Data and Methodology

To address this hypothesis, I use micro attitudinal data from the 4th round of the European Social Survey (ESS), which was carried out in late 2008 and early 2009 and covers 31 European countries. The ESS is funded jointly by the European Commission, the European

Science Foundation (ESF) and various national research funding bodies. Individuals are surveyed using a standardised questionnaire carried out across participating countries⁷¹. The ESS has previously been used to study redistributive preferences. For instance, Rehm (2005) predicts respondents' preferences about whether the 'Government should reduce differences in income levels' using a series of probit models. Similar to this analysis, Reeskens and van Oorschot (2013) use the 2008 wave of the ESS to examine whether European citizens prefer a welfare state based on the redistributive principle of equity, of equality, or of need.

A number of alternative datasets can be used, such as the International Social Survey Programme (ISSP) and especially the Eurobarometer. The latter has in fact been adopted by a number of authors (e.g. Rueda, 2006). However, since Eurobarometer 62 (October-November 2004), income data is no longer included in the questionnaire. Given that income is likely to play an important role in predicting unemployment protection preferences, since it can help insure against the risk of unemployment by increasing savings, the Eurobarometer faces severe methodological issues for investigating unemployment protection preferences from 2004 onwards. In fact, the lack of detailed information on household income has been a persistent problem in many existing studies of employment security perceptions⁷².

⁷¹ Since the fieldwork of the 4th wave of the ESS took place between 2008 and 2009, there might be some concern over the effect of the beginning of the economic crisis on respondents' reactions to the questionnaire. The crisis may have led to stronger negative perceptions, especially amongst those who see unemployment protection or redistribution through the welfare state as a major hindrance for economic adaptation. On the other hand, it may have led to more positive perceptions, particularly among those who see unemployment protection and redistribution as an important buffer against the detrimental social effects of the economic downturn. However, we take these considerations into account by running a control model that controls for changes in unemployment between 2008 and 2009. This displays no serious deviations from the results of this chapter.

⁷² E.g. Anderson and Pontusson (2007) observe whether a respondent has an employed spouse/partner to control for 'income pooling within households', rather than controlling for household income directly.

For methodological reasons, the analysis only incorporates 19 of the 31 countries in the 4th round of the ESS⁷³ and listed in the table below, alongside their institutional and macroeconomic characteristics. These include spending on ALMP and PLMP as a percentage of GDP, the OECD's Employment Protection Legislation Index, as well as the OECD's net replacement rate measure of unemployment benefit generosity at the institutional level. In addition to this, a further distinction has been made between 'ALMPs 1-3' to address the different types of ALMPs identified by Bonoli (2010). These include spending on 'employment assistance', 'occupation' and 'human capital investment', respectively⁷⁴. Furthermore, the unemployment rate and changes in GDP are recorded.

Alongside the inclusion of household income and other important variables needed for the prediction of unemployment protection preferences, the predominant reason for choosing the ESS is the presence of a dependent variable that captures unemployment protection preferences. This variable is taken from the following question in the ESS (D18): '... how much responsibility do you think governments should have to ensure a reasonable standard of living for the unemployed?'⁷⁵. There are 11 possible answers to this question, ranging from 00 ('should not be the government's responsibility at all') to 10 ('should be

⁷³ Data on the question that constructs the dependent variable is missing for Austria and Italy. Furthermore, data on either ALMP spending, PLMP spending or Net Replacement Rates, which are controlled for in the analysis, is missing for Bulgaria, Cyprus, Croatia, Latvia, Romania, Russia, Turkey and the Ukraine. Israel is excluded from the analysis because it is likely that economic insecurity is influenced by exogenous factors that are distinct from the rest of the sample. However, it should be noted that including the small number of respondents from Israel into the analysis did not significantly affect its results.

⁷⁴ As explained in the previous chapter, this disaggregation is made because 'ALMP 1' can be said to incentivise occupational stability and/or 'downward' mobility across the unemployment spell because it tackles information deficits and/or is related to 'activation' measures, while 'ALMP 3' can be said to encourage mobility. Differences in these two variables could therefore have an impact on the perceived economic insecurity of individuals because the former encourages stability while the latter encourages a change in career path.

⁷⁵ It is therefore almost identical to the question used in Burgoon and Dekker's (2010) study of unemployment protection preferences: 'Do you agree or disagree with the following statement: *The government should provide a decent standard of living for the unemployed*', with answers coded on a 1-5 scale.

entirely the government's responsibility'). The dependent variable is therefore treated as continuous⁷⁶.

The independent variable of interest is skill, both in terms of *specificity* and in terms of *level*. The hypothesis that both of these factors are associated with *greater* chances of supporting unemployment protection preferences is tested by including three different skill groups that are distinguished using the individual's occupation in 2008. Using this information, the individual is classified as belonging to either the 'high-general', the 'low-general' or the 'specific' skill group (Fleckenstein *et al.*, 2011)⁷⁷.

TABLE 5.1: Countries included in analysis and their macro-level characteristics, 2008

	<i>ALMP</i>	<i>ALMP I</i>	<i>ALMP II</i>	<i>ALMP III</i>	<i>PLMP</i>	<i>NRR</i>	<i>EPL</i>	<i>GDP</i>	<i>Unempl</i>
Belgium	0.70	0.48	0.06	0.16	2.00	77	2.95	1	7
Czech Republic	0.23	0.2	0.02	0.01	0.19	50	2.75	3.1	4.4
Denmark	1.33	0.98	0	0.36	1.20	82	2.28	-0.8	3.4
Estonia	0.07	0.03	0	0.03	0.21	55	2.33	-4.2	5.6
Finland	0.82	0.39	0.07	0.36	1.34	57	2.17	0.3	6.4
France	0.85	0.41	0.15	0.28	1.18	69	2.87	-0.1	7
Germany	0.83	0.5	0.07	0.27	1.10	59	2.98	1.1	7.6
Greece*		0.05	0.01	0.09	0.47	38	2.85	-0.2	7.2
Hungary	0.35	0.2	0.09	0.06	0.37	73	2.27	0.9	7.9
Ireland	0.72	0.19	0.23	0.3	1.34	50	1.98	-2.2	5.8
Italy	0.47	0.28	0.01	0.19	0.81	70	3.03	-1.2	6.8
Netherlands	1.06	0.81	0.15	0.1	1.29	76	2.93	1.8	2.8
Norway	0.52	0.31	0	0.21	0.16	67	2.31	0.1	2.6
Poland	0.56	0.42	0.02	0.12	0.35	43	2.39	5.1	7.1
Portugal	0.55	0.3	0.02	0.24	0.99	77	3.51	0	7.6
Slovakia	0.26	0.21	0.05	0.01	0.43	62	1.15	5.8	9.6
Slovenia	0.18	0.12	0.04	0.03	0.27	76	2.70	3.4	4.4
Spain	0.81	0.54	0.09	0.17	1.89	78	2.66	0.9	11.3
Sweden	0.88	0.8	0	0.07	0.58	72	2.52	-0.6	6.2
Switzerland	0.51	0.35	0	0.16	0.48	75	2.10	2.2	3.2
UK	0.34	0.32	0.01	0.02	0.20	18	1.71	-0.8	5.3

Source: OECD, Eurostat (2013a). Notes: ALMP data is unavailable for Greece; PLMP and ALMP spending represents a percentage of GDP. Unemployment rates represent a percentage of the civilian labour force.

⁷⁶ Originally, the model was run with a binary, dichotomous outcome that distinguished between people in support and those against unemployment protection. However, a problem that could not be overcome using this classification was that with 11 outcomes, the response in the middle could not be classified as either for or against unemployment protection. As a result, a three-way distinction between those 'against' (0-3), 'indifferent' (4-6) and in 'support' (7-10) was drawn up, which I use in the descriptive analysis. However, because the results of a multinomial regression with three outcomes is difficult to present, and the results did not differ much from running a mixed regression with a continuous variable, I chose the latter.

⁷⁷ A further explanation of this skill classification can be found in Chapters I and III ('Data and Methodology' section).

Several individual- and macro-level variables are controlled for alongside skills. While women tend to be occupied in more marginal or precarious positions in the labour market than men, the demand for female workers has increased in many OECD countries over the last decades (Anderson and Pontusson, 2007). Nonetheless, women have to move into and out of the labour market more often than men because they tend to be the primary caregivers in the family unit, putting them in a disadvantaged position within the labour market compared to men. Furthermore, their jobs tend to be disproportionately dependent on the welfare state (they are more likely to occupy public sector service jobs), which might positively influence their attitudes towards social protection. Finally, women's higher life expectancy may give them more favourable preferences towards redistributive purposes (e.g. pensions, healthcare), as pointed out by Rehm (2005).

Older workers can be expected to feel more secure in their jobs than younger ones, meaning they might be less inclined to support unemployment protection. However, as Anderson and Pontusson (2007: 215) have pointed out, older workers might feel more secure in their current jobs, but less secure in the labour market. They may be less vulnerable to job loss (Anderson and Pontusson, 2007; Sverke *et al.*, 2006), but nonetheless experience more employment insecurity due to their low re-employability (Erlinghagen, 2008). Similar to the effect of skills, it might therefore be expected that older workers are more worried than younger workers about their ability to find another equivalent or acceptable job if laid off (Iversen and Soskice, 2001; Näswall and De Witte, 2003). Furthermore, many older respondents rely on state-funded, redistributive schemes (such as pensions and healthcare), meaning they might sympathise with a similar scheme for unemployed people. Empirical evidence shows that older employees experience higher levels of job insecurity than younger workers (Böckerman, 2004; Campbell *et al.*, 2007; Erlinghagen, 2008). On the other hand, Pacelli *et al.*, (2008) find that subjective job insecurity decreases with age. Although it is therefore difficult to predict what effect age will have on unemployment protection, it is clearly an important indicator and is captured

using a number of dummy variables, of which the 16-24 age group is the reference category against four older age groups: 25-34, 35-50, 51-64 and 65+.

Similar to age, education's effects on social policy preferences are difficult to entangle. On the one hand, highly educated workers are likely to feel more secure about their jobs and are therefore likely to be less concerned with unemployment protection than low-skilled employees. On the other, the risk of occupational unemployment negatively correlates with education (Rehm, 2005). Furthermore, highly educated individuals often also have more specific skills, introducing a whole new set of considerations. The more specific somebody's education is, the more risky it becomes to be unemployed, which may well influence preferences towards unemployment protection. To resolve the problem of comparability between the UK and Germany due to differences in systems of educational qualifications, educational attainment levels are measured by the international standard classification of education (ISCED). Dummies for the comparative ISCED-levels range from *basic* (ISCED 1: reference variable) to *higher education* (ISCED 5)⁷⁸. I also predict the model without including controls for education in order to take into account the danger that levels of educational attainment collide with skills in explaining unemployment protection preferences.

According to the Meltzer-Richard model, and as explained in the literature review, income is one of the most important predictors of redistribution preferences. Individuals are likely to support redistribution until a point at which the costs of taxation outweigh the benefits of redistributive cash transfers, creating a negative correlation between the two. However, income is predicted to play a more marginal, but nevertheless important role in determining unemployment protection preferences. Regardless of somebody's income, it is

⁷⁸ The ISCED dummies are labelled as follows: 1 = 'less than lower secondary education (ISCED 0-1)'; 2 = 'lower secondary education completed (ISCED 2)'; 3 = 'upper secondary education completed (ISCED 3)'; 4 = 'post-secondary non-tertiary education completed (ISCED 4)'; 5 = 'tertiary education completed (ISCED 5-6)'

the perceived economic insecurity that is likely to have a greater impact on individual-level preferences for unemployment protection. Income can help insure individuals against unemployment by saving (Rehm, 2005: 13), but higher income also means that the person has more to lose in the event of unemployment. Five dummy variables ranging from the 1st (lowest) to the 5th (highest) quintile are included in the model, based on equivalised household total net income, including all sources. The lowest quintile is used as the reference variable.

Alongside sociodemographic control variables, the analysis incorporates several other characteristics that have been shown to affect social policy preferences in the past. For instance, ideological preferences are controlled for by including two dummies that capture political left-right stance. It is strongly expected that individuals on the left of the political spectrum are more likely to be in favour of unemployment protection than people on the right⁷⁹. Furthermore, there are strong reasons for trade union members to display higher levels of job security, meaning that they are likely to be less concerned about unemployment and therefore less supportive of unemployment protection. However, trade union members are more widespread in industrial sectors featuring high degrees of skill specificity, implying that the opposite may be the case. In other words, because they tend to possess specific skills, they face higher risks when laid off as their skills are less portable across sectors of the economy, making it difficult to find another job⁸⁰. It has also been shown that when union membership is a matter of choice, it is likely to arise because an individual is concerned about the security of his or her job and income. Such worries should then prompt greater support for unemployment benefits (Rehm, 2005). Furthermore, union members have been shown to self-select into unions because they hold strong social protectionist views (Rehm, 2005).

⁷⁹ The variable 'Placement on left right scale', coded from 0 (left) to 10 (right) is used to create this binary dummy. Responses from 0 to 5 are denoted as 1, whilst responses 6 to 10 are coded as 0.

⁸⁰ However, I control for this by including skills as an individual-level covariate.

Flexible or ‘atypical’ employment, such as temporary contracts, agency work or part-time jobs, is becoming increasingly common in post-industrial economies (Kalleberg, 2000; 2001). Given that flexible employment is said to lead to a rise in job and income insecurity (e.g. Beck, 2000; De Witte and Näswall, 2003; Erlinghagen, 2008; Heery and Salmon, 2000), it can also be expected that it has important implications for the politics of the welfare state (Burgoon and Dekker, 2010). If atypical employment is associated with increased feelings of economic insecurity⁸¹, then such workers ought to support policies that strengthen unemployment protection. It has further been suggested, and empirically tested, that labour market ‘outsiders’ (defined as unemployed people and workers in temporary contracts) will have opposing and irreconcilable interests with regard to the generosity of unemployment benefits. In France, Guillaud and Marx (2013) find that outsiders demand more unemployment protection whilst insiders do not. Studies of insider-outsider dynamics have shown that those in outsider status – particularly those who are unemployed or in temporary contracts – face economic risks that give them particularly strong preferences for programmes targeted at compensating for or mitigating such risks, such as passive unemployment insurance and active labour market programmes (Rueda, 2005; 2006). I control for outsidership by including dummies that indicate individuals who are employed in temporary contracts as well as those who are unemployed.

At the country level, both differences in the institutional framework and macroeconomic conditions are taken into account between countries. Contextual factors are often overlooked in welfare opinion research (Blekesaune and Quadagno, 2003; van Oorschot and Arts, 2005) even though several studies have demonstrated that individual perceptions are influenced by the national context (e.g. Almond and Verba, 1963; Inglehart, 1977). Arts

⁸¹ Some studies have considered flexible or ‘atypical’ employment to be ‘stepping-stones’ to regular employment, or a way to combine work and family (e.g. Capelli, 1999; Knell, 2000; Guest, 2004; Doogan, 2005; De Graaf-Zijl, 2005; Booth and van Ours, 2008). Böckermann (2004), for instance, finds that temporary and part-time work lessens rather than spurs worries about job security among European respondents.

and Gelissen (2001) argue that there are three main contextual factors to consider: (i) institutional characteristics of the welfare state, (in this example, particularly unemployment benefit generosity and ALMP spending); (ii) additional structural context factors, especially the state of the economy, and; (iii) cultural differences (van Oorschot *et al.*, 2012).

Regarding the institutional characteristics of the welfare state, it can be expected that generous welfare states generate stronger positive and negative perceptions. Firstly, a more comprehensive and generous welfare state might have a large and more enduring popularity. Countries with a high share of national income dedicated to welfare policies can lead to stronger positive perceptions because people are made aware of and may actually directly experience their own use of benefits and services. In less comprehensive welfare states, people have been shown to be more sceptical about the positive social consequences (van Oorschot *et al.*, 2012). On the other hand, higher taxes or contributions associated with greater welfare spending can provide a basis for more critical views.

Existing empirical work suggests that the ex-ante provision of unemployment insurance and active labour market provisions targeted at unemployment risks – and not so much social policy generally – tend to significantly reduce subjective economic insecurity (Anderson and Pontusson, 2007). Unemployment benefit (UB) systems have an impact on subjective employment insecurity in two ways: (i) less generous UB systems, in terms of their level and duration, can increase perceived employment insecurity by increasing an individual's fear of the repercussions of unemployment and prolonged job loss (Anderson and Pontusson, 2007; Clark and Postel-Vinay, 2009; OECD, 2004; Pacelli *et al.*, 2008). Secondly, generous UB gives opportunities for, and therefore may encourage, unemployed workers to take up jobs more suited to their specific skills in the long term. This will then make the job they attain more sustainable (Marimon and Zilibotti, 1999).

Within the theoretical framework of this thesis, the second mechanism is more important. As explained in Chapter I, job search theory suggests that whilst generous benefits increase the duration of unemployment, they thereby enable unemployed people to sustain a job search for longer and thereby secure reemployment in an occupation that better matches their pre-unemployment occupation, and thereby their pre-existing skill investment. This is particularly important for people with specific skills, whose skill investment is less portable and who therefore face greater risks of losing it. However, limited support for this is found in Chapter IV, which reveals no robust relationship between unemployment benefit generosity and unemployed people's chances of occupational mobility.

Nonetheless, it has been shown that countries with more generous unemployment benefits are likely to have stable, well-matched jobs, thereby increasing their long-term employment security (Chung and van Oorschot, 2011). There have been a number of studies on the impact of unemployment benefits on individuals' job security perceptions, including one by the OECD (2004) that covered 16 countries over the late 1990s; Böckermann (2004), who examined Eurobarometer data for 1998, as well as Pacelli *et al.* (2008) who use data across Europe for the year 2005. These studies find that generous UBs are positively correlated with workers' perceptions of employment and job security. Anderson and Pontusson (2007), using data from 15 OECD countries for 1997, show that countries with generous UBs are those with individuals who do not fear job loss, even when other factors such as social security spending are controlled for. Clark and Postel-Vinay (2009) offer similar findings using the European Community Household Panel (ECHP) dataset from 1997 to 2001 for 12 countries. Erlinghagen (2008), on the other hand, shows that social security spending does not have a significant effect on the perceived job insecurity of individuals when controlling for unemployment rates, gross domestic product (GDP) growth rates and employment protection legislation (EPL).

Regardless of the effect of unemployment benefit generosity on job security perceptions, it is not quite clear how this translates to unemployment protection preferences. On one hand, the positive effect on individuals' perceptions of employment security would suggest that they are not more likely to support unemployment protection, because they might be less in fear of becoming unemployed (e.g. because they are in better, well-matched jobs). On the other, in theory they are in these well-matched and stable jobs *because* they have been able to make use of generous unemployment benefits, which have enabled them to secure this skill-match and protect their human capital investment. Such people would therefore also be more likely to support such policies because they have a direct and positive experience of them.

In any case, there is evidence that unemployment benefit systems affect perceptions of job security, which may in turn have an impact of unemployment protection preferences. In order to control for these effects, the analysis therefore incorporates unemployment benefit generosity using the OECD's 'Net Replacement Rates'⁸² (NRRs) to control for unemployment benefit generosity⁸³.

Furthermore, active labour market policies (ALMPs) are important in that they may increase the employability of employed and unemployed workers and thereby decrease their chances of being laid off, thus leading to less perceived insecurity (OECD, 2004). Studies show that extensive use of ALMPs is associated with lower unemployment (e.g. Nickell *et al.*, 2005). Anderson and Pontusson (2007) also demonstrate that ALMP has an impact on decreasing labour market insecurity. I therefore predict that in countries with extensive ALMPs, workers are less likely to support unemployment protection. ALMPs are

⁸² For further details, see Section IV of Chapter 3.

⁸³ NRRs for the initial phase of unemployment are used based on the Average Production Worker. The calculation is based on a single worker earning 67% of the average wage who has no children and does not qualify for cash housing assistance or social assistance 'top ups' in 2008. In the final section of the chapter, I test the model using alternative classifications.

controlled for by including a country-level variable that utilises the OECD's indicator of spending on ALMPs as a percentage of GDP⁸⁴.

Finally, employment protection legislation (EPL) refers to the regulations that concern the hiring and firing of workers (OECD, 1999b). The relationship between EPL and employment insecurity is not self-evident. Stricter EPL is intuitively associated with improved employment security, given that it is designed to make it more difficult to fire workers. However, it can also lead to longer unemployment durations (Nickell, 1997), particularly for certain groups (Esping-Andersen, 2000). Analyses have in fact demonstrated the idea that EPL may be harmful for the job security of workers (e.g. OECD, 2004; Böckerman; Pacelli *et al.*, 2008). Strict EPL may also lead to a greater use of temporary contracts (Chung, 2005; Dolado and Jimeno, 2002; OECD, 2004). It has also been suggested that strict EPL only benefits workers with permanent contracts (Boeri *et al.*, 2001: 21). As a result, it may also increase feelings of employment insecurity, especially among workers with temporary contracts. For example, Clark and Postel-Vinay (2009) show that particularly workers in private companies or on temporary contracts feel less secure in countries where EPL is stricter. Other evidence shows that EPL is not significant (Erlinghagen, 2008) or that it actually decreases job insecurity perceptions (Anderson and Pontusson, 2007).

Secondly, there are a number of additional structural context factors that might influence the opinion of people. The most obvious regards the state of the economy, which can affect the extent to which people feel that generous unemployment protection is a burden to the economic performance of their labour market. When unemployment rates are higher, individuals are more likely to feel insecure about labour market risks, and will seek to insure themselves by supporting more generous unemployment protection (van Oorschot *et al.*, 2012). Changes in employment and unemployment rates from the previous year are

⁸⁴ N.B. There is no data on ALMP spending in 2008 for Norway and Greece. For Norway, the previous year's expenditure (2007) is used. For Greece, the average spending of the other Mediterranean countries in the sample is calculated and used instead (0.7% of GDP).

therefore important for individuals when assessing the prospect of keeping their current job or finding another one (Anderson and Pontusson, 2007: 222). A number of empirical studies have demonstrated that this is indeed the case. For example, Böckerman (2004) finds that the perceived job insecurity of individuals is positively correlated with unemployment rates. Clark and Postel-Vinay (2009) use 5-year average local unemployment rates to show how negative labour market conditions are linked with more pessimistic perceptions of job security among temporary workers. Anderson and Pontusson (2007) find that unemployment rate changes from previous years have a negative impact on feelings of job security.

However, Green *et al.* (2000), using data for 1986 and 1997, find that in the case of Britain, annual changes in the unemployment rate from previous years has no effect on individuals' perceptions of job insecurity but that it significantly increases perceptions of finding new employment. Erlenhagen (2008) even finds negative impacts of long-term unemployment rates on the perceived job insecurity of individuals. Redistributive or unemployment protection spending in countries with high unemployment rates might make people feel that the spending fosters 'welfare dependency'. On the other hand, it has been suggested that in times of high unemployment, the public at large perceives unemployed people as being more deserving of benefits, subsequently offering greater support for unemployment benefits because they can be blamed less for personally being unemployed (Gallie and Paugam, 2002).

Alongside unemployment rates, broad economic developments such as economic internationalization and deindustrialization have been shown to affect social policy provision (Cameron, 1978; Garrett, 1998; Iversen and Cusack, 2000). The analysis includes GDP growth rates because 2008 marks the beginning of the economic crisis. Whilst the crisis did not yet have significant effects on European labour markets (e.g. in terms of unemployment), it is likely that despite this individuals will have experienced a negative

impact on their perception of job security due to the worsening of the overall economic situation.

Another factor that has been said to influence preferences, particularly towards redistribution, is inequality (Meltzer and Richard, 1981). Positing that the median voter's preference for redistributive policy is a function of the distance between the median voter's income and the average income, the Meltzer-Richard model predicts that as market inequality increases, so too does redistribution (Kenworthy and Pontusson, 2005). However, recent comparative literature on the politics of redistribution argues that the opposite obtains. For instance, the observation that countries with more unequal distribution of market income redistribute less than countries with less equal distribution (Rueda and Pontusson, 2010) has put pressure on the economic models of Meltzer and Richard (1981), Romer (1975) or Roberts (1977). I therefore control for inequality by including the Gini coefficient for each country in the final stage of the analysis.

Thirdly, cross-national differences in redistributive and unemployment protection preferences might not only be explained by institutional or structural context factors, but by differences in national culture. Sets of values and moral beliefs confined to particular countries and areas also socialise residents. Countries might be dominated by a neo-liberal or communitarian culture of strong authoritarian values, high religious involvement, or more negative images of welfare recipients and higher perceived welfare burden spread in the media (van Oorschot *et al.*, 2012).

Model specification

To recap, the dependent variable consists of attitudes towards unemployment protection, which is coded into 11 responses and therefore treated as a continuous variable. Because the model predicts for labour market characteristics such as income and especially skills, the analysis is therefore restricted to members of the labour force, regardless of age. This

represents an important limitation, because it excludes groups that are likely to form attitudes towards redistribution (and in this case, unemployment protection) for reasons unrelated to labour market insecurity. For instance, retired people or full-time care workers are not included in the model because they do not possess an occupational code that is used to categorise their skill specificity and level, which may bias the results. However, I am able to integrate unemployed people who display pre-unemployment occupational data. The descriptives are displayed in Tables 5.2 -5.3 below.

TABLE 5.2: Unemployment protection preferences in Europe, 2008

	<i>N</i>	<i>Mean</i>	<i>Standard Deviation</i>
Preferences for redistribution in Europe	32872	6.77	2.19

Source: Author's own calculations, ESS 2008

TABLE 5.3: Unemployment protection preferences in Europe, 2008

	<i>N</i>	<i>% of total</i>
Not government's responsibility at all	224	1%
1	217	1%
2	616	2%
3	1373	4%
4	1984	6%
5	5444	17%
6	4507	14%
7	5515	17%
8	5605	17%
9	2616	8%
Entirely government's responsibility	4771	15%
Total	32872	
Missing	804	2%

Source: Author's own calculations, ESS 2008

A bulk of existing evidence on popular demand for compensation relies on fixed-effect regressions that ignore the role of institutions (Cusack *et al.*, 2006). To simultaneously estimate the relationship between individual and country-level covariates with individual unemployment protection, I rely instead on two-level mixed regression models. Multilevel analysis is increasingly being adopted in social science research given the nested structure of panel- and survey data, which comprise levels of individuals, families and countries (e.g. see Raudenbush and Bryk, 2002). For instance, comparative studies have recently started

introducing random effect or multilevel methods which distinguish between-country variation in attitudes from between-individual variation (see e.g. Gelissen, 2000; Arts and Gelissen, 2001; Blekesaune and Quadagno, 2003; Jaeger, 2006).

There are two main reasons for choosing multilevel models in this analysis. Firstly, multilevel analysis accounts for the clustered nature of ESS, in which individuals are nested within countries. This mode is a theoretically and statistically appropriate means of combining different levels of analysis into a single framework, as it takes into account nested sources of variability (Snijders and Bosker, 1999). For example, multilevel models particularly help to distinguish between the individual-level effects (of e.g. skills or income) and institutional factors (e.g. unemployment benefit generosity, unemployment rate). Without correctly assessing the variability between countries *as well* as individuals, the wrong conclusions could be drawn. Secondly, the use of multilevel models allows for the investigation of whether contextual factors such as the design of unemployment protection systems influences individuals' unemployment protection preferences.

Nonetheless, standard multilevel or random effects models like the ones adopted in this chapter do embody two important assumptions which are potentially detrimental to the analysis and rarely fulfilled in practical applications (DiPrete and Forristal, 1994; Ebbes *et al.*, 2004; Jaeger, 2006: 164-165). Firstly, the random effect accounting for unobserved between-country variables takes a known parametric form, typically (as in this analysis) the normal distribution. Since nothing is usually known about the nature of the unobserved between-country effect, the choice of the normal distribution is entirely arbitrary. Secondly, as can be seen in Table 5.2 above and in Figure 5.1 below, the outcome is skewed towards people in favour of unemployment protection, largely because there is a spike at outcome 10 (of people believing that the government should be 'fully responsible' for ensuring the reasonable living standard of unemployed people). Nevertheless, this need not be a problem as the marginal distribution of the response is often of secondary importance. The

important consideration is not that the unemployment protection preferences are normally distributed, but that the residuals from a regression using this variable would be normally distributed. Related to these limitations are the restrictions discussed in the previous chapter, such as the relatively small number of countries included at the second level (19). The probability that a member of the labour force is in support of unemployment protection is modelled via the latent variable:

$$y_{ij} = \beta_0 + \beta_1 x_{ij} + \beta_2 x_{ij} + \dots + \beta_n x_{ij} + u_{0j}$$

Where $\beta_n x_{ij}$ are the independent variables fitted to the fixed part of the model, β_0 denotes the intercept shared by all countries while the random effect u_{0j} is specific to country j .

The random effect is assumed to follow a normal distribution.

The analysis uses multilevel models, performed using 'xtmixed' in Stata 11.2, which performs a multilevel mixed-effects linear regression. The difference between this function and 'xtmelogit' adopted in Chapter IV is that 'xtmixed' is applicable to continuous dependent variables and 'xtmelogit' to categorical ones (such as binary outcomes like occupational mobility). The model is fitted using the statistical method of maximum likelihood (ML) and the overall error distribution of the linear mixed-effects model is assumed to be Gaussian.

The models are constructed in a stepwise manner, beginning with an empty baseline model predicting unemployment protection preferences, subsequently adding blocks of explanatory variables corresponding to different social processes sequentially, creating a series of increasingly complex models. The models are defined as follows:

- i. Model 1: Baseline model predicting unemployment protection preferences
- ii. Model 2: Builds on the baseline model by adding covariates for socioeconomic characteristics such as gender, age, education and income

- iii. Model 3: Introduces further individual-level control variables, including skills, trade union membership, temporary employment and unemployment
- iv. Model 4: Adds further individual-level control variables, including religious denomination, ideological position and perceived risk of unemployment
- v. Model 5: Builds the country-level controls into the model: unemployment rate, EPL index and change in GDP
- vi. Model 6: Introduces country-level institutional explanatory variables: unemployment benefit generosity (using NRRs), aggregated and disaggregated ALMP spending as a percentage of GDP and the Gini coefficient
- vii. Model 7: Uses a different disaggregation of ALMPs from Model 6, distinguishing spending on 'public employment services and administration'

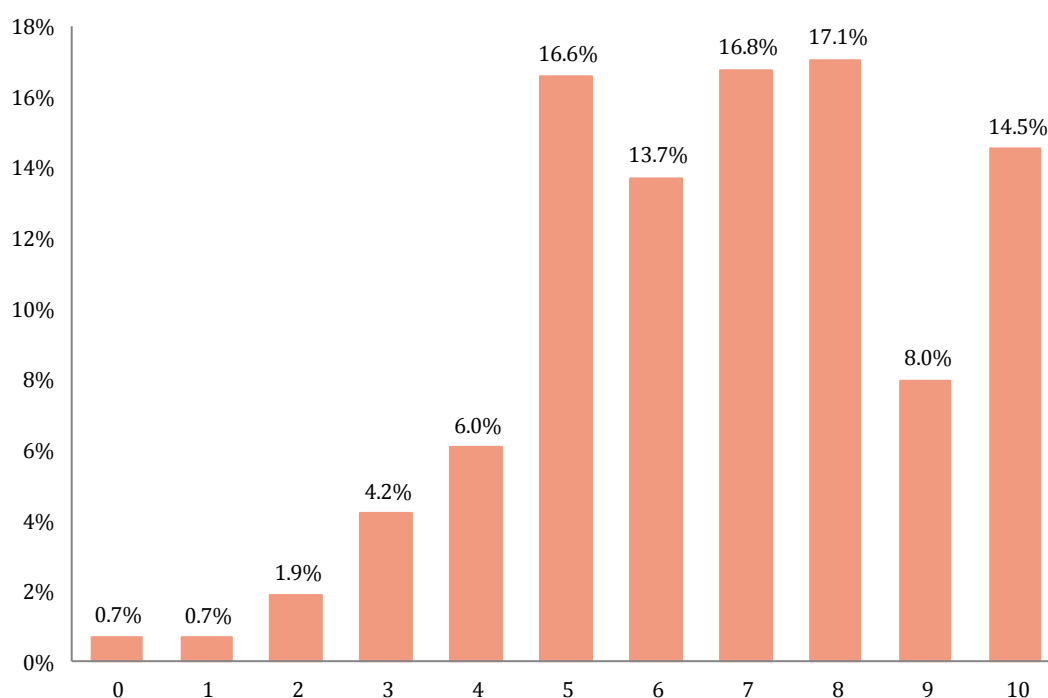
Around 32,000 individuals are included at Level 1, nested into 21 countries at Level 2.

However, this number is reduced to around 27,000 when including all the individual and macro-level control variables due to missing data. At the individual level, these include gender, age, education, income, skills, trade union membership, temporary employment and unemployment. Furthermore, I perform robustness tests using a further set of control variables, including religious denomination, ideological position and the perceived risk of unemployment (although these are not included in the final model). At the macro level, I control for unemployment benefit generosity using NRRs, as well as aggregated and disaggregated spending on ALMPs and its various forms (as defined by Bonoli, 2010), unemployment rate, EPL index, change in GDP and inequality. As in the previous chapter, these are included in the fixed-effects part of the model. The aim is to test the hypothesis that skill specificity will be positively associated with unemployment protection preferences, while skill level will be negatively associated with attitudes towards unemployment protection.

Results

Figure 5.1 shows the percentage of people in the sample across all 11 possible answers to the question ‘... how much responsibility do you think governments should have to ensure a reasonable standard of living for the unemployed?’ with 0 denoting ‘Should not be government’s responsibility at all’ and 10 indicating that it ‘Should be entirely the government’s responsibility’.

FIGURE 5.1: Support for unemployment protection in Europe, 2008

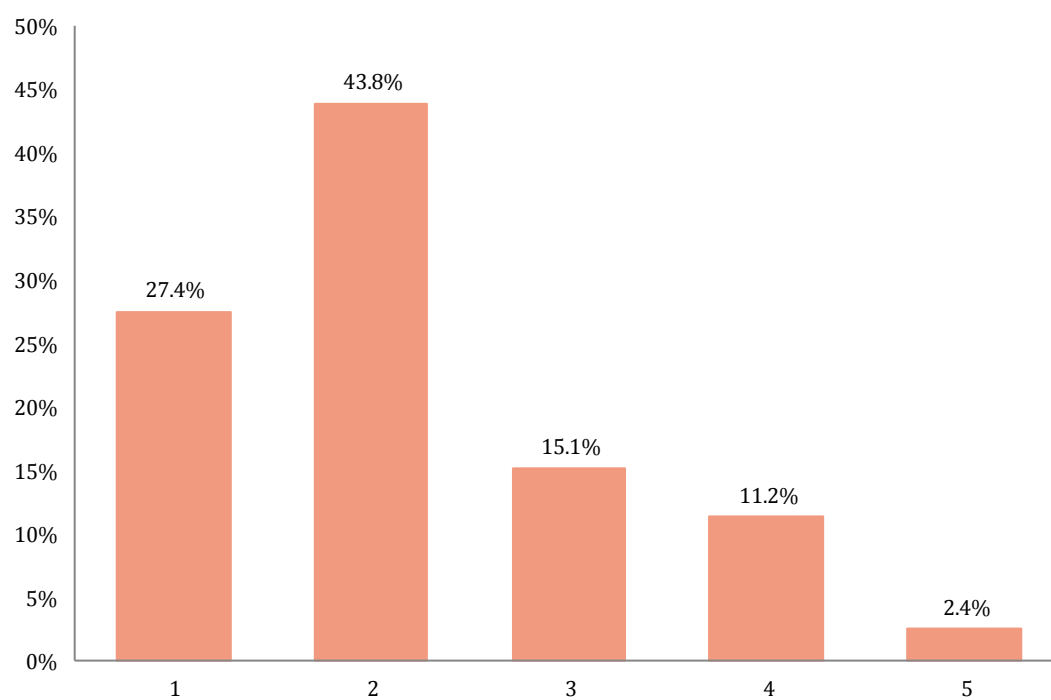


Source: ESS (2008)

The descriptive results show that an overwhelming majority of European citizens are in favour of unemployed people being ensured a reasonable standard of living by the government, with over 40% either answering between 8 and 10, indicating a strong preference for public unemployment protection. Similarly, Europeans are strongly in favour of redistribution according to Figure 5.2 below, which groups the proportion of respondents’ attitudes to the statement ‘The government should take measures to reduce differences in income levels’. The descriptives show that a vast majority of Europeans (over

70%) are likely to 'agree' (2) or 'agree strongly' (1) with the above statement against just 14% that 'disagree' (4) or 'disagree strongly' (5).

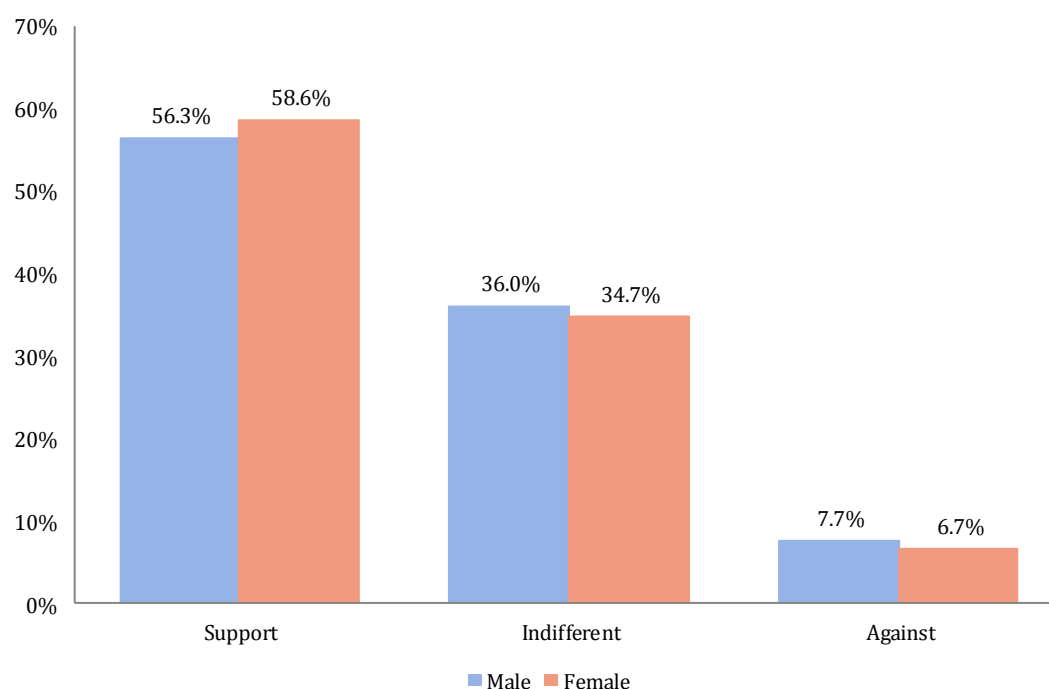
FIGURE 5.2: Support for redistribution in Europe, 2008



Source: ESS (2008)

To analyse support across different groups, the responses are categorised into three groups according to whether individuals: (i) support; (ii) are indifferent, and; (iii) against unemployment protection⁸⁵. Figure 5.3 displays support patterns according to the gender of the individual, demonstrating that women show higher rates of support for unemployment protection than men do. Splitting preferences between age groups (Figure 5.4) shows varied levels of support for unemployment protection. 16-24 year-olds appear to show the same levels of support for unemployment protection than 65+ year-olds do.

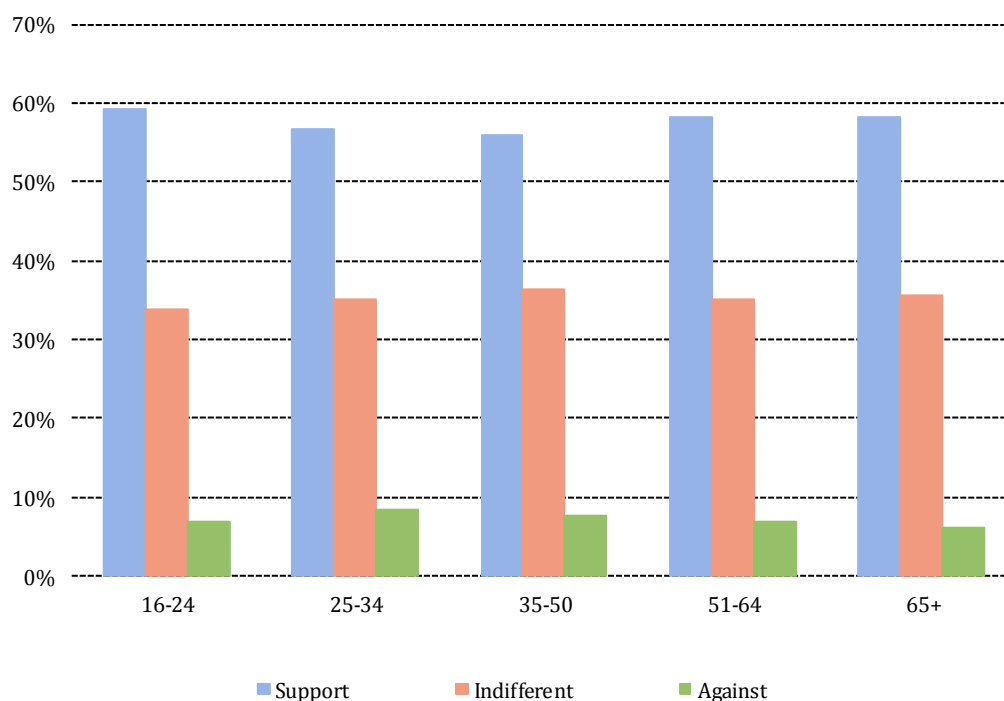
FIGURE 5.3: Unemployment protection preferences in Europe by gender, 2008



Source: ESS (2008)

⁸⁵ Responses to the question concerning unemployment protection are coded as follows: Responses 7-10 are considered signs of support; answers 4-6 are recoded as being indifferent; responses 0-3 are interpreted as signs of being against unemployment protection.

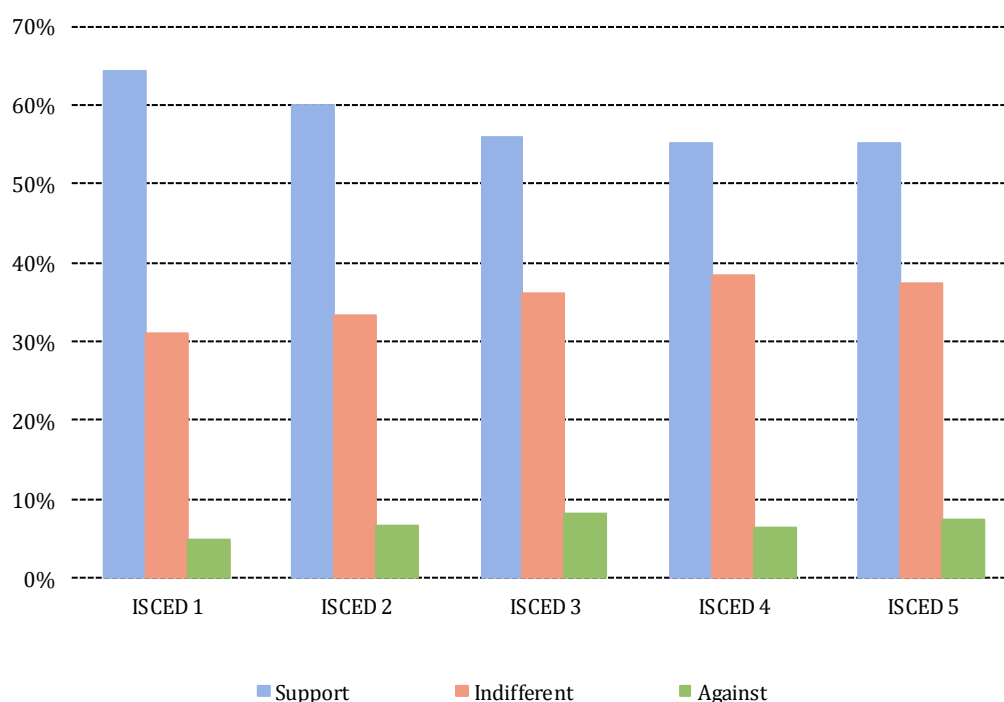
FIGURE 5.4: Unemployment protection preferences in Europe by age group, 2008



Source: ESS (2008)

Support for unemployment protection falls the higher the level of educational attainment (Figure 5.5), although the correlation is relatively weak. For instance, individuals in the ISCED 5 group (higher education) display higher levels of support than those in the ISCED 4 group ('post-secondary non-tertiary education'). There is also a negative correlation between the support for unemployment protection and income (Figure 5.6). Previous occupational experience also appears to make a difference to the rate of support for unemployment protection. According to Figure 5.7 individuals with low-general or specific skills display higher (and very similar) levels of support for unemployment protection.

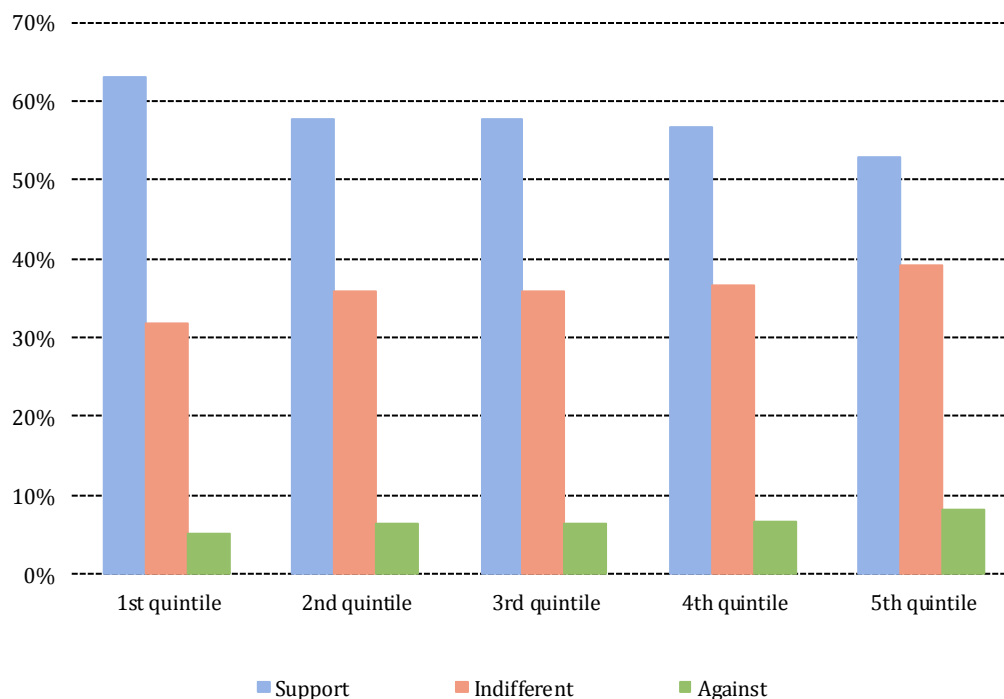
FIGURE 5.5: Unemployment protection in Europe by level of educational attainment, 2008



Source: ESS (2008)

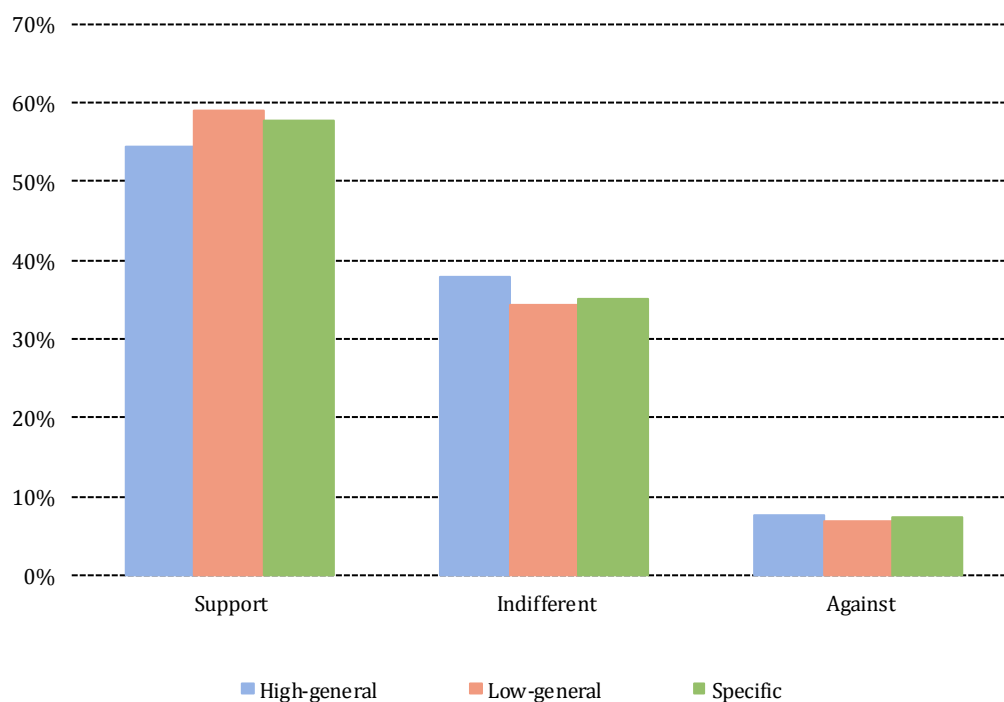
Finally, Figure 5.8 displays the variation in rates of support for unemployment protection and redistribution across countries (which are ranked according to the level of support for unemployment protection). At the top end, support is strongest in Greece, whilst it is lowest in the UK and Slovakia. In general, two distinct groups emerge. On one hand, Scandinavian and Mediterranean countries exclusively display high rates of support that are above the average. With the exception of Denmark, over 65% of the population in these countries supports unemployment protection. A majority of other countries, predominantly located in Continental Europe, Eastern Europe as well as the liberal group, display rates of support below 50%. In many of these countries, the proportion of the population that is indifferent or against the government ensuring a reasonable standard of living for unemployed people is actually higher than the percentage of individuals who are supportive.

FIGURE 5.6: Unemployment protection preferences in Europe by income, 2008



Source: ESS (2008)

FIGURE 5.7: Unemployment protection preferences in Europe by skill group, 2008

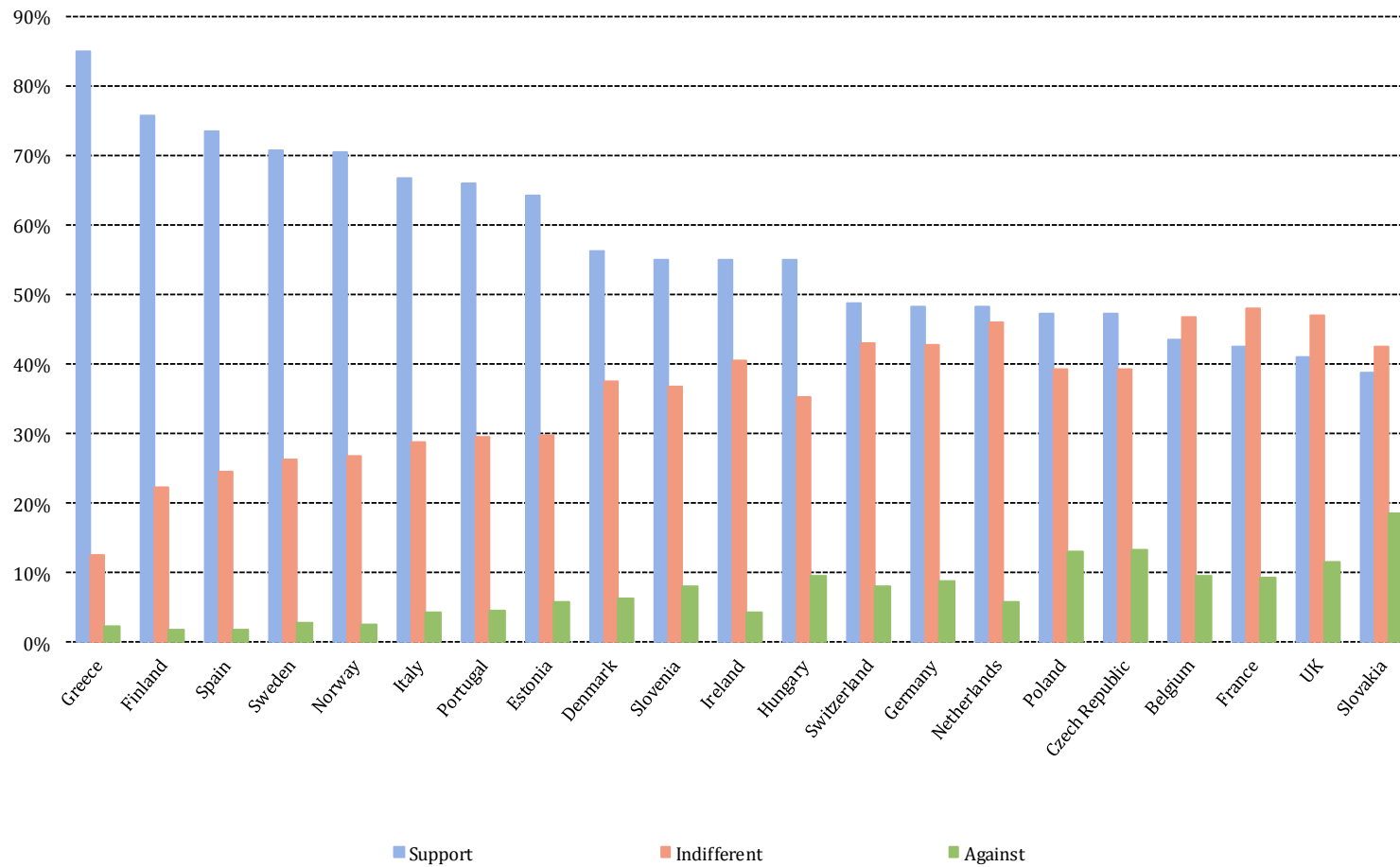


Source: ESS (2008)

The null model (first column, Table 5.4) examines the extent that variation in support for unemployment protection in the population can be attributed to the fact that they live in a specific country. Of the total variance between an individual's attitudes towards unemployment protection 24% can be attributed to the country level according to the intra-class correlation (ICC) estimator at the bottom of the table⁸⁶. The addition of individual- and country-level covariates reduces the ICC to 23.5%. The intercept is significant in both models, indicating that support for unemployment protection is significant across the 21 countries. The intercept remains significant after the addition of individual- and country-level controls in the subsequent models.

⁸⁶ Calculated by the formula: $ICC = \text{Level 2 variance} / (\text{Level 2 variance} + \text{Level 1 variance})$, which is the standard formula for estimating the ICC for multilevel mixed regression models.

FIGURE 5.8: Unemployment protection preferences in Europe by country, 2008



Source: ESS (2008)

TABLE 5.4: Predicting attitudes towards unemployment protection at the individual level

	<i>B</i>	<i>B</i>
	Model 1	Model 2
Intercept	6.817*** (0.145)	7.155*** (0.238)
<i>Individual-level control variables</i>		
Gender		
Male		-104*** (0.024)
Female (<u>ref.</u>)		
Age		
16-24 (<u>ref.</u>)		
25-35		0.086 (0.192)
36-50		0.184 (0.191)
51-64		0.338* (0.190)
65+		0.205 (0.190)
Educational attainment		
ISCED 1 (<u>ref.</u>)		
ISCED 2		-0.015 (0.048)
ISCED 3		-0.075* (0.046)
ISCED 4		-0.164** (0.085)
ISCED 5		-0.138*** (0.047)
Income		
Quintile 1 (<u>ref.</u>)		
Quintile 2		-0.327*** (0.038)
Quintile 3		-0.403*** (0.040)
Quintile 4		-0.471*** (0.042)
Quintile 5		-0.632*** (0.045)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.663 (0.103)	0.630 (0.100)
Level 1 variance	2.105 (0.007)	2.054 (0.008)
Wald chi2(0)		417.71
Prob > chi2:		0.000
Log likelihood:	-87589.288	-65390.426
N (Level 2)	20	20
N (Level 1)	40463	30549
ICC	0.240	0.235

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

Model 2 (second column, Table 5.4) introduces several individual-level control variables, improving the fit as evidenced by a drop in the log pseudo-likelihood and residual variance. Gender has a statistically significant effect in predicting unemployment protection preferences, showing that men are less likely to support such policies than women and thereby confirming previous findings (e.g. Rehm, 2005; Anderson and Pontusson, 2007).

The age dummies are largely insignificant, while educational attainment is negatively associated with support. In other words, people with higher educational attainment tend to be less likely to be in favour of unemployment protection. The same effect is observed with respect to income, with support for unemployment protection decreasing the higher up the

quintile. This suggests that individuals with greater income feel more secure in the labour market because they can insure themselves against fluctuations in their income stream by saving (Rehm, 2005: 13).

TABLE 5.5: Predicting attitudes towards unemployment protection using skills

	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>
	Model 3a	Model 3b	Model 3c	Model 3d
Intercept	6.817*** (0.145)	6.601*** (0.316)	6.843*** (0.399)	6.833*** (0.398)
<i>Individual-level control variables</i>				
<i>Educational attainment</i>				
ISCED 1 (ref.)				
ISCED 2	0.010 (0.053)	-0.002 (0.047)		
ISCED 3	-0.058 (0.051)	-0.113** (0.045)		
ISCED 4	-0.129 (0.089)	-0.177** (0.081)		
ISCED 5	-0.078 (0.055)	-0.193*** (0.049)	-0.033 (0.033)	
<i>Income</i>				
Quintile 1 (ref.)				
Quintile 2		-0.317*** (0.042)	-0.321*** (0.042)	-0.322*** (0.042)
Quintile 3		-0.387*** (0.043)	-0.394*** (0.043)	-0.394*** (0.043)
Quintile 4		-0.466*** (0.045)	-0.476*** (0.045)	-0.480*** (0.045)
Quintile 5		-0.624*** (0.049)	-0.634*** (0.048)	-0.642*** (0.048)
<i>Skills</i>				
High-general (ref.)				
Low-general	0.058* (0.034)	0.144*** (0.030)	0.068** (0.033)	0.082*** (0.031)
Specific	0.086** (0.039)	0.169*** (0.035)	0.097*** (0.039)	0.111*** (0.036)
<i>Country-level variation</i>				
	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.641 (0.102)	0.630 (0.100)	0.642 (0.102)	0.641 (0.102)
Level 1 variance	2.047 (0.009)	2.054 (0.008)	2.047 (0.009)	2.047 (0.009)
Wald chi2(0)	380.85	238.50	376.01	376.53
Prob > chi2:	0.000	0.000	0.000	0.000
Log likelihood:	-57973.135	-75077.93	-57975.526	-58036.787
N (Level 2)	21	21	21	21
N (Level 1)	27126	24825	27126	27155
ICC	0.238	0.235	0.239	0.238

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender and age.

Source: 4th round of the ESS (2008)

TABLE 5.6: Predicting attitudes towards unemployment protection - 2

	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>
	Model 4a	Model 4b	Model 4c	Model 4d
Intercept	6.817*** (0.145)	6.877*** (0.398)	6.828*** (0.398)	6.825*** (0.398)
<i>Individual-level variables</i>				
<i>Skills</i>				
High-general (<u>ref.</u>)				
Low-general	0.058* (0.034)	0.064* (0.033)	0.059* (0.034)	0.057* (0.034)
Specific	0.086** (0.039)	0.082** (0.039)	0.081** (0.039)	0.080** (0.039)
<i>Union membership</i>				
Yes		0.226*** (0.034)	0.230*** (0.034)	0.230*** (0.034)
No (<u>ref.</u>)				
<i>Temporary contract</i>				
Yes			0.168*** (0.038)	0.161*** (0.038)
No (<u>ref.</u>)				
<i>Unemployed</i>				
Yes				0.428*** (0.141)
No (<u>ref.</u>)				
<i>Country-level variation</i>				
Level 2 variance	<i>Estimate</i> 0.641 (0.102)	<i>Estimate</i> 0.634 (0.101)	<i>Estimate</i> 0.641 (0.102)	<i>Estimate</i> 0.635 (0.101)
Level 1 variance	2.047 (0.009)	2.046 (0.009)	2.044 (0.009)	2.044 (0.009)
Wald chi2(0)	380.85	425.93	461.84	455.02
Prob > chi2:	0.000	0.000	0.000	0.000
Log likelihood:	-57973.135	-57950.923	-57933.26	-57936.609
N (Level 2)	21	21	21	21
N (Level 1)	27126	27126	27126	27126
ICC	0.238	0.239	0.239	0.237

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education and income.

Source: 4th round of the ESS (2008)

Even when controlling for other variables, the statistical significance of the skill group dummies remains. It may, for instance, be argued that specific skills tend to be found in industries characterised by a high coverage of trade unions, members of which are more likely to support policies such as unemployment protection for ideological reasons. Controlling for union membership, which is statistically significant and positive, confirms that members are more likely to support unemployment protection policies. Given that skill specificity is controlled for, this suggests that such people joined a union because of concerns over the security of their job and income (Rehm, 2005). The same logic can be applied to workers on temporary contracts and those who are unemployed. It has been shown that workers in temporary jobs have increased feelings of economic insecurity (e.g. Beck, 2000; De Witte and Näswall, 2003; Erlinghagen, 2008; Heery and Salmon, 2000),

TABLE 5.7: Predicting attitudes towards unemployment protection - 3

	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>
	Model 4a	Model 4e	Model 4f	Model 4g	Model 4h
Intercept	6.817*** (0.145)	6.807*** (0.399)	6.362*** (0.400)	7.113*** (0.519)	6.504*** (0.528)
<i>Individual-level variables</i>					
<i>Skills</i>					
High-general (ref.)					
Low-general	0.058* (0.034)	0.058* (0.034)	0.036 (0.034)	0.032 (0.037)	0.017 (0.038)
Specific	0.086** (0.039)	0.089** (0.039)	0.056 (0.040)	0.048 (0.044)	0.008 (0.045)
<i>Belonging to religion or denomination</i>					
Yes		0.053** (0.028)			0.093*** (0.032)
No (ref.)					
<i>Ideological position</i>					
Left			0.392*** (0.027)		0.405*** (0.031)
Right (ref.)					
<i>How likely to be unemployed in the next 12 months</i>					
Not at all (ref.)					
Not very likely				-0.010 (0.034)	-0.019 (0.035)
Likely				0.133*** (0.045)	0.120*** (0.047)
Very likely				0.427*** (0.055)	0.380*** (0.057)
<i>Country-level variation</i>					
Level 2 variance	Estimate 0.641 (0.102)	Estimate 0.637 (0.102)	Estimate 0.632 (0.101)	Estimate 0.628 (0.100)	Estimate 0.621 (0.099)
Level 1 variance	2.047 (0.009)	2.047 (0.009)	2.022 (0.009)	2.036 (0.010)	2.011 (0.010)
Wald chi2(0)	380.85	381.66	544.93	331.32	478.69
Prob > chi2:	0.000	0	0.000	0.000	0.000
Log likelihood:	-57973.135	-57847.004	-53130.071	-45587.383	-42181.755
N (Level 2)	21	21	21	21	20
N (Level 1)	27126	27068	25005	21382	19900
ICC	0.238	0.237	0.238	0.236	0.236

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, skills, union membership, temporary employment and unemployment.

Source: ESS (2008)

However, it should be noted that the addition of certain control variables wipes out the statistical significance of the skill group variables. As displayed in Table 5.7, although the addition of a variable controlling for religion does not affect the statistical significance of the skill group dummies, adding further controls for political ideology and feelings of economic insecurity does. Individuals ideologically situated on the left are, as one might expect, more likely to support unemployment protection. Similarly, people who fear losing their job within the next 12 months are significantly more likely to support unemployment protection. However, the addition of these variables does not improve the fit of the model. It is also not clear whether people who feel insecure about becoming unemployed feel this because of the specificity of their skills. Both the ideological, and the labour market insecurity variable are very broad variables that do not yield a lot of insight into explaining unemployment protection preferences.

TABLE 5.8: Predicting unemployment protection preferences at the country level

	<i>B</i> Model 5a	<i>B</i> Model 5b	<i>B</i> Model 5c	<i>B</i> Model 5d	<i>B</i> Model 6a	<i>B</i> Model 6b	<i>B</i> Model 6c
Intercept	5.807*** (0.858)	5.796*** (0.881)	5.958*** (0.723)	5.517*** (0.768)	5.982*** (0.693)	7.320*** (1.036)	7.153*** (1.011)
<i>Country-level control variables</i>							
% Unemployment	0.078 (0.063)	0.079 (0.064)	0.079 (0.049)	0.122** (0.056)	0.427*** (0.141)	0.110** (0.049)	0.113** (0.047)
EPL index	0.238 (0.311)	0.229 (0.349)	-0.187 (0.288)	-0.131 (0.278)	-0.195 (0.271)	-0.107 (0.271)	-0.123 (0.260)
Change in % of GDP	-0.126** (0.063)	-0.126** (0.063)	-0.106** (0.049)	-0.117*** (0.047)	-0.101** (0.048)	-0.129*** (0.047)	-0.119*** (0.046)
<i>Unemployment protection</i>							
UB generosity		0.001 (0.008)	0.017** (0.008)	0.018** (0.008)	0.016** (0.008)	0.016** (0.008)	0.015** (0.007)
PLMP				-0.394 (0.286)			
ALMP			-0.346 (0.342)	0.099 (0.459)		-0.582* (0.345)	
ALMP 1					-0.372 (0.436)		-0.616 (0.441)
ALMP 2					-2.690* (1.565)		-2.401 (1.488)
ALMP 3					0.418 (0.967)		0.195 (0.923)
GINI						-0.048* (0.028)	-0.042 (0.027)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.547 (0.087)	0.546 (0.087)	0.418 (0.069)	0.398 (0.066)	0.393 (0.065)	0.387 (0.064)	0.370 (0.061)
Level 1 variance	2.044 (0.009)	2.044 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)
Wald chi2(0)	461.89	461.9	467.96	471.19	472.07	473.19	476.61
Prob > chi2:	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Log likelihood:	-57933.635	57933.633	-55982.962	-55982.058	-55981.824	-55981.543	-55980.711
N (Level 2)	21	21	20	20	19	20	19
N (Level 1)	27126	27126	26195	26195	26195	26195	26195
ICC	0.211	0.211	0.170	0.163	0.152	0.159	0.159

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, union membership, temporary employment and unemployment.

Source: ESS (2008)

TABLE 5.9: Predicting unemployment protection preferences at the country level - 2

	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>
	Model 5a	Model 5b	Model 5c	Model 5d	Model 7a	Model 5e	Model 7b
Intercept	5.807*** (0.858)	5.796*** (0.881)	5.958*** (0.723)	5.517*** (0.768)	6.793*** (0.650)	7.320*** (1.036)	7.630*** (0.928)
<i>Country-level control variables</i>							
% Unemployment	0.078 (0.063)	0.079 (0.064)	0.079 (0.049)	0.122** (0.056)	0.047 (0.046)	0.110** (0.049)	0.077* (0.044)
EPL index	0.238 (0.311)	0.229 (0.349)	-0.187 (0.288)	-0.131 (0.278)	0.103 (0.284)	-0.107 (0.271)	0.174 (0.262)
Change in % of GDP	-0.126** (0.063)	-0.126** (0.063)	-0.106** (0.049)	-0.117*** (0.047)	-0.110*** (0.043)	-0.129*** (0.047)	-0.131*** (0.008)
<i>Unemployment protection</i>							
UB generosity		0.001 (0.008)	0.017** (0.008)	0.018** (0.008)	0.004 (0.009)	0.016** (0.008)	0.003 (0.008)
PLMP				-0.394 (0.286)			
ALMP			-0.346 (0.342)	0.099 (0.459)		-0.582* (0.345)	
PES and administration					-3.542** (1.448)		-3.524*** (1.223)
Other ALMPs					0.603 (0.521)		0.267 (0.455)
GINI						-0.048* (0.028)	-0.047** (0.024)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.547 (0.087)	0.546 (0.087)	0.418 (0.069)	0.398 (0.066)	0.368 (0.061)	0.387 (0.064)	0.335 (0.056)
Level 1 variance	2.044 (0.009)	2.044 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)	2.048 (0.009)
Wald chi2(0)	461.89	461.9	467.96	471.19	477.09	473.19	473.19
Prob > chi2:	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Log likelihood:	-57933.635	57933.633	-55982.962	-55982.058	-55980.6	-55981.543	-55981.543
N (Level 2)	21	21	20	20	20	20	20
N (Level 1)	27126	27126	26195	26195	26195	26195	26195
ICC	0.211	0.211	0.170	0.163	0.152	0.159	0.159

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, union membership, temporary employment and unemployment.

Source: ESS (2008)

The inclusion of country-level controls does not affect the statistical significance and direction of the individual-level covariates. However, it improves the fit of the model, as indicated by the large fall of the intraclass correlation coefficient (model 6e shows that only 15.2% of the country-level variance remains unexplained, compared to 24% in the null model).

Regarding the macroeconomic control variables, individuals in countries with greater GDP growth are less likely to support unemployment protection, perhaps suggesting that economic insecurity and the fear of unemployment tends to be generated by the state of the economy in general, rather than unemployment rates specifically. With the addition of further country-level variables, the unemployment rate even shows a positive association with unemployment protection preferences, although this finding is not robust. Differences in the strictness of employment protection legislation do not appear to affect support for unemployment protection.

The addition of variables controlling for differences in institutional unemployment protection across countries reveals that there is a strong interaction between ALMP spending and unemployment benefit generosity. Unemployment benefit generosity has a statistically significant and positive effect on attitudes towards unemployment protection while ALMP spending has a negative impact.

I then disaggregate spending on ALMPs to investigate this impact, first by Bonoli's (2010) definition between ALMPs aimed at 'employment assistance', 'occupation' and 'human capital investment' (Model 6 in Table 5.8), and then between spending on 'PES and administration' as an indicator of stricter conditionality and spending on all other ALMPs (Model 7 in Table 5.7).

Model 6 shows that the only ALMP dummy to be statistically significant is the one that captures spending on programmes aimed at 'occupation' (ALMP 2). When ALMPs are aimed

at keeping people in work during their jobless spell (e.g. in the voluntary sector), people are less likely to be in support of unemployment protection. Separating the ALMP spending variable into spending on 'public employment services and administration' and other labour market programmes (Model 7) reveals a strong negative association between spending on PES and administration and attitudes towards unemployment protection. I explore this finding in greater detail in Chapter VII.

Inequality, too, has a statistically significant and negative effect on such attitudes which may be interpreted as further evidence that the Meltzer-Richard model cannot explain the effect of inequality on social policy preferences (e.g. Rueda and Pontusson, 2010).

The multilevel findings can be summarised as follows: (i) gender is significant, with men being less likely than women to be in favour of unemployment protection; (ii) age does not have an effect on preferences for unemployment protection; (iii) a higher level of educational attainment is associated with lower odds of supporting unemployment protection, although this effect depends on the addition of skills in the model; (iv) income is negatively correlated with support for unemployment protection; (v) a higher specificity and a lower level of skills are associated with greater support for unemployment protection, although the statistical significance of this effect disappears with the addition of variables controlling for political ideology or feelings of labour market insecurity; (vi) the state of the economy, as reflected by GDP changes, influences attitudes towards unemployment protection; (vii) unemployment benefit generosity is positively associated with unemployment protection preferences, and; (viii) spending on certain active labour market policies reduces the chance of supporting unemployment protection preferences, although this finding is not robust.

Discussion and conclusion

The results support Hypothesis C, that skill specificity and level are positively associated with unemployment protection preferences. Only when controlling for ideological preferences and labour market insecurity, the statistical significance of the specific and low-general skill group disappears. However, both of these variables are very broad in nature, and as Rehm (2005) has pointed out, left-right position and the dependent variable are almost certainly endogenous, as being ideologically left or right is generally understood as whether or not somebody supports redistribution (e.g. Rehm, 2005). Whilst the dependent variable captures unemployment protection preferences, it has been argued that unemployment protection is a classic example of a redistributive policy (Jensen, 2012). It is fairly trivial to consider attitudes towards redistributive policy with other attitudes (left-right distinction) as they covary.

This raises a more general question, whether there is any added value of predicting unemployment protection rather than redistribution, considering that one is said to be an example of the other (Jensen, 2012). Tables 5.8 and 5.9 investigate this question, displaying the differences between the model as presented in the above analysis (predicting unemployment protection preferences) and an identical model that predicts redistribution preferences at the individual- and country-level, respectively. This control model uses a similar question in the same round of the ESS, but that is phrased in a broader way to refer to reducing income levels (ESS B30): ‘... please say to what extent you agree or disagree with each of the following statements [...] The government should take measures to reduce differences in income levels’.

Crucially, the effect of skill specificity and skill level on redistribution preferences is the same. In fact the effect is stronger in the case of redistribution, although this could also be explained by the differences in the two models (for instance, the lower number of outcomes in the dependent variable capturing redistribution preferences). This may contradict the

argument that the relationship between skill specificity and social policy measures that guarantee a return on the skill investment by reducing the variability of expected future income is most obvious in the case of labour market institutions that offer unemployment insurance (and job security regulations) (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-58; Kitschelt, 2006: 414).

At the individual level, there are very few differences between preferences for the two. Gender is statistically significant, with men being less likely to support redistribution and unemployment protection. Likewise, income and higher educational attainment is negatively correlated with support for both. Furthermore, union members and individuals with temporary employment contracts are more likely to support unemployment protection and redistribution preferences. These findings therefore add to previous evidence on redistribution preferences, such as the observation that women are more likely to support the welfare state than men (Iversen and Soskice, 2001; Corneo and Grüner, 2002; Blekesaune and Quadagno, 2003; Cusack *et al.*, 2006; Kitschelt and Rehm, 2006; Rueda and Pontusson, 2010), that union members self-select into unions because they hold strong social protectionist views (Rehm, 2005) and that atypical employment is associated with increased feelings of job insecurity (e.g. Beck, 2000; De Witte and Näswall, 2003; Erlinghagen, 2008; Heery and Salmon, 2000). The impact of higher education on redistribution preferences has also been observed before (e.g. Rueda and Pontusson, 2009). However, controlling for income, the effect is difficult to disentangle, although it may be the case that highly educated people take into account the prospects of upward mobility (as elaborated by Alesina and Giuliano, 2009⁸⁷).

However, there are some differences at the individual level. Notably, age plays a very large role in predicting redistribution preferences, while the dummies are not significant in the

⁸⁷ I.e. although highly educated people may not be wealthy at the time of the survey, they consider it likely that they will be wealthy one day and therefore see the potential to be disadvantaged by measures that redistribute resources from the rich to the poor.

original model. This suggests that while older people are interested in policies that redistribute income from rich to the poor, unemployed people are not part of this equation. This is possibly related to the fact that pensioners are not able to become unemployed and therefore have no fear of unemployment. However, the same observation is made for cohorts that are below the retirement age. As one might expect, the dummy capturing unemployment is statistically significant in the original model, but not in the model controlling for redistribution preferences. This suggests that unemployed people do not consider redistributive policies to be beneficial to them, perhaps because such policies have become increasingly work-related.

At the country-level, similarities overshadow the differences. In both models, people in countries characterised by greater spending on ALMPs are less likely to support unemployment protection and redistribution preferences. Previous findings have suggested that generous unemployment protection systems, both in terms of benefit generosity and in terms of ALMP spending, reduce perceived employment and job insecurity (Böckermann, 2004; OECD, 2004; Anderson and Pontusson, 2007; Pacelli *et al.*, 2008; Clark and Postel-Vinay, 2009) and thereby reduce support for unemployment protection as well as redistribution. Going back to the original analysis (Table 5.7), this effect seems to be particularly driven by spending on ‘public employment services and administration’. In Chapter VII, I discuss how this finding could be drawn together with the results of the previous chapter, which show that the same variable had a positive effect on chances of occupational mobility between pre- and post-unemployment.

TABLE 5.10: Comparing preferences towards unemployment protection and redistribution at the individual level

	Unemployment protection	Redistribution
	<i>B</i>	<i>B</i>
Intercept	6.825*** (0.398)	2.440*** (0.188)
<i>Individual-level control variables</i>		
Gender		
Male	-0.112*** (0.027)	-0.125*** (0.013)
Female (<i>ref.</i>)		
Age		
16-24 (<i>ref.</i>)		
25-35	0.269 (0.370)	0.372** (0.174)
36-50	0.361 (0.370)	0.395** (0.174)
51-64	0.542 (0.370)	0.492*** (0.174)
65+	0.448 (0.370)	-0.480*** (0.174)
Educational attainment		
ISCED 1 (<i>ref.</i>)		
ISCED 2	0.001 (0.053)	0.175 (0.025)
ISCED 3	-0.071 (0.051)	-0.012 (0.024)
ISCED 4	-0.139 (0.089)	-0.029 (0.043)
ISCED 5	-0.104* (0.055)	-0.152*** (0.026)
Income		
Quintile 1 (<i>ref.</i>)		
Quintile 2	-0.313*** (0.042)	-0.082*** (0.020)
Quintile 3	-0.382*** (0.044)	-0.133*** (0.021)
Quintile 4	-0.463*** (0.046)	-0.206*** (0.022)
Quintile 5	-0.616*** (0.049)	-0.438*** (0.023)
Skills		
High-general (<i>ref.</i>)		
Low-general	0.057* (0.033)	0.122*** (0.016)
Specific	0.080** (0.039)	0.155*** (0.019)
Other		
Union membership	0.230*** (0.034)	0.187*** (0.016)
Temporary contract	0.161*** (0.038)	0.064*** (0.016)
Unemployed	0.428*** (0.141)	0.098 (0.067)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.635 (0.101)	0.306 (0.049)
Level 1 variance	2.044 (0.009)	0.977 (0.004)
Wald chi2(0)	455.02	1589.28
Prob > chi2:	0.000	0.000
Log likelihood:	-57936.609	-37847.53
<i>N</i> (Level 2)	20	20
<i>N</i> (Level 1)	27126	27077
ICC	0.237	0.239

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

If generous benefits reduce perceived job insecurity as previous evidence suggests, the finding that unemployment benefit generosity is positively associated with unemployment protection preferences is counterintuitive, since it might be thought that in countries where generous benefits exist, individuals will be less worried about becoming unemployed and therefore less likely to support such policies. However, this interpretation rests purely on explanations that use labour market insecurity to mediate attitudes towards

unemployment protection. The positive correlation between benefit generosity and support for unemployment protection might suggest that countries with a high share of national income dedicated towards welfare policies can lead to stronger positive perceptions. In less comprehensive welfare states, people have been shown to be more sceptical about the positive social consequences (van Oorschot *et al.*, 2012).

TABLE 5.11: Comparing attitudes towards unemployment protection and redistribution at the country-level

	Unemployment protection	Redistribution
	<i>B</i>	<i>B</i>
Intercept	7.320*** (1.036)	3.377*** (0.440)
<i>Country-level control variables</i>		
% Unemployment	0.110** (0.049)	0.077*** (0.020)
EPL index	-0.107 (0.271)	-0.051 (0.113)
Change in % of GDP	-0.128*** (0.047)	0.017 (0.020)
<i>Unemployment protection</i>		
UB generosity	0.016** (0.008)	0.007** (0.003)
ALMP	-0.582* (0.345)	-0.421*** (0.144)
Gini coefficient	-0.048* (0.028)	0.013 (0.011)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.387 (0.064)	0.160 (0.027)
Level 1 variance	2.048 (0.009)	0.986 (0.004)
Wald chi2(0)	473.19	1624.62
Prob > chi2:	0.000	0.000
Log likelihood:	-55981.543	-36758.137
N (Level 2)	20	20
N (Level 1)	26195	26150
ICC	0.159	0.140

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, skills, union membership, temporary employment and unemployment.

Source: 4th round of the ESS, 2008

The statistical significance of the unemployment benefit generosity variable also remains with the use of different combinations of NRRs. For instance, the original model used the net replacement rate of a single worker in the initial phase of unemployment, who has no children, receives 67% of the median income and who does not receive social assistance benefits. However, as displayed in Table 5.12, which displays the result of the model when run with different measures of net replacement rates, the variable remains robust.

Consequently, this could be taken as evidence against the argument that generous unemployment benefits influence social policy preferences via their effect on individuals' job security perceptions (e.g. Böckermann, 2004; OECD, 2004; Pacelli *et al.*, 2008). The

effect of unemployment benefit generosity on unemployment protection preferences is therefore likely to stem from factors other than job security, such as the design of the system (generous systems tend to be contribution-based) or whether the generosity is aimed at people who are in long-term or frictional unemployment. I will discuss this question in further detail in Chapter VII, where I predict labour market insecurity alongside unemployment protection preferences.

However, an interesting observation is that the direction of the effect switches as soon as the net replacement rate for *long-term* unemployed is used instead as the NRR for the initial phase of unemployment. Instead of being associated with positive attitudes towards unemployment protection, people in countries where benefits for long-term unemployed people are more generous are more likely to have negative attitudes towards such programmes. This may suggest that negative attitudes towards unemployment protection breed in countries where benefits are particularly generous towards long-term unemployed people. Long-term unemployed people might be considered less deserving than people who experience cyclical or frictional unemployment.

The main drawback of the analysis is the dependent variable. Whilst it represents one of the closest reflections of unemployment protection preferences in existing datasets, there are potentially issues with the relatively vague phrasing of the question. The question refers to the 'government's responsibility' and thereby addresses unemployment protection from a public/private perspective. Furthermore, the question refers to ensuring a 'decent standard of living' for the unemployed, a threshold which by no means addresses the question of unemployment benefit generosity.

TABLE 5.12: Robustness of results using different measures of NRR

	<i>NRR</i>	<i>ALMP I</i>	<i>ALMP II</i>	<i>ALMP III</i>
Initial phase, No SA, 67% income, No children, Single	0.015** (0.007)	-0.616 (0.441)	-2.401 (1.488)	0.195 (0.923)
Initial phase, SA, 67% income, No children, Single	0.028** (0.014)	-0.789* (0.473)	-3.103** (1.540)	-0.006 (0.949)
Initial phase, No SA, 100% income, No children, Single	0.014* (0.008)	-0.356 (0.440)	-2.391 (1.526)	0.051 (0.965)
Initial phase, No SA, 67% income, 2 children, Lone parent	0.021** (0.011)	-0.347 (0.432)	-1.743 (1.532)	-0.375 (1.010)
Initial phase, No SA, 67% income, No children, Two-earner married couple	0.035** (0.017)	-0.452 (0.432)	-2.145 (1.502)	-0.018 (0.950)
Initial phase, No SA, 67% income, No children, One-earner married couple	0.021*** (0.007)	-0.618 (0.403)	-3.545** (1.431)	-0.047 (0.862)
Initial phase, No SA, 67% income, 2 children, Two-earner married couple	0.023 (0.018)	-0.308 (0.461)	-2.071 (1.600)	0.024 (1.029)
Long-term, No SA, 67% income, No children, Single	-0.016*** (0.005)	-0.552 (0.385)	-0.266 (1.477)	1.172 (0.843)
Long-term, No SA, 67% income, 2 children, Two-earner married couple	-0.028* (0.016)	-0.607 (0.458)	-1.771 (1.574)	0.693 (0.952)
Long-term, SA, 67% income, No children, Single	-0.016** (0.009)	0.209 (0.541)	-0.203 (1.897)	0.733 (0.940)

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, skills, union membership, temporary employment, unemployment, unemployment rate, EPL index, change in GDP and Gini coefficient.

Source: ESS (2008)

Taken together, the results of this chapter lend support to recent theorising over the link between employment risks and welfare state preferences (Cusack *et al.*, 2006; Rehm, 2009; Hacker *et al.*, 2013). Very few studies have distinguished between preferences for unemployment protection and attitudes towards redistribution. Given the significance of the skill specificity and skill level variables on both unemployment protection and redistribution preferences, the findings suggest that labour market insecurity and insurance motives play a large role in predicting unemployment protection preferences. The chapter therefore supports alternative models that highlight the importance of exposure to labour market risks, job security and preferences for insurance associated with it (e.g. Rodrik, 1997; Garrett, 1998; Moene and Wallerstein, 2001; Scheve and Slaughter, 2004; Rehm, 2005; 2009; Cusack *et al.*, 2006; Anderson and Pontusson, 2007; Chung and van Oorschot, 2011; Hacker *et al.*, 2013).

Chapter VI

Investigating the role of skills in explaining unemployment protection preferences across countries

Abstract

Varieties of Capitalism (VoC) theory suggests that workers with specific skills will display positive preferences towards unemployment protection, while insider/outsider theory suggests that skill level may be relevant in determining such attitudes. The results of Chapter V suggested that people with specific or low levels of skills are more likely to support unemployment protection than individuals with high and general skills. This suggests that variations in support for unemployment protection can be explained by the proportion of people with specific or low levels of skills in the labour market (see, e.g. Cusack *et al.*, 2006). In the following chapter, I address this hypothesis by incorporating the share of specific and low-general skills in a labour market to a model of unemployment protection preferences in Europe. It then turns to the United Kingdom and Germany as case examples, arguing that when it comes to attitudes towards the unemployed people and their protection, factors other than the presence or proportion of specific skills are important in explaining cross-national variation.

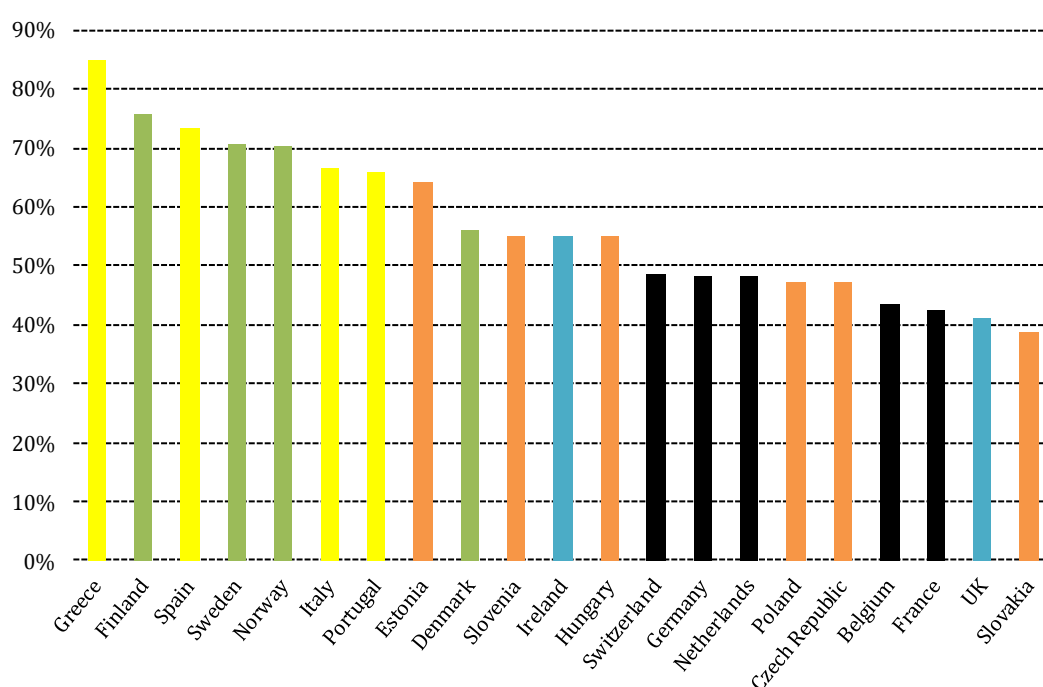
Introduction

The findings of the previous chapter suggest that skill specificity and level are positively associated with preferences towards unemployment protection. This would imply that across countries, different patterns of support for unemployment protection can be observed depending on the share of specific skills. Figure 6.1 below plots the variation in support for unemployment protection across countries from the previous chapter's analysis, which suggests institutional patterns do exist. For instance, support for unemployment protection appears to be stronger in Mediterranean (depicted in yellow) and Scandinavian countries (in green) than it is in Eastern European (brown), Continental

(black) or Anglo-Saxon (blue) Europe. However, are these institutional differences related to the profile of skills in the respective labour markets?

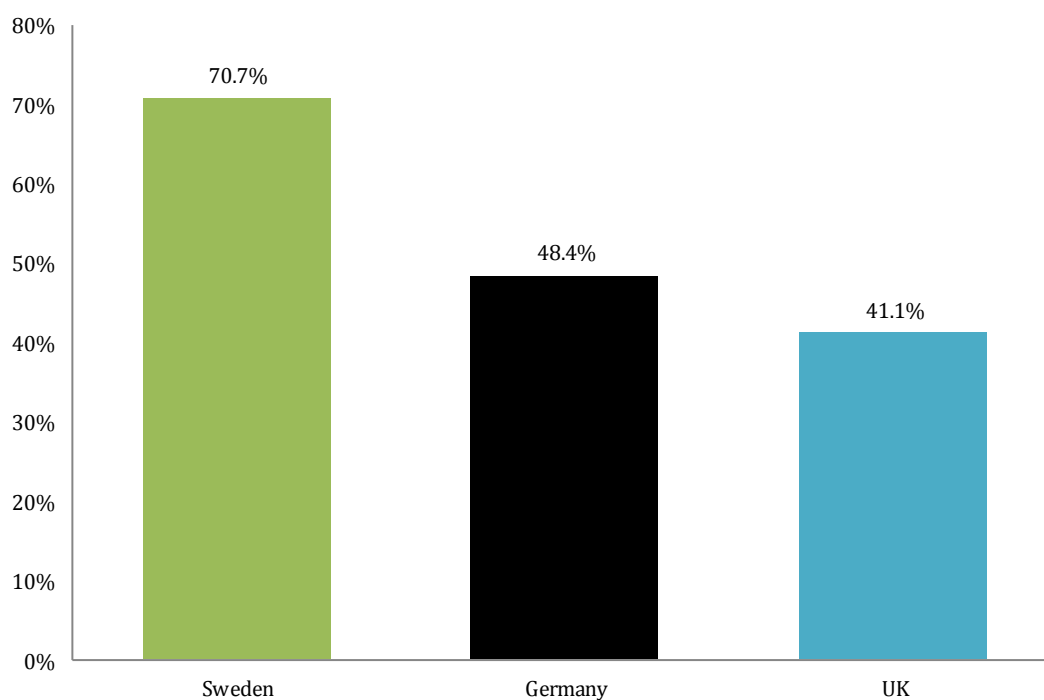
The UK, Germany and Sweden, for instance, represent the prototypes of their respective production regimes: the liberal, continental and universalistic model (Esping-Andersen, 1990; Gallie and Paugam, 2000). Each country also displays different levels of support for unemployment protection (Figure 6.2). While over 70% of the sample in Sweden is in favour of measures that ensure a ‘decent standard of living’ for unemployed people, only 40% think the same in the UK.

FIGURE 6.1: Support for unemployment protection across Europe, 2008



Source: Author's own calculations, ESS (2008)

FIGURE 6.2: Support for unemployment protection in Sweden, Germany and the UK, 2008



Source: Author's own calculations, ESS (2008)

This chapter extends the analysis of Chapter V by investigating how much or how little of this variation in support for unemployment protection can be explained by the presence of skills in the labour market. In general, it has been argued that there has been limited effort to explain why patterns in public support for the welfare state vary (Rehm *et al.*, 2012: 386). Having observed that skill specificity and level are negatively correlated with occupational mobility and positively associated with support for unemployment protection, it makes sense to evaluate whether differences in the skill-composition of labour markets have an effect on differences in support for unemployment protection preferences. This research aim can be phrased in the following hypothesis:

Hypothesis D: Countries with a greater proportion of workers with specific skills, or those with high numbers of workers with low levels of skills are more likely to be characterised by high levels of support for unemployment protection.

The findings suggest that the presence or absence of certain skills cannot explain variations in support across Europe. More crucially, they propose that the relationship between skill specificity as a relevant predictor of unemployment protection preferences varies across countries. I argue that this variation is partly the result of institutional differences by connecting the discussion to the literature on the way that institutional settings breed different *types* of labour market insecurity (e.g. Esping-Andersen, 1993; 2000; Schwander and Häusermann, 2013). Labour market insecurity, in turn, is more closely related to unemployment protection preferences than redistribution preferences in general. Finally, I stress the importance of *cultural* factors and historical intricacies, especially in explaining attitudes towards unemployed people.

The chapter is structured as follows. In the next section, I present the theoretical framework and review the limited amount of existing evidence on the role of skills, institutions and other factors in explaining variation in support for unemployment protection across countries. In Section III, I present the data and methodology, before turning to the results in Section V. The results are discussed in Chapter VI together with some concluding paragraphs.

Theoretical framework and literature review

Literature on individual social policy preferences represents a large and growing body of scholarship in comparative welfare state research (e.g. Brooks and Manza, 2007). There are a variety of factors that shape preferences towards welfare policies such as unemployment protection, including economic factors (e.g. Meltzer and Richard, 1981), risk-averse considerations (e.g. Moene and Wallerstein, 2001) or non-economic issues such as race, ethnicity or ideology (e.g. Alesina and Glaeser, 2004) (for a detailed overview of these arguments, see Chapter V).

While unemployment protection preferences can be influenced by many of these factors, I concentrate here on the explanatory value of *skills*. Skills affect unemployment protection preferences because their specificity influences an individual's exposure to labour market risks. While there are many individual-level and contextual characteristics that can influence exposure to such risks, including income, education or deindustrialisation, these factors affect risks that are different from those that are influenced by skill specificity. Skill specificity influences the risk of future income loss through the portability of the worker's skills, and hence their ability to navigate successfully through the labour market as tides of employment opportunities ebb and flow (Cusack *et al.*, 2006: 366). Due to their limited portability, investments in specific skills are more likely to become redundant in the future, which is what constitutes the perceived risk that people with specific skills therefore take into account.

Factors such as ethnicity or temporary employment, on the other hand, affect perceptions of job security and in particular, threatened unemployment. Rising unemployment risks will induce individuals to demand higher protection against future income loss. For instance, when others in similar occupations or situations become unemployed, the individual will demand greater insurance against these risks in the form of unemployment protection policies (Cusack *et al.*, 2006: 367).

In particular, 'outsiders' can be said to be affected by this labour market risk. Outsiders are characterised by low wages, poor working conditions, less training, job instability and fewer opportunities for career advancement. Several authors have drawn attention to workers with atypical contracts or those who are in involuntary part-time employment, particularly since policies aimed at flexibilising the labour market were introduced in the 1980s and 1990s (Rueda, 2005; 2006; 2007; Palier and Thelen, 2010). Workers with low skill *levels* have also been identified as being particularly vulnerable to unemployment. A

recent report by the European Commission (2014) shows that low qualified workers are encountering increasing difficulties finding a job, and face lower job stability when they do.

Hence, there are two main sources of insecurity (or risk) in the labour market. One source is the risk of unemployment and the consequent loss of future income. Another source of insecurity is the potential devaluation of workers' skills. This arises because workers may have to accept re-employment in jobs where their skills are not used to the full (Cusack *et al.*, 2006: 367). Regardless of levels of unemployment, the specificity of skills limits an individual's re-employment potential. As a consequence, there is potential for loss of income which risk-averse individuals will try to insure against by demanding income protection through public policies and ensure a return on their skill investment (Estevez-Abe *et al.*, 2000; Iversen and Soskice, 2001; Iversen, 2005; Cusack *et al.*, 2006). This is known as the 'skill specificity thesis' (Iversen and Soskice, 2001), this suggests that people with specific skills will be more likely to support unemployment protection so as to ensure a return on their investment (Iversen and Soskice, 2001; Iversen, 2005).

Support for this was found in Chapter V, which shows that people with specific skills (who are also less likely to experience occupational mobility, according to the results of Chapter IV), are more likely to display positive attitudes towards unemployment protection. This adds to existing evidence, such as Iversen and Stephens' (2008) study that finds specific skills (measured in terms of vocational education) to be highly associated with strict employment protection legislation and generous unemployment replacement rates, as hypothesised by Estevez-Abe *et al.* (2001). Similarly, Cusack *et al.* find that the composition of skills in the labour force affects the overall demand for social insurance, thereby explaining institutional differences in social protection between countries. The specificity of human capital has therefore been shown to affect support for both passive and active unemployment assistance and broader redistribution (Cusack *et al.*, 2006; Iversen and Soskice, 2006).

An alternative argument has been presented by Goldthorpe (2000). The 'Replaceability Thesis' contradicts the 'Skill Specificity Thesis' by suggesting that employees with specific skills are difficult to replace, and might consequently be less concerned about their job security than employees with few specific skills. As a result, individuals with specific skills may be less concerned about becoming unemployed, meaning that the possession of skills will not affect unemployment protection preferences. This has also been proposed by Emmenegger (2009), who finds support for Goldthorpe (2000) in his analysis of the relationship between skills and preferences for job security regulations.

Both theses suggest that unemployment protection preferences will vary across different skill-formation settings. If there are differences in the composition of skills across countries, the demand for – and hence supply of – unemployment protection should vary depending on the labour market. I therefore predict that unemployment protection will enjoy greater support in countries with a greater share of specific skills. In particular, this applies to economies with extensive vocational training systems, as opposed to economies relying more on general education. Insofar as such skills are associated with greater demand for insurance, systems with extensive vocational training should produce higher aggregate demand for redistribution (Cusack *et al.*, 2006).

In addition to this, people with a low level of skills (low-general) are more likely to support such policies, as the results of the previous chapter show. The reason for this is based on the fact that such people face higher labour market risks due to a lack of skills, rather than the specificity of them. These predictions are captured in the hypothesis below:

Hypothesis D: Countries with a greater share of workers with specific skills, or those with higher numbers of workers with low-general skills, are more likely to be characterised by high levels of support for unemployment protection

However, as argued in the previous chapter, the relationship between skills and attitudes towards unemployment protection can be influenced and mediated by the presence and design of institutions. The results of Chapter V demonstrated that people in countries with a higher amount of spending on public employment services and administration are also less likely to support unemployment protection policies.

There is in fact growing evidence that suggests that public support for the welfare state is closely linked to the size and generosity of social programmes (Brooks and Manza, 2007). However, there is little understanding and consensus over the impact of institutional macro contexts on the dynamics at the micro level despite considerable research on the topic (e.g. Papadakis, 1993; Svallfors, 1997; 2004; 2010; Bean and Papadakis, 1998; Andreß and Heien, 2001; Arts and Gelissen, 2001; Blekesaune and Quadagno, 2003; Linos and West, 2003; Lipsmeyer and Nordstrom, 2003; Jaeger, 2006, 2009; Jakobsen, 2010).

There are also a number of explanations that are based on historical intricacies and are therefore historical in nature. For instance, from the very beginnings of the welfare state, unemployed people have been considered less ‘deserving’ than other welfare state recipients, such as the aged, sick or infirm. Early poor laws, such as the British Poor Law of 1834, distinguished between those who were deserving of relief and those who were capable of work, including unemployed people (Golding and Middleton, 1982; Waxman, 1983; Katz, 1989; Geremek, 1997; van Oorschot, 2006). These differences are reflected in modern social protection systems, with elderly and disabled people able to rely more strongly on less stigmatising benefits than unemployed people (van Oorschot, 2006:23).

These distinctions are not just reflected in welfare state policy, but in public attitudes in general. In 2010, a Prospect/YouGov poll in the UK demonstrated that the public generally preferred cuts for unemployed people and unmarried single parents⁸⁸, no change in support

⁸⁸ Although it should be noted that a benefit for ‘unmarried single parents’ does not exist (Baumberg *et al.*, 2012: f38).

for low-paid people and increased benefits for the disabled and elderly. Cross-country analyses have demonstrated that public concern for unemployed people as a group is consistently low compared to other groups in society (van Oorschot, 2006). The public is most concerned about elderly people followed by sick and disabled individuals. Families with children receive less support and unemployed people are seen as less deserving still. Immigrants are deemed least deserving of all (Pettersen, 1995; Ullrich, 2000; Blekesaune and Quadagno, 2003). These distinctions have remained remarkably stable over time and are similar over countries (Coughlin, 1980).

There have also been concerns, in the UK and elsewhere, that attitudes are getting worse due to 'a government focus on alleged "scrounger" fraud and media coverage' (Baumberg *et al.*, 2012). There is widespread and growing doubt over unemployed people's willingness to work and about their proper use of benefits, even in universalistic welfare states such as Sweden (Furnham, 1982; Golding and Middleton, 1982). When asked to compare unemployed people to disabled or employed people, unemployed individuals are seen as having less 'character', self-responsibility, perseverance and trustworthiness (Maassen and Goede, 1989). As a result of this negative image, support for unemployment benefits is usually lower (van Oorschot, 2006), as numerous studies in the US have found (e.g. Williamson, 1974; Katz, 1989; Appelbaum, 2001; Gordon, 2001; Huddy *et al.*, 2001; Rein, 2001). According to these views, it is more likely that attitudes towards unemployment protection are influenced by factors other than the presence of skills in a labour market, or the existence of certain institutions.

In summary, I am primarily concerned with the role that skill specificity and skill level play in determining unemployment protection preferences across countries. Skill specificity affects an individual's labour market risks in terms of the likelihood that the person can make use of his or her skills in the future, and therefore influences the risk that the individual could lose the income that has gone into this skill investment. Other factors, such

as skill level or temporary employment are likely to affect social policy preferences in terms of an individual's perceived threat of unemployment. What should therefore follow is that countries with high numbers of workers with specific and low-general skills and/or temporary workers will also display higher levels of support for unemployment protection, in order for such people to insure themselves against labour market risks such as unemployment or the loss of asset-specific human capital investments.

In practice, however, contextual factors can influence the degree to which this relationship between skill specificity and/or level and demand for unemployment protection. Primarily, I am concerned with the effect that the design of institutions such as unemployment benefits have on the demand of unemployment protection. However, I also take into account historical intricacies by considering the UK and Germany in more detail. For instance, it is difficult to imagine that a person's skill specificity should be the primary determinant in shaping his or her attitudes towards unemployment protection when there is widespread negative media coverage on the 'deservingness' of unemployed people.

Data and Methodology

The primary analysis of this chapter relies on data from the 4th round of the European Social Survey (ESS) in 2008, of which more information can be found in the corresponding section of Chapter V. In addition to the ESS, data from the International Social Survey Programme (ISSP) is used. The ISSP has been used widely for research on social policy preferences (e.g. Brooks and Manza, 2006; Cusack *et al.*, 2006; Svallfors, 2006; Kenworthy and McCall, 2007). Four ISSP modules are particularly relevant for the purposes of this chapter, namely the 'Role of Government' modules of 1985, 1990, 1996 and 2006. ISSP is included to give a historical perspective to the analysis of unemployment protection preferences, especially when taking into account societal and cultural factors which cannot necessarily be observed in a snapshot of unemployment protection preferences in one year.

The dependent variables for the analysis are constructed from questions in these surveys. From the ESS data, question D18 is used: ‘... how much responsibility do you think governments should have to ensure a reasonable standard of living for the unemployed?’. There are 11 possible answers to this question, ranging from 00 (‘should not be the government’s responsibility at all’) to 10 (‘should be entirely the government’s responsibility’).

In the ISSP dataset, the question of interest gives individuals a list of various areas of government spending, including ‘unemployment benefits’, and asks them to indicate whether they would like to see more or less government spending for the area. Answers included ‘spend much more’, ‘spend more’, ‘spend the same as now’, ‘spend less’ and ‘spend much less’. For the purposes of the descriptive analysis, people who responded ‘spend much more’ and ‘spend more’ were considered supportive of unemployment protection, those who wanted to ‘spend the same as now’ were deemed to be indifferent and people answering the question with ‘spend less’ or ‘spend much less’ were coded as being against unemployment protection.

The independent variable of interest is skill, both in terms of its *specificity* and in terms of its *level*. The hypothesis that both of these factors are associated with *greater* chances of supporting unemployment protection preferences is tested by including three different skill groups that are distinguished using the individual’s occupation in the surveys. Using this information, the individual is classified as belonging to either the ‘high-general’, the ‘low-general’ or the ‘specific’ skill group (Fleckenstein *et al.*, 2011)⁸⁹. The ESS contains occupational data of individuals captured using the International Standard Classification of Occupations (ISCO-88), which is also what Fleckenstein and Seeleib-Kaiser (2011) use to distinguish their occupational groups. This means that the sample only contains

⁸⁹ A more detailed explanation of this skill classification can be found in Chapters I and III (‘Data and Methodology’ section).

respondents who display occupational data, and is therefore subject to the same limitations as the previous chapter's analysis. In other words, the results cannot be applied to those sections of the population who are not part of the labour force, such as the disabled, pensioners or full-time carers, to name just a few.

In addition to the explanatory variable, I control for gender, age, ISCED level of educational attainment, income, union membership, ideological position and 'outsider' status (in terms of whether somebody is on a temporary contract or unemployed)⁹⁰. I assume that these sociodemographic factors will have the same effect across different production regimes. To briefly summarise, the previous chapter showed that men as well as people with higher incomes are less likely to support unemployment protection. Women, older respondents, individuals with low incomes, trade union members and people who are in temporary employment (and therefore considered 'outsiders' in the labour market) are predicted to display positive attitudes towards unemployment protection.

The analytical strategy is primarily based on a mixed methods approach, comprising of mixed-effects multilevel models for the European data, linear regressions for the analysis of individual countries, and descriptive statistics as well as secondary sources for the investigation of historical attitudes towards unemployed people and unemployment protection in the UK and Germany.

The mixed-effects multilevel models are identical to the ones constructed in the previous chapter. They consist of linear mixed-effects models that predict unemployment protection preferences as a continuous variable, whilst controlling for a clutch of individual-level and country-level variables mentioned above. A detailed description of the data and modelling strategy can be found in the corresponding section in Chapter V. The only difference is the addition of a macro-level explanatory variable that captures the share of specific, low-

⁹⁰ Reasons for why we control for these variables can be found in Section IV of Chapter 5.

general and high-general skills in each country's labour market (the descriptives are displayed in the next section).

Although binary or multinomial logistic regressions may be easier to interpret, and have been used in the bulk of other research on social policy preferences, this strategy is chosen because of the structure of the answers to the question that form the dependent variable. Answers are coded from 00 to 10 (11 responses) meaning that (i) it is difficult to split answers into two, and (ii) there are a large number of responses that allow the dependent variable to be treated as a continuous outcome. Other analyses typically rely on questions that provide few answers and – problematically from a methodological perspective – cut out indecisive answers and treat the dependent variable as binary. I draw on the ESS data for the regression analysis rather than the ISSP dataset because it is not possible to include various controls for the latter, either because they are missing for some waves⁹¹ or because they are not included at all⁹². However, I nonetheless add robustness checks using the ISSP data.

To analyse the relationship between skill specificity and/or level and unemployment protection preferences within countries, I drop the random-effects part of the model and employ a standard multiple linear regression using OLS instead. Multiple regressions are widely used in comparative welfare state literature (e.g. Amenta, 1993; Shalev, 1983; Esping-Andersen, 1990). The major conceptual limitation is that one can only ascertain relationship, but not the underlying causal mechanism. Technically, multiple linear regressions assume normality and homogeneity of variance, as well as the independence of errors. While the dependent variable is not normally distributed (as can be seen from Table 6.1 below), this does not mean that the residuals (i.e. the dependent variable, given X) are

⁹¹ For example, occupational data (ISCO-88 codes) are missing in the UK for the years 1985, 1990 and 1996.

⁹² Detailed data on income is unavailable from 2006.

not normally distributed⁹³. To avoid multicollinearity in the predictor variables, I predict the models without the inclusion of education or income alongside skills.

TABLE 6.1: Descriptives of unemployment protection preferences in the UK and Germany

	<i>N</i>	<i>Mean</i>	<i>Standard Deviation</i>
UK	2336	6.00	2.16
Germany	2730	6.46	2.21

Source: ESS (2008)

TABLE 6.2: Responses to the question ‘How much responsibility do you think governments should have to ensure a reasonable standard of living for the unemployed?’ in the UK and Germany, 2008

	<i>UK</i>	<i>% of total</i>	<i>Germany</i>	<i>% of total</i>
Not government's responsibility at all	32	1%	22	1%
1	21	1%	9	0%
2	73	3%	61	2%
3	147	6%	148	5%
4	240	10%	214	8%
5	484	21%	561	21%
6	378	16%	393	14%
7	380	16%	425	16%
8	312	13%	400	15%
9	90	4%	114	4%
Entirely government's responsibility	179	8%	383	14%
Total	2336		2730	
Missing	84	4%	16	1%

Source: ESS (2008)

In the final stage of the analysis, I briefly rely on comparative historical research of attitudes towards unemployed people and unemployment protection in the UK and Germany. I back this research up with descriptive data from the ISSP and ESS.

Results

The descriptive results for 2008 show that in 2008, 48.4% of German and 41.1% of UK citizens were in favour of the government's duty to ensure a decent standard of living for

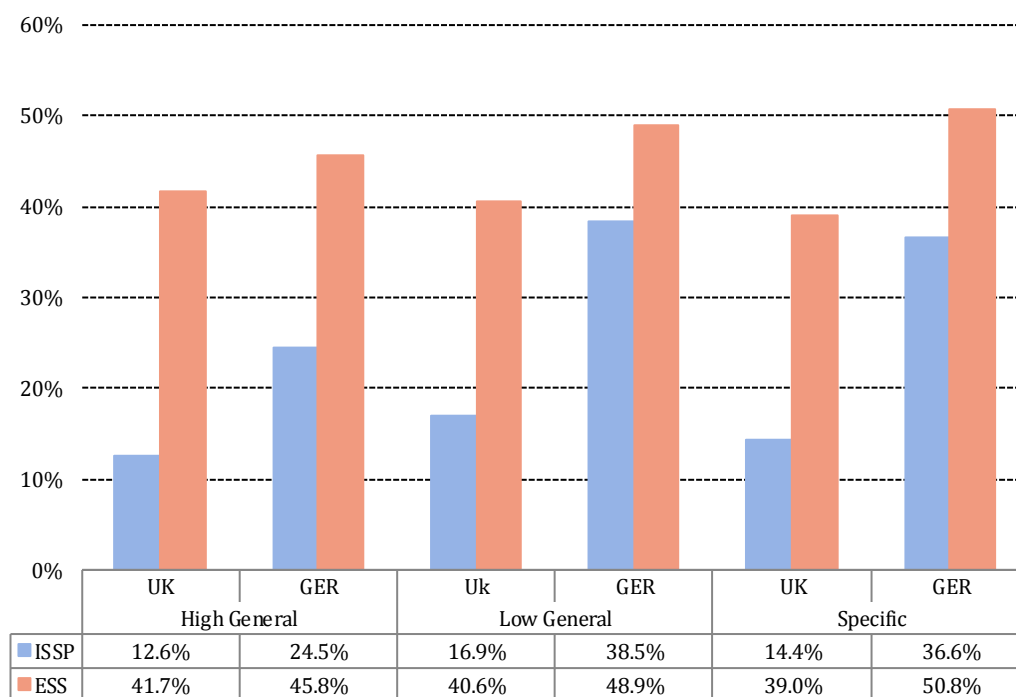
⁹³ I also estimated an ordered logit model, finding that the spacing of cut-point parameters was consistent with the assumption of the linear regression model.

unemployed people according to the ESS (Figure 6.1). Are these declines attributable to variations in the proportion of specific skills in Germany and the UK? Figures 6.3-6.5 display attitudes towards unemployment protection between the different skill groups based on ESS and ISSP data. According to both datasets, support for unemployment protection is higher among the low-general and specific skill groups in Germany, as illustrated in Figure 6.3. In contrast to this, there are no uniform patterns of support for unemployment protection between skill groups in the UK. In general, however, support for unemployment protection is much lower in the UK among all skill groups analysed.

Looking at the proportion of people who are *against* unemployment protection within each skill group (Figure 6.4) reveals the same observation between the two countries.

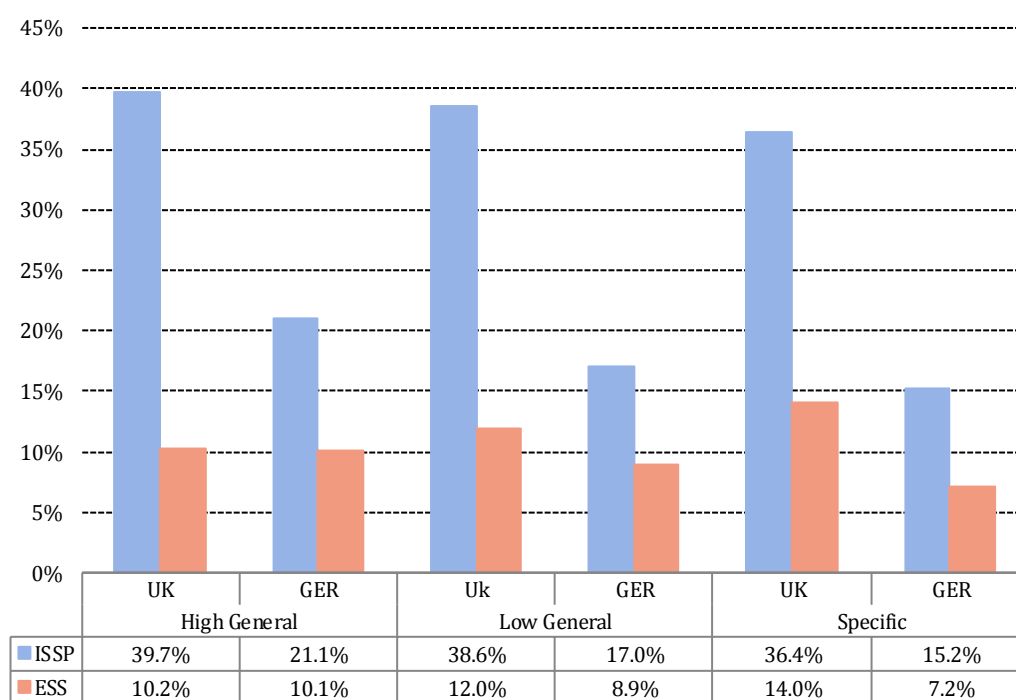
Opposition is lowest among the specific skill group in Germany according to both datasets, followed by the low-general skill group and the high-general skill groups, which displays the highest levels of opposition towards such policies. While the same observation is true according to ISSP data in the UK, using ESS data we can observe that the *opposite* is true (i.e. levels of opposition are highest among people in the specific skill group and lowest within the high-general skill group). When it comes to measuring the amount of 'indifference' towards unemployment protection between skill groups (Figure 6.5), no obvious patterns emerge. Rates are similar across skill groups and between the two countries.

FIGURE 6.3: Support for unemployment protection across skill groups in the UK and Germany, 2006 and 2008



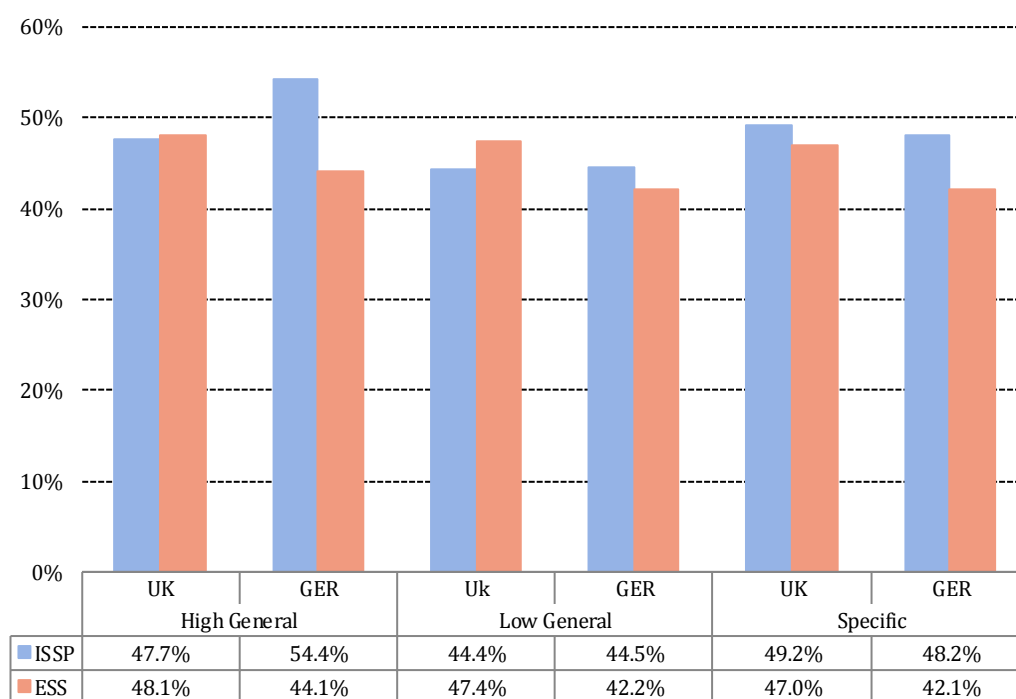
Source: ISSP (2006); ESS (2008)

FIGURE 6.4: Opposition towards unemployment protection across skill groups in the UK and Germany, 2006 and 2008



Source: ISSP (2006); ESS (2008)

FIGURE 6.5: Indifference towards unemployment protection across skill groups in the UK and Germany, 2006 and 2008



Source: ISSP (2006); ESS (2008)

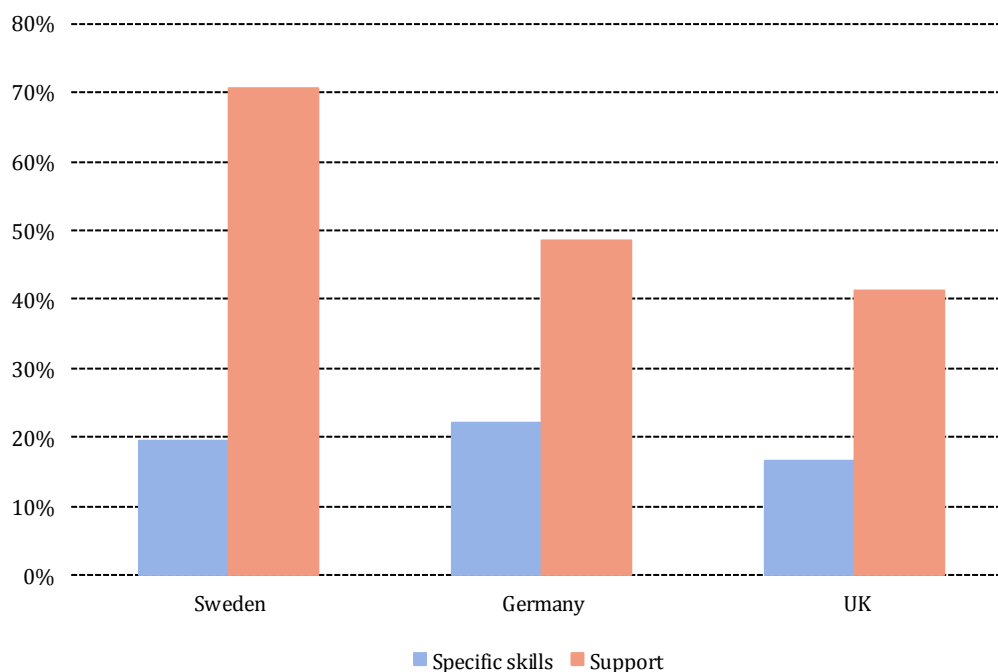
The most striking observation is the difference in rates of support as well as opposition towards unemployment protection between the UK and Germany. According to the ESS data, for instance, over half (50.8%) of individuals who are in jobs requiring specific skills are in support of unemployment protection in Germany (Figure 6.4), with just 7.2% opposing it (Figure 6.5). In the UK, however, the equivalent Figures are 39% and 14%, respectively.

The difference in rates of support among the same skill groups in different countries would suggest that skill specificity and/or skill level are not necessarily related to support for unemployment protection across different national labour markets. It is therefore difficult to imagine how Hypothesis D can be fulfilled, since a higher presence of specific skills in a labour market might not necessarily be combined with higher rates of support within that same skill group compared to individuals in, for instance, the high-general skill group. For example, people with specific skills in the UK exhibit the *lowest* levels of support for

unemployment protection according to the ISSP data. However, the hypothesis does hold in Germany, where a larger share of people with specific skills exists who are also more likely to support such policies compared to the other skill groups.

Nonetheless, even if we assumed that people with specific skills are those most in favour of unemployment protection across different national settings, it is difficult to see how skill specificity can explain differences in support for unemployment protection across a wider selection of countries, as Figure 6.6 illustrates. This plots the share of workers with specific skills in the labour market against support for unemployment protection in Sweden, Germany and the UK, each of which represents the archetypal Nordic, Continental and liberal welfare regime (Esping-Andersen, 1990). Although support is highest in Sweden, the share of specific skills in the labour market is highest in Germany. Nor is it the case that low-general skills can explain differences in support across these countries, considering that the share of low-general skills is lower in Sweden (33.8%) than it is in Germany and the UK (35.3% and 45.4%, respectively).

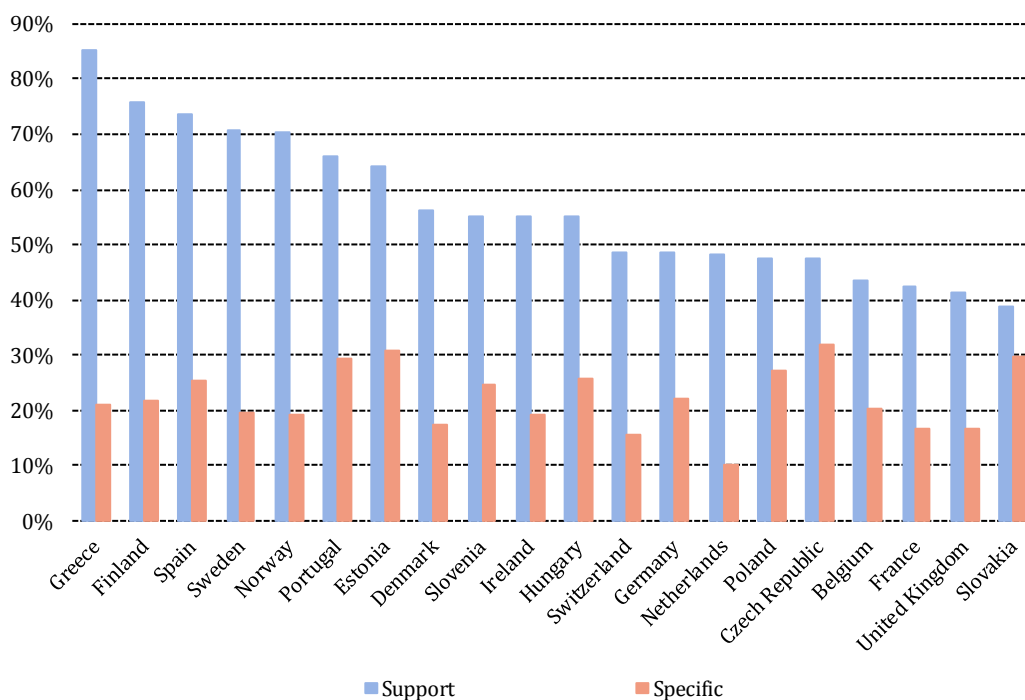
FIGURE 6.6: Share of specific skills in the labour market versus support for unemployment protection in Sweden, Germany and the UK, 2008



Source: ESS (2008)

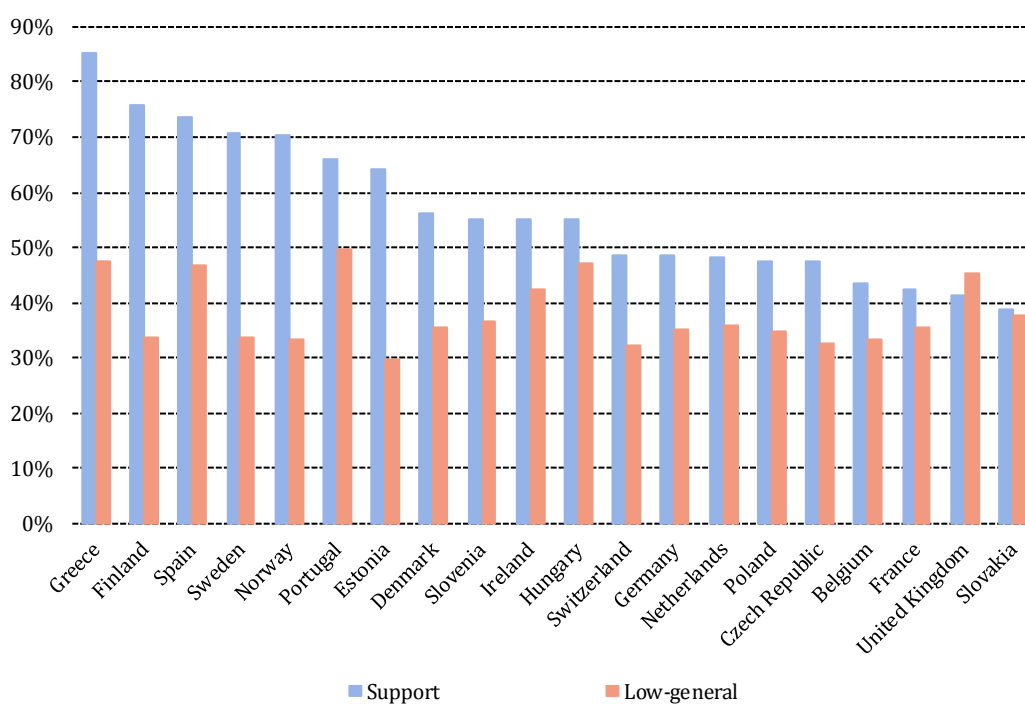
When extending the analysis to other countries in the ESS, this pattern (or lack thereof) becomes even clearer. Variation in the support for unemployment protection in no way corresponds to the share of specific (Figure 6.7) or low-general skills (Figure 6.8).

FIGURE 6.7: Support for unemployment protection versus share of specific skills, 2008



Source: ESS (2008)

FIGURE 6.8: Support for unemployment protection versus share of low-general skills



Source: ESS (2008)

The observations illustrated in the figures above are confirmed in the statistical analysis presented below, which models unemployment protection preferences across Europe using the share of specific and low-general skills in the respective labour markets as macro-level explanatory variables. This model is identical to the model that was predicted in Chapter V, with the exception that skills are incorporated at national level. The results in Table 6.3 show that in a variety of different combinations, the effect of these variables is not robust. Only in Models 8a and 8d, the share of specific skills in a labour market has a statistically significant and positive effect on attitudes towards unemployment protection.

The differences in the explanatory value of skills in predicting unemployment protection preferences across countries manifest themselves even further in tables 6.4-6.6, which display the results of the linear regressions that are applied to the UK, Germany and Sweden, separately. Individuals in the possession of specific skills are significantly more likely to be in favour of unemployment protection in Germany (Table 6.4). In contrast to this, workers with specific skills are *less* likely to support unemployment protection in the UK (Table 6.5). However, the statistical significance of the specific skill group dummy in Germany does not hold when taking into account ISCED dummies. In the UK, the effect is robust. In Sweden, all skill group dummies are statistically insignificant, and skills do not help explain unemployment protection preferences at all (Table 6.6).

Applied across different countries, the results of the regressions show that factors other than skill specificity and level play different roles across national institutional settings. Gender, for instance, is a significant predictor of unemployment protection preferences in Germany and Sweden, where men are less likely to support such policies, but not so in the UK. Age is insignificant in Germany and the UK, but in Sweden older age groups are more likely to support unemployment protection. Income is a strong and statistically significant predictor of unemployment protection in Germany and the UK, but not so in Sweden. Union members are more likely to display positive attitudes towards unemployment protection in

the UK and Sweden, but in Germany the variable is statistically insignificant when controlling for education. Education, on the other hand, is an insignificant predictor of unemployment protection preferences in Sweden and Germany. In the UK, however, there is a slight negative correlation between the level of educational attainment and unemployment protection preferences, as the ISCED 2 dummy is positively significant against the reference group (ISCED 1). The results with respect to education add further evidence that the educational attainment and skill group dummies collide with each other. For instance, controlling for education wipes out the statistical significance of the skill group dummy, which is associated with higher chances of supporting unemployment protection otherwise. Whilst the statistical significance of the specific skill group dummy in the UK remains intact when controlling for education, low-general skills are no longer associated with statistically significance higher odds of positive attitudes towards such policies when adding the ISCED dummies.

TABLE 6.3: Predicting unemployment protection preferences in Germany, 2008

	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>	<i>B</i>
	Model 8a	Model 8b	Model 8c	Model 8d	Model 8e
Intercept	4.154*** (1.128)	4.888*** (1.059)	4.930*** (1.172)	5.517*** (0.768)	5.587*** (1.611)
<i>Country-level control variables</i>					
% Unemployment	0.109 (0.076)		0.072 (0.080)	0.073 (0.059)	0.048 (0.062)
EPL index	-0.126 (0.239)		0.167 (0.307)	-0.188 (0.228)	0.009 (0.296)
Change in % of GDP	-0.107** (0.045)		-0.108* (0.062)	-0.096** (0.043)	-0.090** (0.042)
<i>Unemployment protection</i>					
UB generosity	0.026* (0.045)			0.021 (0.013)	0.000 (0.024)
PLMP	-0.220 (0.292)				
ALMP	0.531 (0.449)			0.428 (0.435)	
PES and administration					-1.903 (2.371)
Other ALMPs					0.848 (0.596)
Share of specific skills	0.046* (0.026)	0.027 (0.024)	0.018 (0.024)	0.054** (0.024)	0.030 (0.033)
Share of low-general skills	-0.018 (0.020)	0.035 (0.022)	0.018 (0.024)	-0.012 (0.019)	0.003 (0.024)
GINI					
<i>Country-level variation</i>					
Level 2 variance	0.339 (0.060)	0.573 (0.097)	0.515 (0.087)	0.345 (0.061)	0.335 (0.059)
Level 1 variance	2.052 (0.010)	2.048 (0.009)	2.048 (0.009)	2.052 (0.010)	2.052 (0.010)
Wald chi2(0)	450.33	429.88	435.02	449.25	451.51
Prob > chi2:	0.000	0.000	0.000	0.000	0.000
Log likelihood:	-49871.481	-51827.351	-51825.449	-49871.762	-49871.277
N (Level 2)	17	18	18	17	17
N (Level 1)	23315	24246	24246	23315	23315
ICC	0.142	0.219	0.201	0.144	0.140

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, skills, union membership, temporary employment and unemployment.

Source: ESS (2008)

TABLE 6.4: Predicting unemployment protection preferences in Germany, 2008

<i>Variable</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
Gender												
Female (<u>ref.</u>)												
Male	-0.364***	(0.104) -3.489	-0.184**	(0.360) -2.000	-0.341***	(0.106) -3.206	-0.370***	(0.104) -3.541	-0.190**	(0.092) -2.052	-0.346***	(0.107) -3.245
Age												
16-24 (<u>ref.</u>)												
25-35	-0.223	(0.231) -0.964	-0.199	(0.205) -0.972	-0.201	(0.236) -0.854	-0.083	(0.235) -0.355	-0.112	(0.206) -0.543	-0.062	(0.240) -0.260
36-50	-0.064	(0.210) -0.304	0.018	(0.185) 0.097	-0.048	(0.215) -0.224	0.108	(0.218) 0.498	0.136	(0.189) 0.720	0.125	(0.223) 0.561
51-64	-0.006	(0.214) -0.030	0.023	(0.188) 0.121	-0.007	(0.218) -0.031	0.172	(0.222) 0.776	0.147	(0.192) 0.763	0.174	(0.226) 0.768
65+	-0.188	(0.217) -0.866	-0.101	(0.187) -0.541	-0.186	(0.220) -0.845	0.029	(0.226) 0.127	0.064	(0.192) 0.330	0.033	(0.230) 0.144
Skills												
High-general (<u>ref.</u>)												
Low-general	-0.062	(0.117) -0.529			-0.186	(0.220) -0.941	-0.043	(0.116) -0.369			-0.101	(0.126) -0.801
Specific	0.276**	(0.134) 2.060			0.192	(0.145) 1.324	0.282**	(0.134) 2.107			0.198	(0.1474) 1.369
Education												
ISCED 1 (<u>ref.</u>)												
ISCED 2			0.095	(0.366) 0.260	0.142	(0.483) 0.294			0.031	(0.366) 0.084	0.106	(0.483) 0.220
ISCED 3			0.267	(0.349) 0.764	0.231	(0.465) 0.496			0.203	(0.349) 0.581	0.214	(0.464) 0.461
ISCED 4			-0.055	(0.383) -0.144	-0.073	(0.493) -0.147			-0.116	(0.383) -0.304	-0.078	(0.492) -0.158
ISCED 5			0.004	(0.359) 0.012	0.033	(0.477) 0.070			-0.070	(0.358) -0.196	0.012	(0.476) 0.025
Income												
1st decile (<u>ref.</u>)												
2nd decile	-0.599***	(0.133) -4.501	-0.600***	(0.124) -4.824	-0.601***	(0.133) -4.502	-0.568***	(0.134) -4.234	-0.576***	(0.125) -4.606	-0.567***	(0.134) -4.223
3rd decile	-0.461***	(0.143) -3.223	-0.553***	(0.134) -4.131	-0.455***	(0.144) -3.169	-0.417***	(0.145) -2.876	-0.508***	(0.135) -3.748	-0.408***	(0.146) -2.805
4th decile	-0.816***	(0.164) -4.975	-0.850***	(0.152) -5.609	-0.784***	(0.165) -4.752	-0.771***	(0.166) -4.649	-0.805***	(0.153) -5.257	-0.736***	(0.167) -4.409
5th decile	-1.013***	(0.199) -5.082	-1.057***	(0.188) -5.631	-0.959***	(0.202) -4.756	-0.947***	(0.200) -4.726	-0.996***	(0.188) -5.281	-0.891***	(0.203) -4.392
Other												
Union membership							0.238*	(0.142) 1.671	0.183	(0.140) 1.311	0.222	(0.143) 1.555
Temporary contract							0.515***	(0.153) 3.376	0.549***	(0.144) 3.818	0.521***	(0.153) 3.417
Unemployed							0.022	(0.464) 0.047	0.022	(0.436) 0.051	0.031	(0.464) 0.068
N	1926		1926		1926		1926		1926		1926	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

TABLE 6.5: Predicting unemployment protection preferences in the United Kingdom, 2008

<i>Variable</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
Gender												
Female (<u>ref.</u>)												
Male	0.027 (0.107)	0.250	-0.022 (0.097)	-0.229	0.027 (0.107)	0.249	0.027 (0.107)	0.252	-0.023 (0.097)	-0.242	-0.027 (0.107)	0.225
Age												
16-24 (<u>ref.</u>)												
25-35	-0.145 (0.222)	-0.653	-0.200 (0.208)	-0.961	-0.160 (0.223)	-0.721	-0.157 (0.222)	-0.707	-0.221 (0.208)	-1.060	-0.173 (0.223)	-0.778
36-50	0.127 (0.210)	0.602	0.094 (0.196)	0.480	0.117 (0.213)	0.549	0.111 (0.211)	0.527	0.065 (0.197)	0.329	0.100 (0.213)	0.467
51-64	0.330 (0.216)	1.530	0.250 (0.202)	1.237	0.282 (0.219)	1.288	0.323 (0.217)	1.492	0.231 (0.203)	1.139	0.272 (0.220)	1.237
65+	0.399* (0.220)	1.817	0.312 (0.208)	1.498	0.302 (0.228)	1.324	0.433** (0.221)	1.960	0.327 (0.209)	1.563	0.329 (0.229)	1.438
Skills												
High-general (<u>ref.</u>)												
Low-general	-0.226* (0.117)	-1.929			-0.195 (0.124)	-1.574	-0.210* (0.118)	-1.789			-0.184 (0.124)	-1.485
Specific	-0.346** (0.152)	-2.285			-0.341** (0.158)	-2.158	-0.336** (0.151)	-2.216			-0.337** (0.158)	-2.132
Education												
ISCED 1 (<u>ref.</u>)												
ISCED 2			-0.378** (0.158)	-2.384	-0.389** (0.163)	-2.390			-0.382** (0.158)	-2.415	-0.393** (0.162)	-2.419
ISCED 3			-0.227 (0.185)	-1.226	-0.254 (0.190)	-1.339			-0.244 (0.185)	-1.318	-0.273 (0.190)	-1.435
ISCED 4			-0.004 (0.140)	-0.028								
ISCED 5					-0.093 (0.152)	-0.611			-0.022 (0.140)	-0.158	-0.111 (0.152)	-0.734
Income												
1st decile (<u>ref.</u>)												
2nd decile	-0.179 (0.150)	-1.189	-0.081 (0.148)	-0.550	-0.143 (0.152)	-0.940	-0.188 (0.150)	-1.253	-0.091 (0.148)	-0.615	-0.150 (0.152)	-0.989
3rd decile	-0.495*** (0.160)	-3.092	-0.462*** (0.159)	-2.907	-0.466*** (0.162)	-2.866	-0.503*** (0.161)	-3.129	-0.468*** (0.160)	-2.993	-0.469*** (0.163)	-2.881
4th decile	-0.597*** (0.157)	-3.803	-0.526*** (0.157)	-3.350	-0.560*** (0.161)	-3.484	-0.628*** (0.158)	-3.968	-0.553*** (0.158)	-3.488	-0.587*** (0.162)	-3.621
5th decile	-0.627*** (0.167)	-3.762	-0.559*** (0.164)	-3.411	-0.630*** (0.171)	-3.678	-0.645*** (0.168)	-3.853	-0.574*** (0.165)	-3.483	-0.642*** (0.172)	-3.736
Other												
Union membership							0.281** (0.133)	2.105	0.263** (0.134)	1.965	0.278** (0.134)	2.081
Temporary contract							0.033 (0.177)	0.185	0.016 (0.177)	0.089	0.034 (0.177)	0.192
Unemployed							1.241 (0.804)	1.542	1.159 (0.716)	1.619	1.254 (0.804)	1.561
N	1738		1738		1738		1738		1738		1738	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

TABLE 6.6: Predicting unemployment protection preferences in Sweden, 2008

Variable	B	t	B	t	B	t	B	t	B	t	B	t
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
Gender												
Female (<u>ref.</u>)												
Male	-0.462*** (0.101)	-4.562	-0.487*** (0.091)	-5.348	-0.448*** (0.103)	-4.371	-0.439*** (0.101)	-4.340	-0.476*** (0.091)	-5.237	-0.428*** (0.102)	-4.184
Age												
16-24 (<u>ref.</u>)												
25-35	-0.016 (0.182)	-0.089	-0.023 (0.176)	-0.130	0.004 (0.184)	0.020	-0.075 (0.190)	-0.394	-0.085 (0.182)	-0.468	-0.053 (0.192)	-0.275
36-50	0.112 (0.174)	0.642	0.135 (0.164)	0.824	0.119 (0.175)	0.682	0.019 (0.191)	0.102	0.037 (0.180)	0.209	0.023 (0.191)	0.122
51-64	0.482*** (0.176)	2.738	0.476*** (0.166)	2.866	0.445** (0.178)	2.505	0.395** (0.194)	2.034	0.375** (0.183)	2.053	0.348* (0.196)	1.781
65+	0.559*** (0.178)	3.139	0.510*** (0.174)	2.921	0.459** (0.189)	2.427	0.648*** (0.194)	3.344	0.587*** (0.186)	3.151	0.538*** (0.204)	2.639
Skills												
High-general (<u>ref.</u>)												
Low-general	0.100 (0.116)	0.866			0.061 (0.132)	0.464	0.139 (0.116)	1.196			0.077 (0.132)	0.583
Specific	0.010 (0.132)	0.075			-0.048 (0.146)	-0.328	0.010 (0.132)	0.072			-0.072 (0.146)	-0.492
Education												
ISCED 1 (<u>ref.</u>)												
ISCED 2			-0.067 (0.192)	-0.348	-0.047 (0.205)	-0.228			-0.054 (0.191)	-0.285	-0.031 (0.204)	-0.151
ISCED 3			-0.233 (0.169)	-1.379	-0.279 (0.183)	-1.521			-0.262 (0.169)	-1.554	-0.300 (0.183)	-1.640
ISCED 4			-0.219 (0.182)	-1.200	-0.239 (0.212)	-1.130						
ISCED 5									-0.282 (0.182)	-1.547	-0.295 (0.211)	-1.396
Income												
1st decile (<u>ref.</u>)												
2nd decile	0.362 (0.232)	1.559	0.247 (0.219)	1.126	0.358 (0.233)	1.534	0.391* (0.234)	1.670	0.263 (0.221)	1.192	0.381 (0.235)	1.620
3rd decile	0.128 (0.211)	0.610	0.002 (0.200)	0.012	0.110 (0.211)	0.521	0.139 (0.213)	0.651	0.005 (0.202)	0.023	0.115 (0.214)	0.538
4th decile	0.355* (0.200)	1.773	0.279 (0.190)	1.468	0.363* (0.201)	1.806	0.345* (0.205)	1.686	0.267 (0.193)	1.381	0.348* (0.206)	1.691
5th decile	0.106 (0.206)	0.513	0.053 (0.195)	0.269	0.117 (0.207)	0.563	0.102 (0.211)	0.485	0.050 (0.199)	0.251	0.110 (0.212)	0.518
Other												
Union membership							0.377*** (0.103)	3.642	0.385*** (0.102)	3.768	0.392*** (0.104)	3.763
Temporary contract							0.132 (0.150)	0.879	0.160 (0.145)	1.103	0.123 (0.150)	0.819
Unemployed							0.188 (1.311)	0.143	0.305 (1.313)	0.233	0.248 (1.312)	0.189
N	1830		1830		1830		1830		1830		1830	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

A further finding that stands out is that temporary employment is only associated with higher odds of supporting unemployment protection in Germany, but not so in the UK. This suggests that the explanatory value of categories of outsidersness varies across institutional settings. Esping-Andersen (1993), for instance, hypothesises that different welfare state, education and industrial relations arrangements produce different types of employment structures. He distinguishes between three post-industrial trajectories; the Continental (as exemplified by Germany), the Liberal (e.g. North America and to a certain extent, the United Kingdom) and Nordic countries. For example, whilst Germany is found to be a country that breeds a 'large outsider population' (such as long-term unemployed people who are forced to withdraw from the labour market), Liberal labour markets are characterised by a low-end service sector that offers its workers very low wages and few opportunities for upward mobility. Nordic countries are said to be characterised by better opportunities for upward mobility, but fewer chances of mobility across sectors, thereby leading to a segregated labour force (especially by gender, since women tend to be employed in the public sector). Similarly, it has been noted that temporary work is more widespread in countries characterised by high levels of employment protection legislation, such as Continental or Mediterranean countries (Esping-Andersen, 2000).

Likewise, Schwander and Häusermann (2013) argue that the extent to which segmentation results in actual insider-outsider divides depends on the institutional context. Although unemployment increased in all OECD countries throughout the 1980s and 1990s, it has remained especially high in Continental Europe. At the same time, the number of workers on temporary contracts has grown significantly since the 1980s across the EU (Standing, 2011). However, 'types' of outsidersness have varied between countries. Whilst gender is the most important criterion for the composition of insiders and outsiders in Nordic and Continental countries, outsidersness mostly affects young labour market participants in the Southern European regime, whilst outsiders are predominantly found among low-skilled workers in low-income jobs in Liberal countries. Schwander and Häusermann (2013) also

find that women and young labour market participants are over-represented among outsiders in all regimes, confirming previous findings (e.g. Esping-Andersen, 1999; Kroos and Gottschall, 2012).

Discussion and Conclusion

Hypothesis D suggests that specific and low-general skills level are uniformly associated with greater support for unemployment protection, and that countries with higher proportions of such workers will also have higher levels of support for such policies.

However, the results provide strong evidence that the relationship between skills and unemployment protection preferences varies across countries, which therefore makes the hypothesis impossible to fulfil. Specific skills, for instance, are not observed to have the same positive effect on unemployment protection preferences across Germany, the UK and Sweden. Hence, it cannot be claimed that countries with a higher number of workers with specific skills in the labour market will have higher levels of support for unemployment protection. Similarly, the effect of skill level is not apparent across institutional settings.

However, this is not to say that skills cannot form part of the explanation for variations in public support for such policies across countries. Assuming that this support is generated by labour market insecurity (Baldwin, 1990; Iversen and Soskice, 2001; Moene and Wallerstein, 2001; Swenson, 2002; Mares, 2003; Cusack *et al.*, 2006), it is fair to say that whilst skill specificity and level influence a worker's exposure to labour market risks, they are not the only factor determining this.

What the results therefore suggest is that economic insecurity, reflected by support for unemployment protection, has different sources depending on the institutional setting. In Germany, for instance, skill specificity seems to play a larger role in generating support for unemployment protection than in other countries. In the UK, this support tends to appear among people in the two lowest quintiles. Here, if anything, skill specificity is *inversely*

related to support for unemployment protection, with high-general skills positively associated with attitudes. In Sweden, support for unemployment protection is not explained by skill specificity, skill level or income, but by gender, which is one of the few strong and statistically significant explanatory variables.

This may be an indication that when it comes to explaining unemployment protection preferences, the groups that are more predisposed towards supporting such policies simply vary across countries and institutional settings. As outlined in the results section, temporary employment is only associated with higher odds of supporting unemployment protection in Germany, but not so in the UK. It has been noted that temporary work is more widespread in countries characterised by high levels of employment protection legislation, such as Continental or Mediterranean countries (Esping-Andersen, 2000). This may mean that temporary workers are particularly predisposed to labour market risks (and therefore support for unemployment protection to protect themselves against these risks) in certain institutional settings such as Germany's, where they find themselves locked out of the 'core' of the labour market along with long-term unemployed people (Esping-Andersen, 1993).

Liberal countries such as the United Kingdom, on the other hand, are said to be characterised by a low-end service sector that offers its workers very low wages and few opportunities for upward mobility (Esping-Andersen, 1993). Nordic countries are in turn distinguished from other regimes by better opportunities for upward mobility, but fewer chances of mobility across sectors, thereby leading to a segregated labour force (especially by gender, since women tend to be employed in the public sector) (Esping-Andersen, 1993; Schwander and Häusermann, 2013). Although gender is also a relevant predictor of unemployment protection preferences in Germany, it is striking that among the few determinants of attitudes towards such policies in Sweden, gender is one of them.

These differences across countries further imply that one of the primary assumptions of VoC literature, that workers with specific skills are predisposed to support redistribution

policies (Estevez-Abe *et al.*, 2001; Iversen and Soskice, 2001) or in this case, policies that protect unemployed people, only apply to certain institutional settings such as Germany's. However, if we look at attitudes towards redistribution rather than unemployment protection in Germany, the UK and Sweden, a very different picture emerges (Table 6.7). Running the same model but predicting for redistribution preferences in all three countries analysed, the VoC prediction that people with specific skills will be more supportive of redistribution is fulfilled. Furthermore, it can be observed that individuals with low-general skills are more likely to be in favour of redistribution preferences than workers with high-general ones.

TABLE 6.7: Predicting redistribution preferences in Germany, the UK and Sweden in 2008

<i>Variable</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>	<i>B</i>	<i>t</i>
	Germany		UK		Sweden	
Gender						
Female (<u>ref.</u>)						
Male	-0.173*** (0.049)	-3.516	-0.151*** (0.052)	-2.907	-0.190*** (0.049)	-3.873
Age						
16-24 (<u>ref.</u>)						
25-35	-0.081 (0.111)	-0.733	0.122 (0.108)	1.129	-0.002 (0.093)	-0.025
36-50	-0.017 (0.102)	-0.170	0.037 (0.103)	0.359	0.076 (0.093)	0.818
51-64	0.013 (0.104)	0.128	0.004 (0.106)	0.035	0.234** (0.095)	2.457
65+	-0.105 (0.106)	-0.992	0.024 (0.108)	0.220	0.357*** (0.095)	3.764
Skills						
High-general (<u>ref.</u>)						
Low-general	0.097* (0.055)	1.761	0.243*** (0.057)	0.113	0.274*** (0.056)	4.879
Specific	0.269*** (0.063)	4.275	0.334*** (0.074)	0.117	0.230*** (0.064)	3.599
Income						
1st decile (<u>ref.</u>)						
2nd decile	-0.077 (0.063)	-1.220	-0.168** (0.073)	-2.293	-0.011 (0.112)	-0.095
3rd decile	-0.148** (0.068)	-2.154	-0.215*** (0.078)	-2.748	-0.124 (0.102)	-1.218
4th decile	-0.419*** (0.078)	-5.369	-0.369*** (0.077)	-4.789	0.007 (0.097)	0.068
5th decile	-0.746*** (0.094)	-7.914	-0.656*** (0.082)	-8.038	-0.322*** (0.101)	-3.207
Other						
Union membership	0.171*** (0.067)	-2.557	0.297*** (0.065)	4.564	0.282*** (0.050)	5.620
Temporary contract	0.089 (0.072)	-1.228	-0.020 (0.087)	-0.234	0.091 (0.073)	1.253
Unemployed	0.211 (0.218)	-0.966	-0.062 (0.391)	-0.159	0.705 (0.635)	1.111
N	1921		1732		1830	

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). Source: ESS (2008)

Contrary to the argument that the relationship between skill specificity and social policy preferences are strongest when it comes to unemployment protection (and employment protection legislation) (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-98; Kitschelt,

2006: 414) at the individual level the findings suggest that the link is best demonstrated with respect to redistribution preferences. This raises the question of why the specificity of skills is not an important predictor of unemployment protection preferences, even though such policies are (alongside EPL) well targeted at addressing the specifically skilled workers' fear of losing their skill investment in the event of unemployment? Why does the role of skills in predicting social policy preferences vary between unemployment protection and policies that address redistribution?

One explanation that has received relatively little attention in this chapter (and indeed, the thesis in general) is non-economic. For instance, historical evidence from the UK and Germany suggests that some of the variation in support for unemployment protection between countries is explained by cultural or societal factors. Specifically, preferences towards unemployment protection are inextricably linked to attitudes towards unemployed people in general, and feelings towards jobless individuals have often been negative, to say the least. Benefit stigma has a long history and can be traced back through to the 14th century, when laws attempting to punish undeserving vagrants were introduced in the UK (Hills, 2001).

There is evidence of negative attitudes towards unemployed people in the UK, in particular. Support for unemployed people and their protection has been observed to be particularly low compared to other countries. There is good documentation of this thanks to the British Social Attitudes (BSA) survey, which regularly includes questions on attitudes towards the provision of unemployment benefits. The BSA shows that benefits for unemployed people are seen as deserving the lowest priority within five types of benefits listed, with only 5% of respondents giving unemployed people the highest priority in 2000 and 9% as their next highest priority (Table 6.8).

TABLE 6.8: Attitudes towards government spending on benefits in the UK, 1998-2011

% would like to see more government spending on benefits for...	1998	1999	2002	2004	2006	2008	2011
... unemployed people	22	25	22	15	16	15	15
... disabled people who cannot work	74	74	72	65	64	63	53
... parents who work on very low incomes	70	71	71	64	68	69	58
... single parents	35	34	40	36	39	38	29
... retired people	73	71	74	74	73	73	57
... people who care for those who are sick or disabled	84	84	84	82	84	85	74
<i>N</i>	3146	3143	3435	3199	3240	3258	3311

Source: British Social Attitudes Survey (1998-2011)

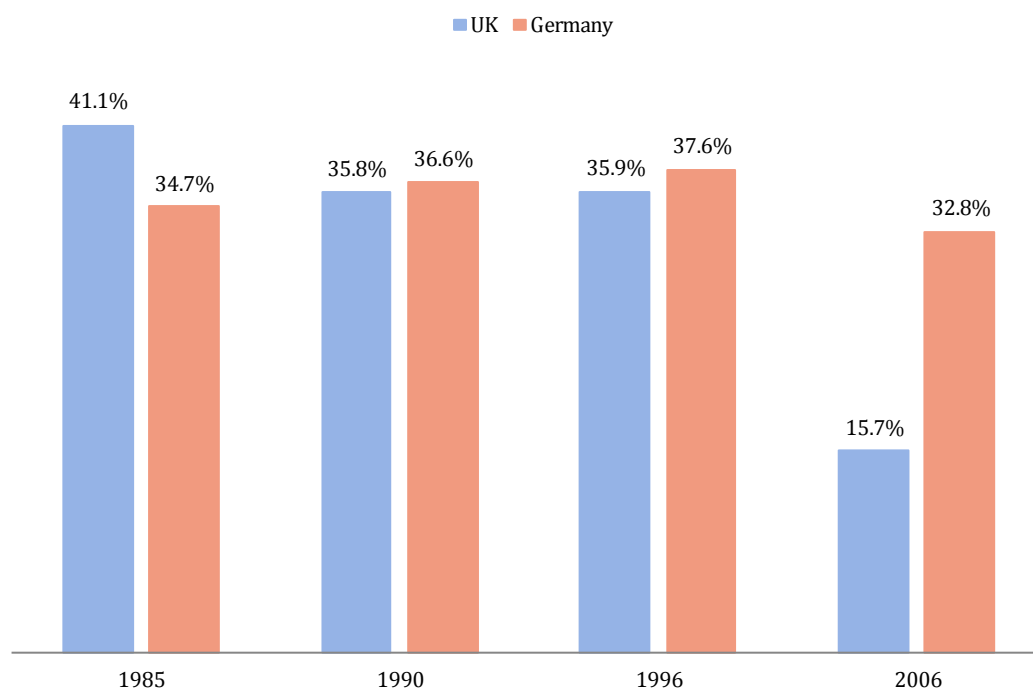
The table shows that these attitudes have been declining in the UK, but this can be observed in other countries as well. Using ISSP data, a steep fall in attitudes towards unemployment protection can be seen since 1985 in Germany as well (although it is still more pronounced in the UK) (Figure 6.9). The majority of the decline in both countries took place in the late 1990s and early 2000s, which covers a period of intense debate and widespread reform in both countries. In the UK, the late 1990s covered the introduction of the Jobseekers' Allowance (JSA) and various 'New Deals' in the early 2000s under a newly elected Labour government. In Germany, the period in which support for unemployment protection significantly declined covers the Labour Promotion Reform Law of 1997 and ends with the Hartz reforms of 2004 and 2005.

In the UK, Hills (2001) has demonstrated that between 1996 and 1998 there was a dramatic change in attitudes towards unemployed people in the UK⁹⁴, which he traces to the 1997 election and a change in attitudes of Labour Party voters or identifiers (Hills, 2001: Table 1.16). The 1998 BSA Survey followed a period during which newly elected Labour ministers had been making a series of speeches highlighting the extent of problems with the system of benefits for unemployed people in the run-up to the publication of the welfare reform Green Paper, which itself stressed 'fundamental problems' of people being

⁹⁴ Hills (2002) illustrates that up until the 1996 survey, around half of BSA respondents agreed that 'benefits for the unemployed are too low and cause hardship', but that the survey in 1998 revealed that only around 29% thought this.

trapped on benefit and of fraud (Department of Social Security, 1998: 9; Hills, 2001: 552-553).

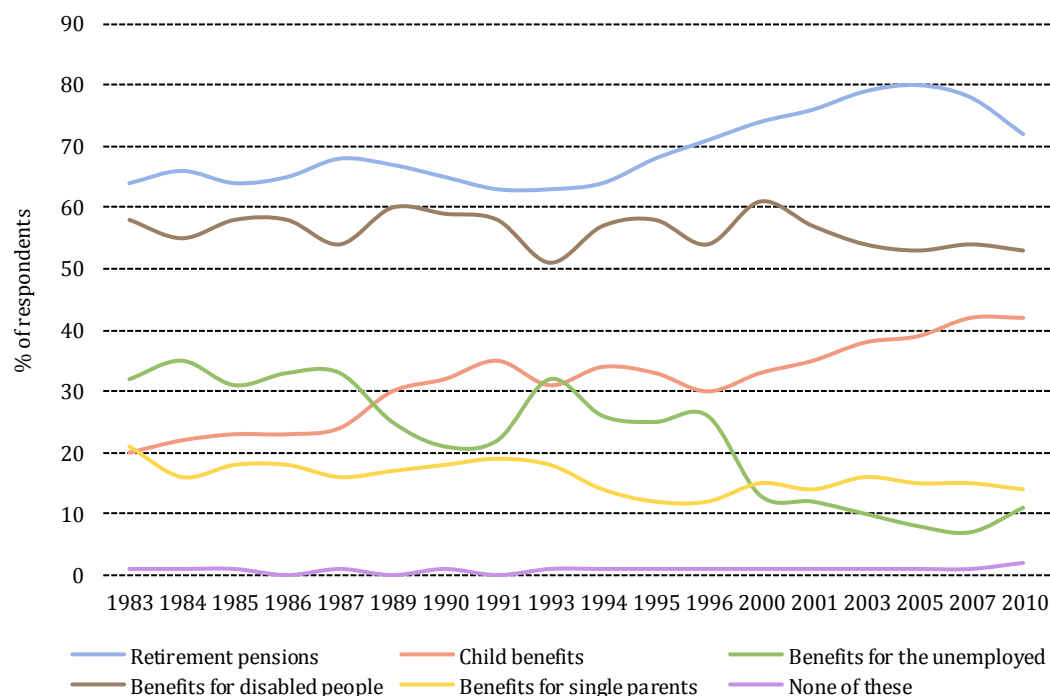
FIGURE 6.9: Support for unemployment protection in the UK and Germany, 1985-2006



Source: Author's own calculations, ISSP (1985-2006)

The role of skills and other economic factors in explaining attitudes towards unemployment protection is also called into question by the large fluctuation in attitudes from year to year. According to the BSA, up to a quarter of respondents (24%) listed unemployment benefits as their top priority in 1990 compared to just 5% ten years later. Likewise, only 15% of British citizens wanted to see more spending on benefits for unemployed people in 2011 compared to 25% in 1999 (Figure 6.10). In Germany, too, there is less willingness to accept cuts in old age pensions than in unemployment benefits (Roller, 2007: 26) (Table 6.9).

FIGURE 6.10: First and second priorities for extra spending in the UK, 1983-2010



Source: British Social Attitudes Survey (1985-2010)

TABLE 6.9: Attitudes towards social spending on different benefits in Germany, 1993

<i>Social spending cuts should be made first:</i>	<i>West</i>	<i>East</i>	<i>Germany</i>
Unemployment benefits	37	2	30
Benefits for foreign asylum seekers	13	53	21
Health services	15	3	13
Child benefits	15	3	13
Social assistance	14	1	11
Housing benefits	10	3	9
Public holidays	3	28	8
35-hour working week	1	27	6
Financial benefits for students	5	4	5
Continued payment of wages in case of illness	5	3	5
Old age pensions	4	1	3
Others	18	9	16

Source: Politbarometer, February 1993; Roller (2007: 27)

It lies beyond the scope of this chapter and this thesis to investigate the exact causes of this in more detail. However, the results strongly suggest that cross-national variation in the support of unemployment protection is best explained by factors other than skills. It has been observed that the public usually has less trust in the fair operation of selective, means-tested schemes (such as parts of the unemployment protection system), than in the functioning of universal and contributory ones (van Oorschot, 2006) as selective schemes

tend to be more susceptible to abuse (Alston and Dean, 1972; Overbye, 1999; Ullrich, 2002). As argued above, this may be mediated by other factors such as the way that politicians or the media frame the problem. Negative media coverage of benefits has often been blamed for worsening public attitudes and stigma in the UK today. While newspapers contain both positive and negative presentations of claimants, a study of the coverage of benefits in the British national press from 1995 to 2011 shows that the content of press stories is skewed towards negative representations (Turn2us, 2012).

Factors such as these may have led to the particularly low levels of support that unemployed people and their protection receive today. For instance, British citizens believe that unemployment benefits form a much greater share of the total budget than they do in reality, with 71% of the 2001 BSA survey thinking that unemployment benefits represented the highest or second-highest item on the social security budget, even though they actually only accounted for 6% of total spending. Furthermore, using evidence from the BSA, Hills (2001: 551) has suggested that large parts of the UK population believe in two seemingly opposite statements: (i) that unemployment benefits do not provide enough to live on, and; (ii) that the benefit system embodies disincentives and is open to fraud. It is difficult to see how the specificity of somebody's skills can help overcome beliefs that are so embedded in society, perhaps explaining why such factors play less of a role in explaining unemployment protection preferences.

The findings of the chapter therefore demonstrate that skill specificity and level are not necessarily useful in explaining preferences towards unemployment protection. Whilst specific skills are associated with greater support for such policies in Germany, the same observation is not made in countries that have been characterised by other welfare arrangements, such as the UK and Sweden. The review of literature and existing evidence of support for unemployment protection, as well as the 'deservingness' of unemployed people in general, shows that attitudes towards unemployed people and their protection are

comparatively negative in the UK and Germany due to factors that are unrelated to the perceived labour market risk of workers due to the specificity of their skills.

Chapter VII

Conclusions, contributions and avenues for future research

Introduction

The starting point of this thesis was that the effects of unemployment protection are rarely investigated beyond their impact on aggregate measures of unemployment and in some cases, employment rates. One of the lesser known impacts of such systems is the control that unemployment protection systems have on incentivising the development of specific skills in a labour market, as suggested by Varieties of Capitalism scholars (Estevez-Abe *et al.*, 2000; Hall and Soskice, 2001).

However, this argument relies on the fundamental assumption that specific skills are less portable and therefore more risky for the worker to invest in, given that the greater specificity confers a higher chance of such a skill investment becoming redundant. This, in theory, affects the unemployment protection preferences of workers with specific skills and makes them more likely to support such policies in order to protect their skill investments.

While this theory has been widely discussed in and around the emergence of VoC arguments as a heavyweight player in political economy literature, less is known empirically. To address this, the analyses preceding these final words have concentrated on using under-researched micro-level data to investigate the relationship between unemployment protection systems and skill specificity.

The thesis represents a two-stage analysis. The first stage evaluated the use of occupational mobility as an indicator of the labour market risks associated with skill specificity and skill level. Chapters II, III and IV demonstrate that in certain contexts, skill specificity and low general skill level are associated with lower rates of occupational mobility. It therefore presents a direct evaluation of Varieties of Capitalism (VoC) literature, as it addresses the key assumption that it is riskier for individuals to invest in specific skills because these skill

investments are less portable, which is what is captured by lower rates of occupational mobility. The second stage of the analysis took these results and applied them to the argument that skill specificity and level help predict social policy preferences.

The most important findings suggest that specific skills tend to be associated with lower odds of experiencing occupational mobility between pre- and post-unemployment, although this relationship depends on the institutional setting that the unemployed person finds him- or herself in. Chapter IV finds that ALMP spending significantly affects the chances of experiencing such mobility. Following from this, Chapter V suggests that both skill specificity and low general skill level are associated with greater support for unemployment protection policies across Europe. However, once again the robustness of this relationship appears to depend on the unemployment protection regime that the jobless individual finds him- or herself in. The results of Chapter VI propose that other factors may determine whether skills are relevant in explaining support for such policies. Skill specificity and level cannot by themselves explain variations in public support for unemployment protection.

Alongside the use of comparatively unexplored data, in the coming sections I will argue that this thesis provides a novel contribution to existing literature in three different ways.

Firstly, I have made use of a previously unknown measure of skill specificity, namely the occupational mobility of unemployed people. While occupational mobility is not a new concept in economic analyses, it has not been used to assess VoC assumptions like the one above. The recent maturity of large-scale, longitudinal panel data has enabled me to use a concept that has until now been foreign to investigations of the role of skills in the political economy. By providing a new perspective to the topic, the use of occupational mobility in measuring the risks associated with skill specificity probably presents the primary contribution of this thesis towards arguments based on the role of skills (e.g. VoC).

Secondly, using this measure, I have assessed and evaluated the use of Fleckenstein *et al.*'s (2011) skill classification as an indicator of skill specificity. This has allowed me to analyse the effect of skill *level* alongside skill specificity on occupational mobility and unemployment protection preferences. The increasing importance of the lower end of the services sector, as captured by low-general skills used in Fleckenstein *et al.*'s (2011) classification, has prompted further research into the topic of increased polarisation in post-industrial economies. As a result, these findings may add to the growing literature that seeks to investigate the social policy preferences of outsiders (e.g. Saint-Paul, 1996; Dolado *et al.*, 2002; Rueda, 2005; 2007; Emmenegger, 2009; Bentolila *et al.*, 2012; Guillaud and Marx, 2013).

Finally, by investigating unemployment protection preferences separately, I have attempted to add to the increasing amount of literature on preferences towards different parts of the welfare state. While there has been increased attention paid to employment protection preferences (e.g. Emmenegger, 2011; Pissarides, 2010) and wage protection (e.g. Scharpf, 2000; Amable and Palamborini, 2008; Häusermann and Palier, 2008), comparatively little research has been completed on preferences towards unemployment protection.

There remain a number of shortcomings. For one, the relationship between occupational mobility, skill level and social policy preferences needs to be refined. The evidence presented in these chapters does not provide convincing support for the argument that rates of mobility and skill level are meaningfully connected, especially causally. Secondly, despite the evidence that skill specificity is related to lower rates of occupational mobility and therefore to higher rates of support for unemployment protection, doubts will remain over the usefulness of the skill classification that was adopted in this thesis (provided by Fleckenstein *et al.*, 2011).

These are exactly the ways in which future analyses can improve and build on the findings of this thesis. By providing a refined indicator of skill specificity and skill level, the role of skills in political economy literature should be further investigated. More importantly, more research is required into explanations that go beyond the rationalistic explanations of the relationship between self-interest, insurance against labour market risks and determinants of social policy preferences.

The remainder of the chapter is structured as follows. In the next section, I review and piece together the findings of the four empirical chapters by evaluating each of the four assumptions that were addressed in the corresponding chapters. In Section III, I address some of the shortcomings of the analysis, some of which can present future avenues of research, which I discuss in Section IV, before concluding this chapter and this thesis.

Hypotheses

In Chapter I, I presented four hypotheses that were constructed around Varieties of Capitalism theory. These formed the theoretical and structural backbone of the thesis, and were evaluated one by one in the empirical chapters. To recall, these hypotheses were as follows:

- Hypothesis A: Skill specificity is negatively correlated with occupational mobility
- Hypothesis B: The generosity of unemployment benefits will be negatively associated with chances of occupational mobility
- Hypothesis C: Skill specificity will be positively associated with unemployment protection preferences, while skill level will be negatively associated with attitudes towards unemployment protection

- Hypothesis D: Assuming Hypothesis C is true, countries with a greater proportion of workers with specific skills are more likely to be characterised by high levels of support for unemployment protection

Hypothesis A: Skill specificity will be negatively correlated with occupational mobility between pre- and post-unemployment

VoC scholars predict that specific skills are less marketable than general ones, and thereby carry with them a greater risk of becoming redundant for the worker (Iversen and Soskice, 2001). The findings of Chapter II are therefore of significance to Varieties of Capitalism (VoC) literature and other accounts that have highlighted the importance of skills in the political economy (e.g. Estevez-Abe *et al.*, 2001; Hall and Soskice, 2001; Iversen and Soskice, 2001; Thelen, 2004; Iversen, 2005; Cusack *et al.*, 2006; Iversen and Stephens, 2006). Specifically, Chapter II lends some support to the argument that specific skills are indeed associated with lower marketability, as reflected by the finding that people with specific skills in Germany are less likely to experience occupational mobility between pre- and post-unemployment.

There are several questions that are raised by this finding. Firstly, whilst specific skills appear to be associated with lower odds of occupational mobility and therefore lower portability, it is still unclear whether this represents a *risk* to the worker. From the observation that a group of individuals is less likely to change jobs across an unemployment spell, it does not necessarily follow that they are more likely to lose their skill investment. In practice, the occupational change will not involve a complete loss of the specific skill investment, as certain elements of that investment will also apply and become useful in the new occupation, no matter how different this occupation is from the previous one.

On the one hand, this is an issue that originates from the use of occupational mobility as an indicator of skill specificity or portability. On the other, it stems from the measurement of

skill specificity itself (i.e. Fleckenstein *et al.*'s distinction of specific, low-general and high-general skill groups). In practice, the three groups are unlikely to be mutually exclusive in that the skills associated with one group become completely redundant when switching over to the other. There will be a significant degree of overlap present. The very nature of the concept of 'skills' makes this issue one that is hard to get around, although arguably Fleckenstein *et al.*'s (2011) relatively broad distinction of three different skill groups is more susceptible to it than other, more detailed classifications.

Secondly, big question marks remain over the relationship between skill *level* and occupational mobility. Whilst it was hypothesised that low skill levels (as captured by the low-general skill group) are associated with lower odds of occupational mobility, the reasoning behind this relies on the assumption that such workers have nowhere to go because they have hit the 'floor' of the labour market. Although there is strong evidence of the 'scarring' effects of unemployment (e.g. Gangl, 2004; 2006), it would be cynical to state that a combination of low-general skills and the experience of unemployment ties a person to a life of completing the same, menial work in the same occupational group. It is not unrealistic to argue that under certain conditions upward mobility is possible, and that even such individuals can experience occupational change *upwards* in the event of unemployment. For instance, many young people who leave university may for a short time be employed in the low-end services sector in bars or cafes while looking to start their career elsewhere. In this transitional period, they might also experience unemployment. Even though they have past occupational experience that puts them in the low-general skill group, they are, if anything, more likely to experience mobility *upwards* over the jobless spell.

On the topic of skill level, it is also clear that there is at least some overlap between the definition of skill specificity and level, as well as the variables that capture levels of educational attainment. Although the findings in Germany remain statistically significant

when at the same time controlling for education, their impact is much stronger when these variables are not included (see Table 2.5). In the UK, there is some evidence that general skills are associated with higher odds of occupational mobility when the dummies that capture levels of educational attainment are not included (Table 2.4). While this result is not robust when including dummies that capture educational attainment, the potential that these two predictors (skills and education) collide raises the question whether they can be entered side by side, especially as higher educational attainment has often been used as an indicator of general skills (e.g. Iversen and Soskice, 2001). This issue affects the results of other chapters as well.

Finally, the observation that skill specificity is associated with lower odds of occupational mobility is constrained to Germany but not the UK. This suggests that there are other, contextual factors that could mediate the relationship between skill specificity and occupational mobility. This provides justification for extending the analysis to a larger sample of countries in Chapters III and IV, where I investigate the theory that institutions, and in particular unemployment protection, can explain this variation.

Specifically, I suggest that unemployment protection systems in CMEs such as Germany are explicitly aimed at protecting certain, specialised skills and thereby encourage the development of ‘diversified quality production’ strategies in the German high-end manufacturing industry. In the UK, on the other hand, where firms’ production strategies tend not to rely on the supply of workers with specialised skills, but on high and low general skills for the service economy, the unemployment protection system fulfils a different task.

For instance, an institutional explanation for the observation that the relationship between skill specificity and occupational mobility does not manifest itself in the UK is that the absence of a contribution-based system that distinguishes between unemployed people depending on their previous labour market experience means that it is simply not possible

for the system in the UK to favour increasing the odds of occupational mobility and/or stability for one group over another. While the contribution-based Jobseekers' Allowance does exist, it does not offer any change in the generosity of benefits or any significantly different level of participation in other labour market programmes (e.g. ALMPs). In contrast, people in Germany who were previously employed in jobs requiring specific skills are more likely to be covered by the upper-tier, contribution-based unemployment benefit (UBI) than the less generous means-tested tier (UBII). Whilst these two types of benefit offer different levels in the generosity of their support, the crucial difference between the two is in the labour market programmes that are offered to benefit recipients. I test such institutional arguments by evaluating Hypothesis B:

Hypothesis B: The presence of generous unemployment protection will be associated with lower chances of occupational mobility

The findings of Chapter IV lend support to Hypothesis A, as skill specificity is coupled with lower odds of experiencing occupational mobility in Europe. Furthermore, low levels of skills are associated with lower odds of experiencing occupational mobility over a jobless spell. However, the most important finding regards the role of active labour market policies.

That active labour market policies are important in determining the chances of occupational mobility for unemployed people is demonstrated by the results of the comparative analysis, which shows that spending on public employment services and administration significantly increase the odds of somebody experiencing an occupational change. The United Kingdom, which has the highest spending on such programmes (see Figure 4.8) also boast some of the highest rates of occupational mobility among unemployed people, second only to Belgium (Figure 4.8). Italy, on the other hand, has the lowest rate and at the same time spends the least on public employment services and administration as a percentage of its GDP.

The relationship between ALMPs and occupational mobility here is assumed to reflect the increasing conditionality of unemployment benefits. While spending on ‘employment assistance’ (as identified by Bonoli, 2010) should in theory *reduce* occupational mobility because it tackles information deficits and obstacles for re-entry into the labour market, spending on ‘employment assistance’ has increased in the same time as ‘incentive reinforcement’ has become a central element of UK and German unemployment protection. For instance, in the UK the creation of Jobcentre Plus offices around the UK was a step towards the coordination of benefit provision and employment programmes, which were previously administrated separately (Clasen, 2011: 19-20). Since 2006, Jobcentre Plus has been responsible for all working-age benefit claimants. Likewise, the Hartz reforms in Germany brought a much closer integration of benefits and labour market services through the creation of 356 joint bodies (or consortia) of federal employment offices (FEOs) and municipalities (Eichhorst *et al.*, 2008; Konle-Seidl *et al.*, 2007: 38). I therefore assume that spending on ‘PES and administration’, which rose as a result of these measures, also reflects moves towards stricter conditionality of benefits, or ALMPs aimed at ‘incentive reinforcement’ (Bonoli, 2010) which cannot be captured using expenditure data.

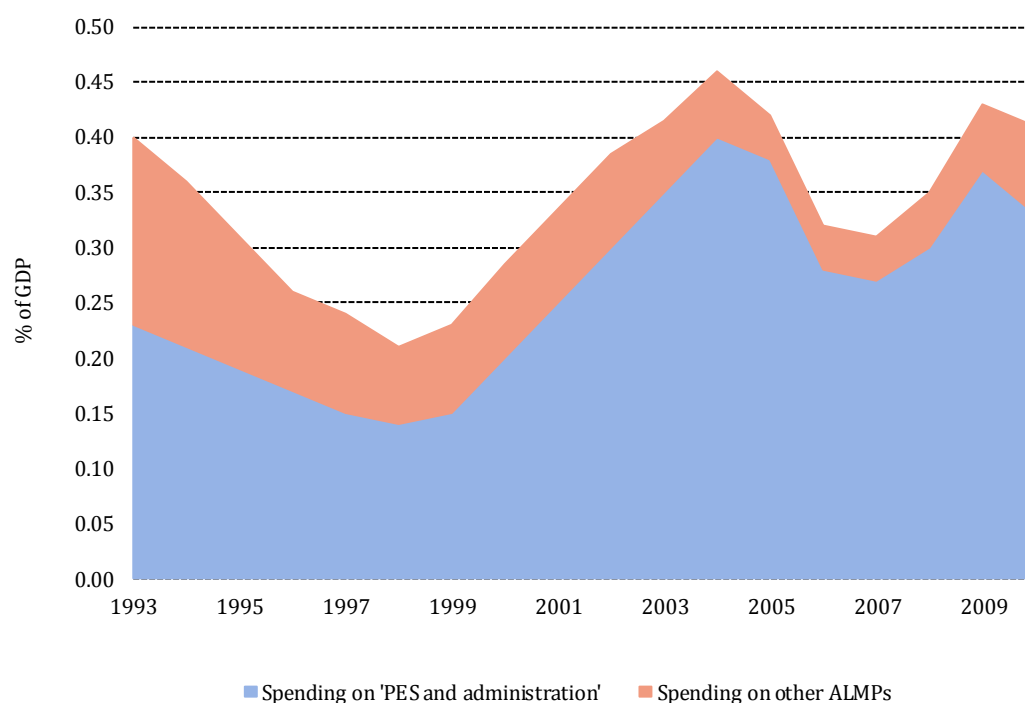
I illustrate this development in Figures 7.1 and 7.2 below, which show the increase of spending on ‘PES and administration’ compared to other ALMPs in the UK and Germany. The figure clearly shows the expansion of ‘PES and administration’ over the same period as the introduction of JSA or the Hartz reforms in Germany, which were both reforms associated with stricter conditionality of benefits. Nonetheless, I acknowledge that the relationship between the ‘PES and administration’ variable and stricter conditionality remains an assumption.

With this assumption in mind, the occupational change that is influenced by spending on ‘PES and administration’ could therefore be interpreted as ‘downward mobility’ for unemployed people. Rather than mobility associated with re-skilling unemployed people,

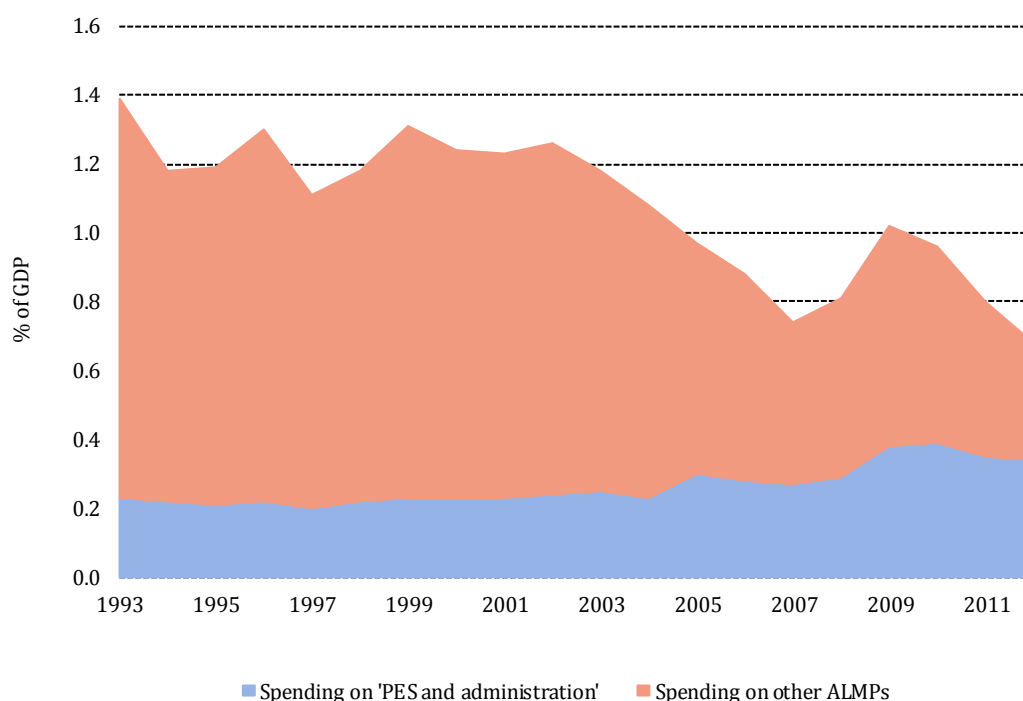
such occupational changes are forced upon the benefit recipient through the use of conditionality and stricter eligibility criteria.

While this is an important finding, the results nonetheless suggest that spending on ALMPs can themselves not explain overall country variation in the chances of jobless people being reemployed in the same job. These chances vary considerably across the European countries analysed, but it does not follow that countries that spend more on public employment services and administration are always associated with higher rates of occupational mobility than labour market policy systems that spend less. Belgium, for instance, has some of the highest rates of occupational mobility among unemployed people but ranks close to the middle of the sample when it comes to spending on public employment services and administration.

FIGURE 7.1: Spending on 'PES and administration' in the UK, 1993-2010



Source: OECD (2014)

FIGURE 7.2: Spending on 'PES and administration' in Germany, 1993-2012

Source: OECD (2014)

It is therefore likely that other factors also play a role in explaining this variation. While unemployment benefit generosity does not have a robust effect, thereby contradicting Hypothesis B, other institutional differences described in Chapter III, such as 'make work pay' policies and employment protection legislation, could explain the rest of the variation. Furthermore, non-institutional factors, such as the stigmatisation of unemployed people have not been considered in this analysis.

What can be taken away from this chapter is the suggestion that specific and low-general skills, as defined using Fleckenstein *et al.*'s (2011), are likely to be associated with lower chances of occupational mobility between pre- and post-unemployment than high-general skills. It is assumed that this indicates a lower portability or marketability of their skill investment, and therefore an exposure to a greater risk of losing this asset-specific human capital. In VoC theory, this should be reflected in social policy preferences, which is investigated in Chapter V and Hypothesis C:

Hypothesis C: Skill specificity and level will be positively associated with unemployment protection preferences

The findings lend support to this hypothesis, showing that across 21 countries in the European sample workers with low-general or specific skills are more likely to support unemployment protection policies than their colleagues with high-general skills. This finding is robust until the inclusion of controls for ideology and labour market insecurity, which I consider broad indicators that are analogous with the dependent variable (e.g. Rehm, 2005).

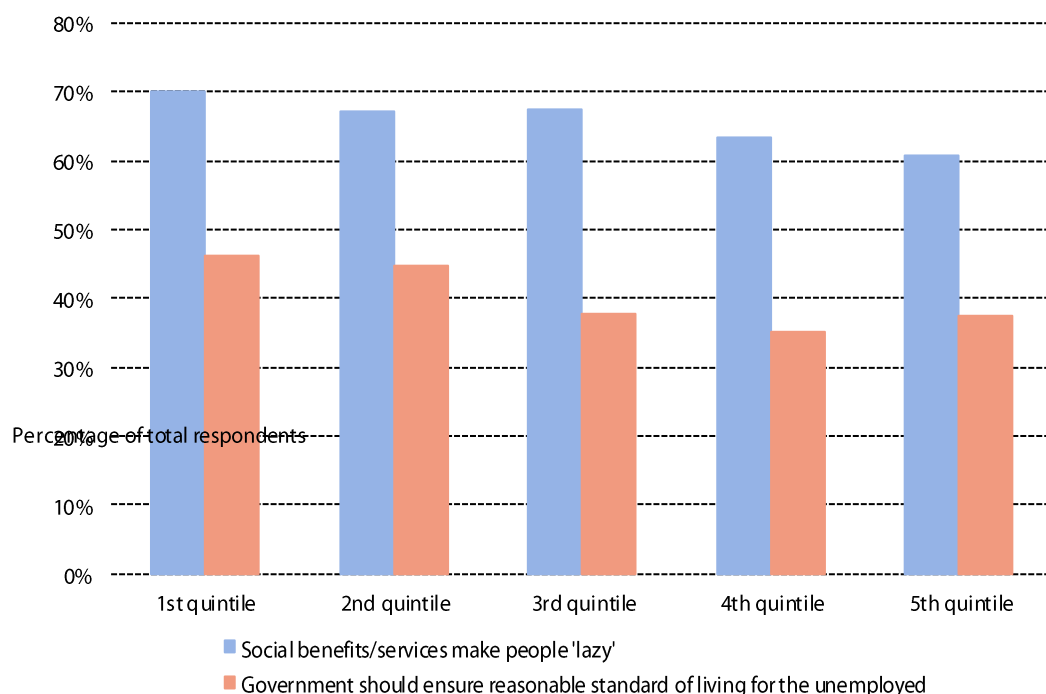
Considering these findings within the context of the rest of the thesis, there are perhaps two observations worth highlighting. Firstly, and as discussed in the chapter, the question persists over the difference between preferences towards redistribution and unemployment protection, and which is more relevant to evaluating the VoC hypothesis. The second question is how one might explain the link between the findings of the previous empirical chapters and the results of Chapter V.

Despite the suggestion that different parts of the welfare state enjoy different levels of support (e.g. van Oorschot, 2006), there has been comparatively little research into the determinants of unemployment protection preferences, particularly with reference to the explanatory value of skill specificity and level. However, it has been argued that unemployment protection is simply an example of a redistributive policy (Jensen, 2012). If this is the case, then what is the added value of studying preferences towards unemployment protection rather than existing studies of attitudes towards redistribution?

The comparison between the two in the discussion of Chapter V even shows that the relationship between skill specificity and/or level and social policy preferences is stronger for redistribution than it is in the model predicting attitudes towards unemployment protection. This contradicts the argument that the relationship between skill specificity and

social policy measures that guarantee a return on the skill investment by reducing the variability of expected future income is most obvious in the case of labour market institutions that offer unemployment insurance (and job security regulations) (Estevez-Abe *et al.*, 2001; Iversen, 2005: 9-12, 46-58; Kitschelt, 2006: 414).

However, as I argue in the next chapter, attitudes towards unemployment protection and especially unemployed people have in the past been influenced by other factors, especially those that are societal or cultural in nature. This may mitigate the relationship between skill specificity and unemployment protection preferences. VoC theory can be considered part of the increasing interest in the link between employment risks and welfare state preferences in political economy literature (e.g. Rodrik, 1997; Garrett, 1998; Saint-Paul, 2004; Cusack *et al.*, 2006; Rehm, 2009; Hacker *et al.*, 2013). Skill specificity exposes individuals to a greater risk of losing their skill investment, and low levels of skills make people more susceptible to economic insecurities such as unemployment. In theory, this should translate into a greater preference for unemployment protection.

FIGURE 7.3: Attitudes towards unemployment protection versus attitudes towards disincentive effects across income quintiles, 2008

Source: Author's own calculations, ESS (2008)

In practice, however, other factors often take precedence over feelings of economic insecurity in the formation of preferences towards unemployment protection. For instance, it is striking that while support for unemployment protection does fall with income quintile, the proportion of people who 'agree' or 'disagree' with the statement that 'Social benefits/services make people lazy'⁹⁵ decreases with income in the UK, as illustrated in Figure 7.3 above. People who could be interpreted as being most in need of benefits are also those who are most sceptical about benefit recipients, perhaps highlighting the role that media and societal attitudes play in relation to perceived economic insecurity in the formation of unemployment protection preferences.

Another way of investigating this further is by modelling labour market insecurity alongside unemployment protection preferences. In Tables 7.1 to 7.4, I present the results

⁹⁵ Taken from the ESS (2008)

of a model that predicts answers to the question ‘How likely are you to be unemployed and looking for work in the next 12 months’ alongside the model presented in Chapter V, which predicts unemployment protection preferences. Both questions are in the same dataset (ESS, 2008) and the model is run using identical predictors on the same sample⁹⁶. The only difference between the two is that whilst the model predicting for unemployment protection is linear (i.e. the dependent variable is continuous), the answers to the question regarding labour market insecurity are coded into a dichotomous outcome, with answers ‘likely’ and ‘very likely’ coded into ‘1’ and the responses ‘not very likely’ and ‘not at all likely’ coded into ‘0’. The model is run as a mixed-effects logit regression using the same procedure as in Chapter IV, where further detail on the model specification can be found.

⁹⁶ For a more detailed description, see Chapter V.

TABLE 7.1: Predicting unemployment protection preferences versus perceived labour market insecurity in Europe, 2008

	Unemployment protection	Labour market insecurity
	<i>B</i>	<i>B</i>
Intercept	7.155*** (0.238)	4.383*** (0.171)
<i>Individual-level control variables</i>		
Gender		
Male	-104*** (0.024)	-0.074*** (0.145)
Female (<u>ref.</u>)		
Age		
16-24 (<u>ref.</u>)		
25-35	0.086 (0.192)	-1.178*** (0.145)
36-50	0.184 (0.191)	-1.245*** (0.144)
51-64	0.338* (0.190)	-0.972*** (0.144)
65+	0.205 (0.190)	-0.251* (0.144)
Educational attainment		
ISCED 1 (<u>ref.</u>)		
ISCED 2	-0.015 (0.048)	-0.019 (0.036)
ISCED 3	-0.075* (0.046)	-0.246*** (0.035)
ISCED 4	-0.164** (0.085)	-0.217*** (0.065)
ISCED 5	-0.138*** (0.047)	-0.457*** (0.036)
Income		
Quintile 1 (<u>ref.</u>)		
Quintile 2	-0.327*** (0.038)	-0.272*** (0.029)
Quintile 3	-0.403*** (0.040)	-0.490*** (0.031)
Quintile 4	-0.471*** (0.042)	-0.663*** (0.032)
Quintile 5	-0.632*** (0.045)	-0.892*** (0.034)
Country-level variation	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.630 (0.100)	0.405 (0.065)
Level 1 variance	2.054 (0.008)	1.580 (0.006)
Wald chi2(0)	417.71	4676.85
Prob > chi2:	0.000	0.000
Log likelihood:	-65390.426	-57833.604
N (Level 2)	20	20
N (Level 1)	30549	30796
ICC	0.235	0.204

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error).

Source: ESS (2008)

TABLE 7.2: Predicting unemployment protection preferences versus perceived labour market insecurity in Europe - 2, 2008

	Unemployment protection	Labour market insecurity
	<i>B</i>	<i>B</i>
Intercept	6.825*** (0.398)	3.647*** (0.279)
<i>Individual-level control variables</i>		
Skills		
High-general (<u>ref.</u>)		
Low-general	0.057* (0.034)	0.255*** (0.023)
Specific	0.080** (0.039)	0.380*** (0.027)
Union membership		
Yes	0.230*** (0.034)	-0.315*** (0.025)
No (<u>ref.</u>)		
Temporary contract		
Yes	0.161*** (0.038)	0.355*** (0.028)
No (<u>ref.</u>)		
Unemployed		
Yes	0.428*** (0.141)	0.819*** (0.105)
No (<u>ref.</u>)		
Country-level variation	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.635 (0.101)	0.329 (0.053)
Level 1 variance	2.044 (0.009)	1.527 (0.007)
Wald chi2(0)	455.02	4748.55
Prob > chi2:	0.000	0.000
Log likelihood:	-57936.609	-50394.59
N (Level 2)	21	21
N (Level 1)	27126	27339
ICC	0.237	0.177

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education and income.

Source: ESS (2008)

TABLE 7.3: Predicting unemployment protection preferences versus perceived labour market insecurity in Europe - 3, 2008

	Unemployment protection	Labour market insecurity
	<i>B</i>	<i>B</i>
Intercept	6.310*** (0.399)	3.496*** (0.287)
<i>Individual-level control variables</i>		
<i>Skills</i>		
High-general (<i>ref.</i>)		
Low-general	0.060** (0.031)	0.225*** (0.023)
Specific	0.078** (0.037)	0.356*** (0.027)
<i>Belonging to religion or denomination</i>		
Yes	0.069** (0.029)	0.008 (0.021)
No (<i>ref.</i>)		
<i>Ideological position</i>		
Left	0.385*** (0.028)	0.056*** (0.020)
Right (<i>ref.</i>)		
<i>Country-level variation</i>		
	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.620 (0.099)	0.321 (0.052)
Level 1 variance	2.019 (0.009)	1.500 (0.007)
Wald chi2(0)	602.39	4432.04
Prob > chi2:	0.000	0
Log likelihood:	-53059.705	-45843.384
N (Level 2)	21	21
N (Level 1)	24986	25109
ICC	0.235	0.176

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education and income.

Source: ESS (2008)

TABLE 7.4: Predicting unemployment protection preferences versus perceived labour market insecurity in Europe at the macro level, 2008

	Unemployment protection	Labour market insecurity
	<i>B</i>	<i>B</i>
Intercept	5.958*** (0.723)	2.904*** (0.428)
<i>Country-level control variables</i>		
% Unemployment	0.079 (0.049)	0.060** (0.027)
EPL index	-0.187 (0.288)	0.275* (0.155)
Change in % of GDP	-0.106** (0.049)	-0.016 (0.026)
<i>Unemployment protection</i>		
UB generosity	0.017** (0.008)	0.001 (0.004)
ALMP	-0.346 (0.342)	-0.591*** (0.185)
<i>Country-level variation</i>		
	<i>Estimate</i>	<i>Estimate</i>
Level 2 variance	0.418 (0.069)	0.223 (0.038)
Level 1 variance	2.048 (0.009)	1.531 (0.007)
Wald chi2(0)	467.96	4668.39
Prob > chi2:	0.000	0.000
Log likelihood:	-55982.962	-48740.933
N (Level 2)	20	20
N (Level 1)	26195	26407
ICC	0.170	0.127

Notes: *Significant at 90% level; **Significant at 95% level; ***Significant at 99% level; (standard error). All models control for gender, age, education, income, union membership, temporary employment and unemployment.

Source: 4th round of the ESS, 2008

Broadly speaking, the comparison between the two models shows that the same factors influence feelings of labour market insecurity than preferences towards unemployment protection. For instance, income or level of educational attainment are negatively correlated with both. Likewise, the effect of skill specificity and low-general skills on labour market insecurity is positive compared to high-general skills. This at least lends some support to the notion that skill specificity influences unemployment protection preferences via economic insecurity.

One interesting distinction is that while perceived labour market insecurity falls with age-group (i.e. older cohorts are less likely to feel insecure in the labour market than younger cohorts), there are no age-differences when it comes to predicting unemployment protection preferences. In other words, labour market insecurity does not translate to support for unemployment protection for young people. This may indicate the falling support for unemployment protection over time which was found in Chapter VI and that future generations will become even less sympathetic towards such benefits.

Another difference affects the macro-level controls, which show that unemployment benefit generosity in terms of their NRRs are significant in predicting unemployment protection preferences (and redistribution preferences, according to Chapter V), but not labour market insecurity. This could be taken as evidence against the argument that generous unemployment benefits reduce perceived job security (e.g. OECD, 2004; Böckermann, 2004; Pacelli *et al.*, 2008) and that the role of unemployment benefit generosity in predicting unemployment protection preferences is not mediated via its impact on perceived economic insecurity. The effect of unemployment benefit generosity on unemployment protection preferences is therefore likely to stem from factors other than job security, such as the design of the system (generous systems tend to be contribution-based) or whether the generosity is aimed at people in long-term unemployment or frictional unemployment.

The second way in which the results of Chapter V link with the rest of the thesis is with regards to the role of skills and spending on active labour market policies. Skill specificity and low-general skill level are associated with greater support for unemployment protection, while spending on public employment services and administration can be found to have a strong negative impact on preferences towards such policies. Given that these two variables were significant predictors of occupational mobility among unemployed people across Europe in Chapter IV suggests that attitudes could be linked to occupational mobility.

Regarding the role of skill specificity, these parallels could be interpreted as supporting the theoretical framework of this thesis, as well as the VoC arguments that it is based on. Because skill specificity confers lower portability on a person's skill investment, they will seek to insure against the greater risks of losing this investment by supporting unemployment protection preferences. Given that the same variable (specific skills) has the same explanatory value in predicting occupational mobility and unemployment protection preferences lends support to this argument, although it by no means confirms the direction of causality.

The connection between skill level, occupational mobility and unemployment protection preferences is more difficult to explain. There is no reason why the observation that people with low-general skills experience lower odds of occupational mobility between pre- and post-unemployment means that they should be more inclined to support unemployment protection policies. Given that the skill investment made into low-general skills is of little or no value, the individual should not be concerned about the portability of it. As discussed in the individual chapters, the explanation for the lower portability of low-general skills could be that people at the 'floor' of the labour market are less likely to change jobs.

The connection between occupational mobility, spending on public employment services and demand for unemployment protection is the most difficult to interpret. In Chapter IV, it

was observed that high spending on public employment services and administration is positively associated with the occupational mobility of unemployed people. At the same time, such spending is apparently associated with strong negative attitudes towards unemployment protection according to the findings of Chapter V. Furthermore, it can also be observed that positive changes in GDP lead to negative attitudes towards unemployment protection, even though Chapter IV suggests that increases in the unemployment rate lead to lower odds of occupational mobility among unemployed people. In other words, positive economic developments (as reflected by a fall in unemployment) imply *greater* chances of occupational mobility among unemployed people and negative attitudes towards unemployment protection.

It is nonetheless doubtful that the two are directly related. It is difficult to see how people can become more antagonistic towards unemployment protection in institutional or economic environments that encourage the occupational mobility of unemployed people. Higher mobility among unemployed people is unlikely to lead to greater preferences towards unemployment protection in the general population. At the same time, countries in which PES and administration experienced expansion at the same time as the conditionality of benefits was tightened, thereby encouraging downward mobility among unemployed people, could also breed negative attitudes towards unemployed people and their protection.

I will discuss this finding in greater detail in the next section. For now, the finding that specific and low-general skills are associated with positive attitudes towards unemployment protection leads us to the fourth and final hypothesis of this thesis:

Hypothesis D: Assuming hypothesis C is true, countries with a greater proportion of workers with specific skills, or those with high numbers of workers with low levels of skills are more likely to be characterised by high levels of support for unemployment protection.

The findings of Chapter VI find very little support for this hypothesis. It becomes very clear from the beginning that the proportion of people with specific or low-general skills in a labour market in no way reflects overall support for unemployment protection. This is in part because skill specificity does not necessarily result in greater support for unemployment protection depending on the institutional setting that a person finds themselves in. For instance, people with high-general skills are more likely to support unemployment protection than people with specific ones in the UK, while the opposite can be observed in Germany.

This may provide further evidence of the connection between skill specificity, occupational mobility and demand for social protection. Drawing on aggregate data from Europe, I have already drawn the connection between skill specificity being associated with low mobility and greater demand for unemployment protection using the findings of chapters IV and V. Here, greater support for unemployment protection among people with specific skills in Germany can be tied to the findings of Chapter II, where specific skills are associated with lower mobility in Germany. In the UK, however, skill specificity is not associated with lower chances of experiencing occupational mobility between pre- and post-unemployment. At the same time, people with specific skills are not more likely to be in favour of unemployment protection in the UK.

Using the VoC framework, these parallels suggest that the chances of occupational mobility among unemployed people influence the likelihood of people in that particular group being in favour of unemployment protection policies. However, difficulties remain with this explanation. For instance, both results apply to different sets of people. While I am dealing

with the same skill groups and the same countries across Chapters II and VI, in the analysis of occupational mobility I am constrained to *unemployed* people while my investigation of unemployment protection preferences addresses the general labour force. Translating one result to the other requires some large suppositions being made, such as the assumption that employed members of the labour market take into account unemployed people's chances of occupational mobility in the formation of their attitudes towards unemployment protection, even if they have not experienced unemployment themselves. This is exactly where rationalistic frameworks such as that of VoC reach their limits.

A more general point is that it is clear that protection of unemployed people is unpopular and that it is becoming increasingly so. Compared to other parts of the welfare state (e.g. healthcare or pensions), it appears to be politically much more feasible for policymakers to roll back unemployment protection than it is to expand it. This brings us back to the discussion of the effects of spending on public employment services and administration on occupational mobility and preferences towards unemployment protection.

The historical analysis of attitudes towards unemployment protection in the UK and Germany shows that they have been becoming more antagonistic over time. This has occurred over the same period that widespread changes to the unemployment protection system in each country have taken place. The introduction of JSA or the Hartz IV reforms in the UK and Germany were associated with legislative changes towards tighter conditionality and the greater coordination and integration of benefit and labour market policy administration in job centres, leading to the increases in spending on public employment services and administration.

It has been argued that changes in attitudes towards unemployed people in the UK were brought about by widespread debate over labour market reforms in and around the introduction of JSA in the mid-1990s, in which several Labour ministers highlighted problems with the system (Hills, 2001). This perhaps suggests that there is a pattern, in

which sudden or incremental reforms towards tightening conditionality and making benefits or labour market programmes subject to stricter eligibility requirements (thereby encouraging downward mobility among unemployed people) leads to more intense public debate on the issue, which in turn damages attitudes towards unemployed people and unemployment protection. This is especially the case when the debate revolves around the issue of ‘welfare dependency’ or ‘scroungers’, for example instigated by politicians or certain media outlets. In the UK but also in Germany, there is widespread debate over exactly these issues within political and public circles. To a certain extent, spending on public employment services and administration may reflect the greater ‘visibility’ of the issue. The extensive network of branded ‘Jobcentre Plus’ around the UK may have made the ‘problem’ of welfare dependency a more noticeable one for the general public.

To conclude this section, I therefore find some evidence for the assumptions of VoC theory. In certain institutional settings, skill specificity is associated with lower portability and therefore a greater risk for the worker of losing this skill investment. This translates into greater support for unemployment protection. However, this pattern can only be observed in certain institutional settings such as Germany’s. It therefore does not help explain cross-national differences in support of unemployment protection or the occupational mobility of unemployed people.

Shortcomings

Of course, these arguments and conclusions hinge on a number of assumptions. First and foremost, I assume that lower occupational mobility represents a *risk* for the worker by adopting the VoC argument. In practice, however, 2-digit occupational change does not have to result in the complete loss of a human capital or skill investment for the worker.

Secondly, I make the assumption that spending on public employment services and administration represents a move towards the stricter conditionality of benefits. Associated

with this assumption is the argument that greater mobility induced by higher spending in this area represents a 'downward' movement for the worker.

The third major assumption made in Chapters V and VI is that the dependent variable used represents attitudes towards unemployment protection. As described in greater detail in Chapter V, the question is relatively vague and could be interpreted differently.

The last and at the same time biggest assumption regards the argument that occupational mobility is linked to attitudes towards unemployment protection. I have assumed a direction of causality here that is difficult to ascertain, and depends purely on the rationalistic knowledge of VoC theory. Lower occupational mobility may not imply greater risks for the worker, and exposure to these risks may not lead to greater support of unemployment protection.

Aside from these assumptions and the technical shortcomings that are discussed in more detail in the individual chapters, there are two conceptual shortcomings that deserve more attention in these final pages. The first of these is the issue of measuring skills, a problem that can be addressed using both qualitative and more advanced quantitative methods than the ones used in this study. The analyses have relied solely on a fairly simple measurement of skills, distinguishing between 'low-general', 'high-general' and 'specific' skills (Fleckenstein and Seeleib-Kaiser, 2011). Although by capturing both the specificity and the level of skills the classification offers a pivotal step forward in political economy literature, further improvements will be necessary to identify further distinctions. For instance, it is unlikely that skill specificity and level can be categorised, but rather that it represents a continuum.

Secondly it must be acknowledged and indeed highlighted that this thesis represents an investigation of institutional accounts, and that there are a number of different theories and approaches that could be used to interpret these results instead. Regarding the analysis of

occupational mobility, general socioeconomic trends are worth investigating as these developments in particular can influence the rate at which people change jobs. For instance, the effects of deindustrialisation and the decline of manufacturing jobs as well as the rise in demand for jobs in the low- and high-end services sector on occupational mobility need to be taken into account further. To some extent, economic theories also deserve more attention in explanations of social policy preferences (e.g. Cameron, 1978; Katzenstein, 1985; Rodrik, 1998; Scheve and Slaughter, 2004). However, in this area this thesis needs to be complemented with more analysis of the role that cultural and societal factors play in determining unemployment protection preferences.

Policy implications

Aside from the contributions made to the empirical investigation of Varieties of Capitalism theory (e.g. Estevez-Abe *et al.*, 2000; Hall and Soskice, 2001; Iversen and Soskice, 2001), the findings have practical implications as well. I concentrate here on two which both refer to the ability to emulate or sustain production regimes that rely on the presence of specific skills: (i) unemployment protection systems can either prioritise low unemployment or post-unemployment stability (and thereby, the development of specific skills in the labour market), and; (ii) while protecting contribution-based benefits at the expense of means-tested can help protect specific skill investment, this can also lead to a process of ‘dualization’.

Unemployment protection systems can either prioritise low unemployment or post-unemployment stability.

Since the emergence of high and in some countries persistent unemployment in post-industrial labour markets since the 1970s, there has been a tendency for reforms in the unemployment protection system to prioritise a reduction of unemployment. This has primarily been achieved by cutting the generosity of benefits or tightening the

conditionality of them. For instance, in the UK and Germany, examples of such approaches have been the introduction of the JSA (which required unemployment benefit claimants to be more active in their job search) and the Hartz reforms, which shortened the duration of contribution-based benefits.

Whilst reducing unemployment remains an important policy objective, measuring the ‘success’ of such reforms in terms of how they affect unemployment rates risks ignoring potentially negative side-effects. In particular, the results of this thesis suggest that by tightening conditionality, these reforms encourage occupational mobility among unemployed people. This, in turn, can damage the development of specific skills in a labour market. The trade-off that occurs here is one between the short-term benefits of liberalising unemployment protection systems (by reducing unemployment rates) versus medium- and long-term disadvantages for post-unemployment outcomes.

Arguably, the political cycle does not favour long-term aims. For governments, it is without doubt the more attractive option to prioritise policies that lower unemployment rates, as the electorate uses them to assess the performance of the labour market. At the same time, there is a need to question the role that such reforms have played in contributing towards the growth of precarious work in European labour markets. In other words, whilst making conditionality stricter may reduce unemployment, it may do so at the expense of putting unemployed people into precarious and unstable jobs in the low-end skills sector. The question that arises here is whether governments should introduce reforms that are aimed at reducing unemployment, or whether legislative changes in unemployment protection should prioritise a smooth transition of unemployed people into stable employment?

On the one hand, it may seem desirable to move unemployed people back into work, no matter what type of work it is and whether it matches their existing experience and qualifications. There has been considerable evidence of the damaging psychological and social effects of continued joblessness (e.g. Jahoda, 1982). On the other, if this leads to

increases in ‘precarious’ employment in the labour market, prioritising exit out of unemployment can damage the individual, the economy and the society in the long term. If these reforms achieve quicker reemployment of unemployed people at the expense of putting them into a precarious job that sees them fall back into unemployment six months later, they essentially fail to fulfil their purpose. If the aim of ‘liberalised’ unemployment protection systems is to reduce unemployment or the fiscal burden for the state, they can hardly be seen to achieve these purposes if unemployed people are put into unstable jobs, only to become unemployed again in the near future.

Regardless of which end of the debate one finds themselves agreeing with, further research is necessary to question the role that legislative changes in unemployment protection have played in causing the increased levels of precarious employment in contemporary labour markets. Rarely, if ever, do studies (particularly economic analyses) take into account the mid- or long-term implications of labour market reforms on post-unemployment outcomes. These effects go as far as encouraging the development of precarious employment, as well as manifesting themselves in the production strategies that firms adopt, as argued by VoC literature. Consequently, if reforms are made to unemployment protection systems, policymakers and researchers need to take into account the potential impact they have on the functioning of the labour market as a whole. If VoC holds true, for example, the German model that continues to rely on a competitive, high-end manufacturing industry will cease to exist if adequate unemployment protection is not provided, as this encourages the development of specialised skills that these companies require for their production strategies.

Although contribution-based systems may be more effective with respect to protecting skills, they also risk paving the way towards the ‘dualization’ of the labour market.

From the perspective of dualization arguments (e.g. Rueda, 2005; 2007; Clegg, 2007; Davidsson and Naczyk, 2009; Palier and Thelen, 2010; Emmenegger *et al.*, 2012), the

finding that the occupational mobility of unemployed people with specific or high-general skills has declined since the early 1990s in Germany while that of jobless individuals with low-general skills has increased is particularly important. This may suggest that reforms that took place over the time period, such as the Hartz reforms, have continued to protect ‘insiders’ with specific or high-general skills at the expense of ‘outsiders’ with low-general skills. Certainly, the evidence from Chapter II appears to suggest that the former are covered by *UBI* while the latter are only eligible for the lower, means-tested unemployment benefit *UBII*. It has been argued that unemployment benefit recipients who had previously been ineligible for the earnings-related component (e.g. atypical workers or long-term unemployed people) suffered a substantial reduction in the generosity of their benefits after the Hartz reforms (Palier and Thelen, 2010).

From a policymaking perspective, contribution-based unemployment protection systems such as Germany’s are undoubtedly more generous compared to their largely means-tested counterparts in countries such as the UK. However, unlike the German system, the UK’s does not directly lead to segmentation in the labour market. Germany has been distinguished from other CMEs as being a less egalitarian one (e.g. Rueda and King, 2008). Whilst the system of unemployment protection in the UK cannot be said to be universalistic in the same way as the Swedish system, the essential lack of different tiers means that the system does not directly reinforce divisions in the labour market. Having said this, the absence of a policy also constitutes a policy, and inequality in the UK is spreading, also due to the comparatively ungenerous benefits for unemployed people.

Adopting VoC theory, however, the presence of a comparatively generous form of unemployment protection is necessary to continue ensuring the competitiveness of the high-end manufacturing sector. Only in the presence of a contribution-based form of unemployment insurance (or a generous, universalistic scheme), will workers be encouraged to invest in specific skills required for such production strategies, as it helps to

protect against the deadweight loss of investing in such skills in the event of unemployment.

Hence, there is a trade-off between: (i) systems that encourage the competitiveness of the high-end manufacturing sector by ensuring the protection of ‘core’ workers in the labour market, but neglect the protection of peripheral workers, and; (ii) a system such as the UK’s, characterised by a growing divergence between employment in the low- (*McJobs*) and high-end (*MacJobs*) services sector (Goos and Manning, 2003). If concerns arise over the increasing inequality in the German labour market, the solution can therefore hardly be to follow the UK’s path of homogenising unemployment protection and thereby giving up the competitiveness of the high-end manufacturing sector.

However, this is just as relevant for the UK and other countries as it is for Germany. In a time when we have experienced the rebirth of the ‘German model’ that until recently was deemed the ‘Sick Man of Europe’, the findings of this thesis have important implications for policymakers wishing to emulate the system. The Coalition government continues to actively support the expansion of apprenticeships in order to tackle youth unemployment, with the UK Chancellor George Osborne in December 2013 announcing that the government would support 20,000 apprenticeships for 16- and 17-year-olds with £40 million (Guardian, 2013b). VoC theory suggests that specialised, vocational skills will only develop in a labour market characterised by a certain degree of social protection, and the results of Chapters III and IV provide some evidence for this picture (although they by no means show that it is the case). Efforts such as these to encourage vocational education and training in envy of Germany’s low youth unemployment (The Economist, 2013b) could therefore be fruitless without the introduction of sweeping labour market reforms such as a more generous form of unemployment protection.

Future avenues of research

Unemployment is by nature a complex phenomenon, the study of which is inherently and undeniably inter-disciplinary. Joblessness is of equal concern to economists, political scientists, philosophers and psychologists. Consequently, it is impossible to address all the questions and concerns that surround this topic, even within the generous constraints of a doctoral thesis. Nonetheless, there are several ways in which the findings of this thesis can pave the way for future avenues of research.

Firstly, although the research has concentrated on the micro-level, it has only considered individuals as economic actors. Further, equally as important players to be considered at the micro-level are firms. This is the case with respect to the determinants as well as the effects of institutional unemployment protection. Unemployment protection has widely been deemed to affect firms negatively, creating limited external flexibility and a lack of ability to adjust wages. However, as Streeck (2004) has argued, unemployment protection systems can generate positive effects in the long run by incentivising the development of skills and creating potential 'beneficial constraints' by forcing firms to adopt high-quality production strategies that they gain a comparative advantage in. VoC, especially, has defined firms as the central agents of the political economy, interacting with suppliers, clients, collaborators, stakeholders as well as trade unions, business associations and government in developing social policy arrangements (Amable and Palombarini, 2009: 126). They have been highlighted for their role 'as initiators of institutional change, virtually as important as the state and highly responsive to shifts in the economic development' (Hall and Thelen, 2009: 27). Hence, there is a need to complement these findings with further scrutiny of the effects on the behaviour of firms.

This requires a more qualitative approach, either through the application of documentary analysis of press releases, newspaper articles and other documents to judge the reaction of companies and employer organisations in response to legislative changes in unemployment

protection, or through surveys and interviews with managers. Seeleib-Kaiser and Fleckenstein (2009) use an in-depth online survey among HR and corporate social responsibility (CSR) managers of large companies addressing support for occupational family policies. A similar methodology can potentially be used to capture firm-level support for unemployment protection (as well as employment protection). Such studies would add to the growing research on the role of firms in developing social policy (e.g. see Emmenegger and Marx, 2011 for JSRs or Naczyk, 2013 for pension policy).

A second and similar avenue for future research should explore not only the attitudes of employers, but of policymakers in general. In particular, evidence is needed for the VoC argument. In the design and reform of unemployment protection (as well as other forms of social protection), is it really the case that governments are aware of the implications the institutional architecture of social protection may have on skill-formation in the labour market?

Aside from the VoC argument, there have been efforts to explain and investigate the motives behind unemployment protection reforms. For example, Carlin and Soskice (2008: 94) argue that the 'Hartz' reforms in Germany represent a *conscious* effort to create a flexible labour market for low-skilled workers and thereby reduce unemployment in this group. Clasen (2000) not only investigates reform in Germany, but in the UK and Denmark too, claiming that the introduction of compulsory activation programmes can partly be attributed to motives of credit claiming: 'To be seen to be doing something effective against unemployment has remained an important policy objective' (Clasen, 2000: 108).

Motives for legislative changes in unemployment protection have largely been identified as seeking to reduce rates of unemployment, particularly amongst low-skilled people.

However, it is unclear whether politicians are aware of the long-term consequences of such reforms, such as the impact they potentially have on precarious employment or the formation of skills in the labour market. There is still scope to investigate whether such

reforms are guided by ideological concerns (reducing the role of the state), political ones (achieving low unemployment rates) or a conscious effort to shape economic policy and react to the effects of deindustrialization (e.g. a growing service sector) or globalization ('race to the bottom'). Such questions can be addressed by investing time in elite interviews or documentary analysis.

Thirdly, and related to the first two potential paths for future research, the analysis in this thesis is predominantly quantitative and therefore needs to be complemented by qualitative evidence. This is not only desirable because of the evidence needed regarding the attitudes of employers and policymakers (as elaborated above), but with respect to individual-level analysis as well. A more qualitative approach is particularly important for the analysis of VoC assumptions. Whilst the chapters have to some extent tested VoC arguments at the micro-level, a full evaluation will only be completed by employing a more personal approach to assess whether social protection systems genuinely do have an impact on the skill-investment decisions that workers make. Do workers really take into account the impact of the presence or absence of certain institutions of social protection on the skills they choose to invest in? Will a worker be more likely to invest in firm- and industry-specific skills if unemployment protection is generous enough? Is the presence of unemployment protection of greater importance here, or do wage and especially employment protection play a larger role?

The fourth avenue for future research involves the need to take into account the complementary effects of other institutions; both with respect to the effect on the development of skills as well as the impact on individual-level preferences. VoC scholars, amongst others, have argued that institutions have the ability to 'complement' each other by increasing the returns from efficiency of one another (Hall and Soskice, 2001; Lauder *et al.*, 2008). VoC explicitly mentions three institutions that can be designed to complement each other; unemployment, employment and wage protection. For example, production

regimes such as Germany do not just require unemployment protection to encourage the development of certain types of skills; CMEs typically draw on further sets of organisations and institutions that help resolve coordination problems that economic actors face when making skill investment decisions. Thelen (2004) has observed that some skill-oriented industries seek mechanisms to strengthen training, an argument that even critics of the VoC perspective agree is necessary to ensure certification rights or standardisation and reduce disincentives for employers (e.g. by impeding poaching) (Emmenegger and Marx, 2011: 14). The presence of wage protection is therefore just as important as unemployment protection.

Only the presence of such institutional complementarities will lead to the development of firms that engage in alternative production strategies that rely on large volumes of specifically-skilled labour (Dore, 1986; Sorge and Warner, 1986). All three are required in order for 'diversified quality production' (Streeck, 1992) to come about. Consequently, unemployment protection is only one part of the puzzle, and it is therefore necessary to combine the results of this study with a similar analysis of employment and wage protection, or the vocational education and training system⁹⁷.

⁹⁷ Although it has been argued that unemployment protection should be treated separately from other areas of social policy because of its closer connection to skill formation (Swenson, 2002; Korpi, 2006; Iversen, 2006a).

Conclusion

Sozialpolitik ohne Wirtschaftspolitik ist ebenso unmöglich wie Wirtschaftspolitik ohne Sozialpolitik

'Social policy in the absence of economic policy is as impossible as economic policy in the absence of social policy'⁹⁸

Goetz Briefs (1930: 170)

Drawing back to the beginning of this thesis, overall the chapters are perhaps also a contribution to literature on the dualism between the welfare state and the economy. In an era of austerity, when the sustainability of current social protection systems is being put into question, research on the interplay between social and economic policy is desperately needed. In particular, as this thesis has consistently argued, the role of the welfare state in the development of skills in the labour market is relevant. Governments seeking economic policies that aim to maintain a strong high-end manufacturing component, such as Coordinated Market Economies, may also need to combine such a strategy with the continued existence of generous social protection in the labour market.

Although the above findings have by no means provided definitive evidence of this relationship, they form a small part of the research needed to address the dualism between economic and social policy. As Vobruba (1988; 1989; 1991) put on the research agenda over 30 years ago, micro-level investigations of the interplay between the welfare state and the economy remain an important topic. In a similar way to the Oil Shocks in the 1970s, the current crisis is leading to the interpretation that the social security system is a burden to the economy (Vobruba, 1988). A broadly shared political conviction is developing that current welfare state expenditures are not sustainable in the long-run given the high level of public sector deficit and expected demographic changes (Greve, 2011: 334; Vis *et al.*, 2011: 350). As demonstrated by these analyses, unemployment protection is enjoying less

⁹⁸ Author's own translation

and less support despite serving essential purposes for the individual, the economy and the society. For example, Chapter III suggests that the German unemployment protection system may play a role in the development of specialized skills in the labour market. Potentially, the German unemployment protection system is therefore partly also responsible for the recent success of the German export-driven industry. In contrast to 'race to the bottom' arguments that characterised social policy debates after the Oil Shocks of the 1970s and 1980s, the performance of the German economy has thereby provided evidence that the high-end industrial sector can survive despite the higher cost of labour in industrialised countries.

This suggests that governments, particularly in CMEs, should not use the crisis as a scapegoat to cut back the welfare state, but as an opportunity. It is somewhat ironic that while the Great Depression of the 1930s was characterised by the birth of comprehensive systems of unemployment protection in the industrialised world⁹⁹, the Great Recession of the late 2000s may see the beginning of the end of such programmes. In the past, deteriorating socio-economic conditions have been understood as windows of opportunities (Kingdon, 1964) and/or critical junctures (Katznelson, 2003; Capoccia and Kelemen, 2007) in political science, giving policymakers opportunities to exploit crises in order to push forward welfare state reforms that were previously understood as unpopular among the electorate (Boin *et al.*, 2009; Rosenbloom and Sundstrom, 2009: 5; Vis, 2009; Hatton and Thomas, 2010; Chung and Thewissen, 2011: 356). Economic fluctuations strongly influence the short-term orientation of policymakers, and therefore provide opportunities for paradigm shifts in labour market and social policy (Eichhorst and Marx, 2011: 75, 78). Perhaps further research on the influence of social programmes on economic

⁹⁹ For example, the (essentially) nation-wide introduction of unemployment compensation that followed from the Social Security Act of 1935 as a response to the massive layoffs that characterised the American labour market in the 1930s is just one example of this.

outcomes and strategies will therefore contribute to the growth, rather than the retrenchment, of welfare states.

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