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Inclusive HRM and Employment Security for Disabled People: An Interdisciplinary Approach

Irmgard Borghouts-van de Pas and Charissa Freese

Abstract. Many countries struggle with non-participation of vulnerable groups. Countries give priority to Active Labour Market Policies (ALMP) to help unemployed and disabled people get back to work, preferably in regular employment. In recent years, some innovative policies have tried to involve employers. There seems to be a paradox between desired social policy outcomes, such as getting people out of social security into regular jobs, and preferred Strategic HRM outcomes, such as being a highly productive, cost-efficient and flexible organisation. The explanation and solution for this social issue - integration of disabled people – can thus not solely be found in the Social Policy literature, as strategic employer behaviour ultimately decides whether ALMP succeed. In this paper, we combine insights from Social Policy and HRM literature and discuss several factors that play a role in the process of (not) offering jobs to disabled people. We present a conceptual strategic inclusive HR model and conclude that different HR perspectives, focusing on economic rationality, wellbeing, social legitimacy, may lead to different hiring strategies.

Keywords: Inclusive HRM, Social Policy, Disability, Inclusive Labour Market, Employers, Employment Security.

1 Tilburg University, ReflecT, The Netherlands. Further information is available here: https://www.tilburguniversity.edu/webwijs/show/i.borghoutsvdpas.htm, and here: https://www.tilburguniversity.edu/webwijs/show/c.freese-1.htm.
1. Introduction

Many countries struggle with non-participation of vulnerable groups. They spend significant shares of national resources in active labour market programs (Martin & Grubb, 2001; Martin, 2014). Countries give priority to ALMP, which are public interventions in the labour market aimed at helping and getting unemployed, inactive and disabled people back to work, preferably in regular employment. The ALMP focus primarily on the supply side including people with reduced work capacity (PRWC). The idea is that ALMP, through interventions aimed at increasing the motivation, abilities and job search behaviour of individuals, decrease the reduced work capacity of target groups. In this perspective, the demand side (employers and their motivation and abilities to employ these workers) is not included.

In recent years, some innovative ALMP have shifted the perspective to employers. For example, in the Netherlands, the Participation Act came into force on 1st January 2015. This new law aims to get as many PRWC to work at regular employers. This new employers’ perspective reflects a tension that seems to exist between desired social policy outcomes of transitioning people from social security to regular employment and preferred strategic organisational outcomes, such as being a highly productive, cost-efficient and flexible organisation. In this paper, we argue that the solution for the social challenge of integration of disabled people cannot solely be found in Social Labour Market Policies (SLMP), as strategic employer behaviour ultimately determines whether ALMP succeeds. Therefore, we need to gain additional knowledge from employer behaviour, which can be found in strategic HRM literature.

In view of the social and institutional context, the question arises how organisations decide to hire or not to hire PRWC. Opening this black box of the decision-making process may inspire welfare states to adjust ALMP in order to better align with business strategies.

In this paper, we address two research questions:

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3 People who have physically, mentally or other impairments that limit employment activities.
Does hiring people with reduced work capacity fit within the organisation strategy and HRM policy strategy?

and if so,

How can ALMP be better aligned with employers' motivations to hire people with reduced work capacity?

2. Theory

In this section we combine insights from what is known from the Social Policy and HR literature regarding the (re)entry of vulnerable groups in the labour market.

2.1 Active Labour Market Policies

Scholars in the field of social policy observe a shift from traditional welfare policies in which the key objective is decommodification towards social policies emphasizing (re-) commodification (Dingeldey, 2007). Dingeldey argues, “Within this paradigm shift in welfare state policies, activating labour market policies (ALMP) is supposed to play a central role (Dingeldey, 2007).” Two policy approaches that are not mutually exclusive can be implemented to promote labour market participation: ‘a workfare’ approach with stricter conditions on access to benefits and an ‘enabling’ approach including ALMP and labour market services – training and placement services - that promotes participation in an ‘inclusive way’ (Dingeldey, 2007; Etherington & Ingold, 2012). Three broad types of ALMP can be distinguished (European Commission, 2012):

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5 Ibid.
6 Ibid.
7 European Commission, Labour market policy – expenditure and participants, 2012, Luxembourg
https://ec.europa.eu/eurostat/documents/3217494/5749013/KS-DO-12-001-EN.PDF/9611f495-94e0-4be6-9602-f458a023b703?version=1.0
1) Services: all activities and services provided by a Public Employment Service and/or other publicly funded services for jobseekers.

2) Measures: ‘activation’ interventions that aim to provide jobseekers with new skills or work experiences in order to improve their employability or that encourage employers to create new jobs and hire unemployed people.

3) Supports: financial assistance that aims to compensate individuals for the loss of wage or salary and to support them during their job search. In many cases, supports are in the form of unemployment or social assistance benefits.

2.2 Innovation in ALMP in The Netherlands: A Closer Look at the Dutch Participation Act

In 2013, the Dutch government, employers’ organisations and trade unions committed themselves in the “Guaranteed Job Agreement” to create 125,000 jobs for vulnerable (disabled) people. The Participation Act came into force on 1st January 2015. In the future, a quota could be activated if employers do not voluntarily create the agreed upon number of jobs. In July 2016, the Dutch Ministry of Social Affairs and Employment presented the first results with regard to the “Guaranteed Job Agreement” and the actual hiring of vulnerable workers in regular jobs. The figures show that in 2015 the number of jobs rose with 21,057 jobs compared to the figures in 2013. The Dutch Ministry of Social Affairs considers this promising and sees no reason to activate a quota at this time. In July 2016, Cedris (National association for social employment and reintegration) and Statistics Netherlands presented a less rosy picture. In more than half of the 21,057 jobs presented by the Ministry, people were involved who already had jobs (e.g. in a sheltered workplace) and who were able to extend the number of their working hours. Furthermore, the Ministry did not count the number of PRIWC that found a job but counted the hours worked by employees with reduced work capacity. Cedris argues that only 1,500 persons with reduced work capacity entered the labour market in the last three years. Statistic Netherlands reveals that in 2015 the labour market participation of disabled people was 37.2 percent and participation of non-disabled people 75.3 percent (CBS,

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8 Parliamentary Papers II, meeting year 2015-2016, 34352, No. 34
2016). Thus, it remains a major challenge to achieve employment security for disabled people in the Netherlands.

2.3 ALMP and Strategic HRM

The (re)entry of vulnerable groups into the labour market is predominantly studied from an ALMP perspective. A strategic HRM approach on how these groups can be integrated into daily business operations is virtually non-existent. This gap in literature is remarkable, given the fact that employers and HR managers play a key role in providing job opportunities. Governmental policy measures promoting labour market participation have clear implications for HR, due to its involvement in the recruitment, selection and onboarding of this target group. There are some studies in the field of social policy and sociology regarding the effects of policy instruments on hiring PRWC (PRWC) (Borghouts et al. 2015; Koen, 2013). Research shows that the use and effects of wage incentives, such as wage subsidies and wage dispensation, are quite small (Borghouts et al., 2015). Financial incentives do not play a major role in the decision making process of employers to hire people from the target group. Many factors influence employers’ recruitment and retention decisions concerning people with disabilities (Borghouts et al., 2015; Groenewoud, 2013; Rosing et al., 2011). Much research has been done on the motives of employers to hire PRWC, but how this relates to the actual behaviour of employers and the conditions under which employers hire and retain vulnerable employees remains unknown.

Employer involvement is crucial for the successful integration of the target group in regular employment and to meet ALMP objectives. This implies that ALMP and HRM should be considered as two mutually reinforcing processes with respect to achieving governments’ objectives. Currently, HR-policies mainly focus on high performance, low

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J. Koen, *Prepare and Pursue; routes to suitable (re) employment*, 2013, Ipskamp Drukkers, Amsterdam.
10 Ibid.
11 Ibid.
absenteeism and flexibility (Lengnick-Hall et al., 2005; Martin, 2004). The HRM perspective in these studies is focused on economic rationality, with organisational outcomes such as productivity, shareholder value and innovation. Boselie et al. (2013) argue that strategic HRM policies should also aim for social legitimacy (such as ethics, integrity, fairness, participation and sustainability), which can be acquired through responding positively to government regulations to hire PRWC (Boxall & Purcell, 2011). As noted in reviews of 30 years of HRM research, both in scientific HR literature and in practice, the economic rationality HRM perspective prevails (Beer et al., 2015; Kaufman, 2015). Although different streams of literature, such as sustainable HRM and Corporate Social Responsibility (CSR) now acknowledge social legitimacy as a desired outcome of strategic HRM activities, empirical studies on this topic are virtually non-existent. This is observed by Beer et al. (2015) who recommend that research needs to be done on how HRM activities affect societal wellbeing. To date, no study has scrutinized the social legitimacy HR perspective with regard to labour market participation of PRWC. This paper fills this gap, by addressing employer engagement in labour market participation of PRWC from a multidisciplinary point of view. A proactive, strategic HRM perspective on how PRWC fit the overall organisational strategy is crucial for the successful and sustainable employment of these workers and increases the chances of beneficial organisational outcomes and hints at how ALMP can become more effective. The existing literature on employer behaviour regarding hiring vulnerable groups is insufficient to develop a sound, multidisciplinary, and

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16 Ibid.
integrated conceptual framework with regard to ALMP in combination with the organisation (HRM) strategy.

3. Method

Based on semi-structured interviews with eleven inclusive employers and two plenary meetings for employers on the participation Act (70 organisations), we developed a theoretical model for strategic inclusive HRM. This model was later tested with 43 employers / HR managers in six focus groups (three focus groups were held in June 2015 and October 2015. In each focus group, the same questions were discussed with the participants.

During each focus group discussion, one researcher chaired the group, while another researcher took notes. The participants filled out a short questionnaire, providing background information on the organisation size, their attitude towards hiring the target group (i.e. positive, we already hire X employees with reduced work capacity, positive, neutral, or negative), the challenges they experience with regard to the Participation Act, and the extent to which organisational climate is suitable for PRWC. Furthermore, we conducted interviews with seven employers in the industrial sector who are currently not willing and/or unable to offer jobs to people with reduced work capacity in the short term (July, 2015). The interviews were based on the same questions as were used in the focus groups.

All of the interviews, expert meetings and focus groups were audiotaped, transcribed verbatim or pre-structured notes were taken. To analyse the data, the coding process of Dougherty (2004)\(^\text{17}\) was used for the exploratory interviews. In the open coding phase, codes were added to the transcripts. In the axial coding phase, the raw data was ordered in a matrix allowing for a systematic analysis of the data, arranged by respondent and theme. In the selective coding phase, a storyline was built by relating all remaining categories to the selected core categories and by systematically validating the suggested relationships. While analysing the answers given in the focus group, the responses were enriched with background information from the questionnaires.

\(^{17}\)D. Dougherty, *Organizing practices in services: Capturing practice-based knowledge for innovation*. *Strategic Organization*, 2004, 2(1), 35-64.
4. Results: factors that play a role in the employers’ process of (not) offering jobs to PRWC

From our study, different factors emerged that influence the employers’ perspective on the process of hiring and retaining PRWC. Employers make their deliberate choice as to whether or not to hire vulnerable people. The following different factors play a role:

1. **External Context**

Contextual factors, such as legislation, economic and political trends, labour market developments, competition, changes in technology, social, and cultural factors, affect the configuration of the organisation, the organisational strategy and current management issues. In other words, exogenous factors influence the business strategy. Where the Dutch government intends legislation to have a direct effect on the intention to hire PRWC, we did not find a single organisation that did not include other factors in their decision to hire the target group. However, organisations that currently do not employ PRWC have started to look for information on how to hire PRWC. Many employers mention the economic crisis as a reason why they do not hire PRWC. Another contextual factor that influences the probability of hiring PRWC is industry type, which is illustrated by studies from Domzal et al. (2008)\(^\text{18}\), Van Horssen et al. (2011)\(^\text{19}\) and Martin (2004)\(^\text{20}\). In a sample of British and Danish employers, Martin (2004)\(^\text{21}\) found that firms with a blue-collar, low-paid workforce were significantly more likely to hire PRWC, which was also confirmed by employer organisations in our sample.

2. **Organisational Strategy, Mission and Strategic Decision-making**

Organisations develop an organisational strategy, formulate their mission and make strategic decisions in order to show their value to their clients

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\(^{20}\) Ibid.

\(^{21}\) Ibid.
or customers. Each organisation seeks a form of competitive advantage through a specific business strategy. Competitive advantage can be achieved through cost leadership, product or services differentiation features (niche), or by developing capabilities that are hard to duplicate by competitors (Thompson et al., 2005). Organisations can differentiate themselves on productivity, quality, innovation and corporate social responsibility. The external context leads to organisational and strategic HR decisions such as restructuring, outsourcing or growth scenarios. Some business strategies are more likely to acquire sustained competitive advantage through hiring PRWC than others, depending on the outcomes the business strives for. Hiring PRWC could be at odds with an organisation’s efforts to improve productivity (Martin, 2004). In our study, economic turbulence is mentioned by many employers as a reason why creating jobs for the target group is not possible. They were either engaged in large restructuring programs in which people were laid off, had vacancy freezes or expected to downsize in the near future. As a consequence of lean management, many low qualified jobs have disappeared, replaced by automation, or outsourced. Organisations do not want to make an exception to hire the target group during periods of economic downturn. Although inclusive employers also struggle with this issue, they are more determined to make it happen. An employer with a positive attitude realized that its business values of societal engagement made it imperative to be a frontrunner in hiring the target group. Although there was a hiring freeze, an exception was made for PRWC using the credibility argument.

3. Organisational Configuration

The characteristics of an organisation also play a role in offering jobs to vulnerable people. Larger organisations have more (re)placement opportunities when illness or disability occurs. They also make greater use of instruments such as wage subsidies, and wage dispensation. Analyses conducted on SCP data show that one third of employers with over two hundred employees use these tools, compared to five percent of small

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23 Ibid.
24 SCP is a government agency which conducts research into the social aspects of all areas of government policy.
employers who employ five to nine employees (Borghouts et al., 2015). Also an indirect effect of organisation size was found; a larger organisation is more likely to have a larger HR-department and a more sophisticated HRM. Smaller organisations that do not have an HR-manager or have mainly operational HRM, experience difficulties in meeting the obligations in the Participation Act (employers meetings). They lack expertise, time, and resources to recruit the target group. Multinationals face the challenge of alignment with head office policies; the “headcount” business principle makes it impossible to hire people for part-time jobs.

The interviews and focus groups show that the job characteristics in the organisation have an impact on the perception of being able to offer jobs to the target group. Organisations with a high skilled workforce in the banking, logistics and technology industries experience difficulties finding suitable candidates. An employer’s organisation noticed that organisations with mainly low qualified jobs, experienced fewer problems. Jobs that require good social and communication skills are perceived as not suitable for PRWC. A care organisation that takes care of elderly with severe impairments explained that physically heavy work with clients with severe behavioural problems cannot be done by people who themselves lack social and communication skills or have physical disabilities.

Organisations with HR issues like high absenteeism, low mobility and turnover, high average age of their workforce in combination with physically heavy work, struggle to keep their current workforce vital and employable. They need sheltered workplaces for their employees who are dropping out. Offering jobs to the target group is, in their view, an extra burden.

4. Dominant Coalition

A positive attitude of key stakeholders within organisations regarding PWRC can facilitate the process of hiring the social policy target group. Stakeholders are “groups and individuals who can affect the organisation, and is about managerial behaviour taken in response to those groups and individuals” (Freeman, 1984, p. 48). Organisations can pay attention to

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25 Ibid.
26 In the Netherlands, employers are obliged to reintegrate sick employees and continue paying the wage for up to two years in the event of employee’s illness.
only a limited number of stakeholders (Jamali, 2008)\(^{28}\), making some stakeholders highly influential (Davis & Thompson, 1994)\(^{29}\), whereas others have a limited effect on corporate behaviour (Lee, 2011)\(^{30}\). These key stakeholders are called the “Dominant coalition” in Paauwe’s (2004)\(^{31}\) Contextual Based Human Resource Theory (CBHR). While the composition differs within each organisation, examples of actors in this ‘dominant coalition’ include top and line management, works council or trade union representatives, human resources, shareholders, and governmental actors. Each actor has its own values, beliefs, norms, and attitudes shaped by personal and organisational circumstances. The actor’s view may be based on previous experiences or personal affiliation with the target group. Employers who previously hired disabled people and had positive experiences with these individuals in the workplace are more likely to offer jobs to handicapped persons. In addition, employers or managers who knew someone with a disability in their personal life are more likely to offer jobs to the target group (Borghouts & Pennings, 2008: p.73)\(^{32}\). Interaction between the actors and a shared view regarding hiring the target group will influence the strategic choice. Our study shows that many inclusive employers have a personal affiliation with the target group, because they know somebody with a disability. Inclusive owners then convince the rest of the organisation and have the power to hire PRWC. Organisations that do not intend to hire indicate an order by top management is the most effective way to encourage the hiring of PRWC. Carrying out the Participation Act is mainly considered to be the responsibility of HR; HR traditionally has a difficult time convincing top and line management, and colleagues without top level support. HR refers to a number of governmental policies that add up to an impossible number of requirements, such as Social Return on Investment (SROI), reintegration and paying salaries of sick employees for two years. The importance of HR’s role in convincing top and line management was stressed in the employer meetings. If HR is not an advocate and/or top

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management feels no affiliation with the target group, it is hard to make it work, which is illustrated in the interviews of the employers who do not intend to hire the target group. There is a large gap between good intentions and action. A bank with social roots refers to how everyone in the organisation agrees that it is good to employ the target group, but no one takes the first step, because they personally do not want to experience the negative effects; managers fear bad assessments due to lower productivity and turnover. This is confirmed by other organisations. Inclusive organisations that have natural support from top management also have problems with the current law. This law does not cover all PRWC, only the ones currently receiving social benefits. Focusing on this particular group while disregarding the efforts made for other groups raises negative sentiments among the inclusive employers.

5. **HRM Perspective; Economic Rationality, Employee Wellbeing and Social Legitimacy**

The outcomes of strategic HRM occur at three different levels: the organisation/employer, the employee, and society. The organisation’s hesitance to offer jobs to the target group may be explained from the predominant focus of HRM on economic rationality (Boxall & Purcell, 2011). Hiring PRWC may be viewed as not strategic; employers do not associate these workers with outcomes like high performance, low absenteeism and flexibility (Lengnick-Hall et al., 2005). This belief is also supported by empirical studies that show that employers assume that the skills, productivity, employability and motivation of the target group do not meet the employer’s criteria (Martin, 2004). The impact of HRM on employee wellbeing and health, such as engagement, stress, work-life balance and employability is also the subject of research (Van De Voorde et al., 2012). HRM research on outcomes at the societal level (e.g. employment growth, sustainability, inclusion, justice, social trust and reputation of the organisation, and other more indirect effects such as lower crime rates) is however virtually non-existent. These principles provide social legitimacy inside and outside the organisation. Social

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33 Ibid.
34 Ibid.
35 Ibid.
legitimacy is “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within the socially constructed systems of norms, values, beliefs and definitions” (Suchman, 1995, p. 574) and is reflected in values and attitudes like participation, customization, ethics, employee rights and CSR. The idea of sustainable HRM to create social legitimacy is reflected in some SHRM articles (e.g. De Prins et al., 2014). This literature pays attention to other benefits rather than just economic benefits. It includes sustainable management of staff and “Green HR policies”. This HR policy perspective encourages sustainable use of resources within organisations, is respectful of the environment, and/or encourages employee volunteerism. This literature covers the spirit of creating social legitimacy, but is restricted to SHRM for the current workforce. Drawing from theories on labour market economics (Schmid & Gazier, 2002), Flexicurity (Wilthagen & Tros, 2004; Bekker & Wilthagen, 2008), CSR (Porter & Kramer 2011; 2006), business ethics and sustainable HRM (De Prins, 2014), we introduced the concept ‘Inclusive HRM’ which refers to HRM activities that aim for social legitimacy through creating smooth transitions from inactivity to work, job-to-job and school-to-work (Freese & Borghouts, 2015). Inclusive HRM refers to a broad perspective of HRM, extending beyond the boundaries of the organisation and

42 Ibid.
considering people who are not (yet) part of the organisation, as valuable resources whose interests need to be taken into account. If the organisation’s mission statement includes explicit core business values that refer to societal impact, CSR, sustainability or inclusiveness, it is more likely that the HRM-approach is aimed at social legitimacy. We assume that organisations with a social legitimacy HRM perspective have a more positive attitude towards hiring PRWC than those organisations that do not explicitly mention this in their HR strategy. This social legitimacy perspective is important as it helps to avoid the standard performance measures used to judge whether the employment relationship is beneficial. However, organisations with an economic rationality HR perspective may also decide that hiring PRWC is a strategic choice. Human capital is a source of competitive advantage (Delery & Shaw, 2001)\(^4\). In the interviews, the inclusive employers indicate social legitimacy motives are dominant in their decision to hire the target group. They want to give PRWC a chance to contribute to society, and this is considered a sufficient outcome of the employment relationship. The majority of organisations with a strong focus on economic rationality sympathize with the good intentions of integrating PRWC into the labour market. However, from a business perspective they believe it is a negative development that increases their costs. Some HR managers argue – with the quota levy in mind - that they are prepared to consider whether the target group can fill future vacancies. Minor adjustments are possible, but the essence is the target group must have the knowledge and skills to fill the vacancy. Inclusive organisations agree that jobs should not be created for vulnerable groups either as this practice runs counter to developments such as downsizing or the introduction of lean management.

### 6. Business Case

Barney’s (1991)\(^5\) Resource-Based Theory of Competitive Advantage states that competitive advantage derives from resources that are rare, valuable, difficult to replicate, and non-substitutable. With regard to the human capital of PRWC, competitive advantage may stem from three sources:

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these workers may have special talents, that enhance person-job fit, such as sustained enthusiasm for repetitive work, eye for detail or loyalty; 

(2) cost-effectiveness, through (tax) benefits for employers or reduced sickness risks through special insurances; or 

(3) benefits accrued from diversity and CSR (Houtenville & Kalargyrou, 2012)\(^{46}\). CSR may create a competitive advantage through differentiation from competitors by building a better image and reputation (Fombrun & Shanley, 1990)\(^{47}\), and creating consumer goodwill and positive employee attitudes and behaviour (Brammer et al., 2007; Siperstein et al., 2005)\(^{48}\).

Recruiting PRWC might serve a low cost strategy, but economic benefit can also be derived, through customer identification with the organisation or because the organisation serves certain customer groups better by designing products or services that better suit the target group (Celik, 2015)\(^{49}\). SROI was mentioned as an opportunity to define sustained competitive advantage through hiring the target group by several inclusive organisations and employers with a focus on economic rationality. Organisations dealing with governmental stakeholders are required to adhere to SROI. SROI is a way to convince line management to hire the target group. Several respondents argued that if the organisation did not comply with the SROI requirements, the organisation would lose future business. Another competitive advantage may be acquired from recruiting workers from different labour market segments, in times of labour shortages. Due to the ageing workforce, especially in the industrial sector, several HR-managers expect difficulties to find staff with the right qualifications. However, the HR-managers with a negative attitude

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\(^{49}\) S. Celik, De business case van diversiteit in de publieke context: de verbindende overheid. Tijdschrift voor HRM, 2015.
towards hiring doubt whether the target group is able to meet the requirements of this future labour demand. Within the Guaranteed Job Agreement, employers who fear financial penalties or a negative employer brand might make a more extrinsic choice as most of their competitors now employ these workers. This may change hiring PRWC to a strategic choice.

7. Perceived Obstacles: Stereotypes, Risks, Previous Experiences

Several barriers to offering jobs to PRWC are found in literature; perceptions of (1) lack of knowledge, social or physical skills, and/or abilities; (2) low productivity and/or higher labour, accommodation, and health costs; (3) safety concerns; (4) the risk of litigation in case of contract termination; (5) negative coworker reactions; and (6) negative customer reactions (Colella, 1997; Martin, 2004; Lengnick-Hall et al., 2008), Houtenville & Kalargyrou, 2012). In many cases, these negative stereotypes of PRWC are refuted by empirical data (Colella et al., 1997; Lengnick-Hall et al., 2008). Employees with disabilities have comparable or even lower rates of accident, absenteeism and turnover. There are no performance or productivity differences, and no negative customer reactions. Employers who have hired PRWC change their attitudes after hiring, as was demonstrated by Van Horssen et al. (2011). Overall, employees with disabilities perform equally or better than expected, with regard to productivity, motivation, absenteeism, supervision, employability, and team participation. However, 50% of respondents indicate that employees performed worse on communication skills, flexibility and independence. Hiring the target group is perceived as a cost increase by the majority of employers who have a neutral/negative attitude towards hiring vulnerable people. While financial compensation can be provided through wage subsidies, they take extra costs into consideration such as the additional costs for supervising and extra

31 Ibid.
33 Ibid.
34 Ibid.
35 Ibid.
administration. Furthermore, organisations that have a negative attitude toward hiring PRWC question whether the target group can meet the job requirements. Even with low qualified work, employees need to work accurately, independently, under time pressure and they have to follow safety regulations. These organisations fear negative reactions of co-workers and customers, especially when people have disabilities that are not visible to the external world. Virtually all employers, except inclusive employers, admit that they lack knowledge of the characteristics, qualifications and limitations of the target group. Inclusive employers come up with several direct and indirect positive contributions of PRWC, such as low absenteeism rates and high involvement. In contrast, previous negative experiences with PRWC may strengthen negative attitudes towards these workers. Although inclusive employers tend to look at the positive contributions, this does not imply that they are able to retain the target group. Inclusive employers indicate that it requires a lot of effort and that guidance of the PRWC and their colleagues is essential. Organisations are not always discouraged by negative experiences, but may also learn from them in order to avoid pitfalls in the future.

8. External Resources & Policy Instruments

Governments can introduce several social policy instruments to break down the expected barriers with regard to hiring PRWC. Governments can provide wage subsidies, no risk policies and external support (job coaching and advice). Regarding the financial concerns, Graffam et al. (2002)\(^53\) argue that organisations want the employment outcome to be cost-efficient. Attractive governmental measures and social benefits need to counteract employer costs regarding extra supervision as an example. However, the effect of financial incentives does not meet the policy expectations of an increasing willingness to hire PRWC (Borghouts et al., 2015)\(^54\). These measures, although necessary, only indirectly support the strategic calculation that the business case of hiring PRWC is not negative. Moreover, for policy instruments to have an impact, knowledge as to where to find the resources and the people is necessary. Financial incentives offered by the government are a prerequisite rather than an effective way to persuade employers to hire the Participation Act target.


\(^{54}\) Ibid.
Our study shows that many employers that do not (yet) employ the target group struggle with obstacles set forth in the new Dutch law. Smaller organisations, in particular, consider it to be an administrative burden and find it hard to find information. These organisations lack knowledge of the target group and do not know where to search. They complain about the lack of external support of employment services of the municipalities. They illustrate how they registered a job vacancy for the target group on special websites, and no candidates were available. These employers feel frustrated that they are not supported and they threaten to give up. In contrast, inclusive employers do not report problems with regard to recruiting the target group. They point at multiple platforms to contact PRWC. Two larger organisations found that because of their size, they automatically attracted people from the target group. Wage subsidies, no risk policies and subsidies for adjustments to the work place are important, in order to compensate for the disadvantages, productivity loss and risks, although this by itself is not sufficient. These measures alone do not convince employers - who do not want to hire the target group - to change their mind.

9. **External Inclusive HRM-activities**

Some HR practices are specifically suitable for PRWC. Larger organisations and organisations with many older workers are more likely to already engage in “inclusive” HRM activities such as job crafting (Wrzesniewski & Dutton, 2001)\(^{55}\), job carving (Condon et al., 2004)\(^{56}\), or measures to enhance work-life balance or health, and an inclusive talent management approach (Van Woerkom & Meyers, 2015)\(^{57}\). These inclusive HRM activities enhance the person-job fit of PRWC and stimulate the chances of successful employment of PRWC. However, in order to create an organisational culture in which PRWC blossom, some additional HR activities need to be developed. Gilbride et al. (2003)\(^{58}\) identified factors

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related to building an inclusive organisational culture in which people with disabilities feel respected. These factors include HR policies to ensure a good person-job match, capabilities of the employer to supervise people with disabilities, and company engagement in a community rehabilitation program. The external network may provide external job coaching and advice on recruitment. Houtenville & Kalargyrou (2012)\(^5\) constructed a list of hiring strategies for hiring PRWC, including activities such as flexible work schedules, disability awareness training, training staff, visible top management commitment, mentoring, using a specialized recruiting source, job coaching, assistive technology, development of a targeted recruitment program, on-site consultation or technical assistance, a disability targeted internship program, a centralized accommodation fund and reassignment. In our study inclusive employers mention additional HR activities that contribute to successful and sustained employment of PRWC. These are HR activities related to the operational level and include special activities during recruitment and selection, integration, coaching, and job carving. Two large organisations have appointed special inclusive HR-managers. In the recruitment phase, these HR-managers look at regular vacancies to extract some elements that may be obstacles to the target group (e.g. drop requirements like ‘fulltime’ and ‘overtime’). In the selection phase, a good person-job and organisation fit is essential. With regard to integration in the team, it is essential to give honest information about the skills, abilities and knowledge of the candidate. Coaching during integration is of the utmost importance and is stressed by every inclusive employer in our study. The employee needs at least one internal mentor to attend to possible start-up problems. External job coaching is also essential. In inclusive employment relationships a job will be composed of tasks that optimally fit the talents of the employee, and priority is placed on the person instead of the job (job carving). Job carving requires a different approach and view towards job and function design, which runs counter to the regular approach in organisations. Organisations that do not employ PRWC indicate that most managers have a ‘function-oriented’ perspective. In their view, functions consist of a number of tasks and nothing can be extracted from it. Also objections to this approach may come from HR, as this may run counter to the HRM instruments in use. Based on literature review and results from the qualitative study we developed a conceptual Inclusive HRM model (see figure 1). It provides an overview of the many factors that are included in the decision making

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\(^5\) Ibid.
process of employers hiring PRWC, indicating that it is a very complex matter.

Figure 1. Strategic Inclusive HRM model
5. Strategic HRM Perspectives and Operational Inclusive Approaches

Organisations with different HR strategies make different decisions with regard to hiring PWRC. From each HR perspective different solutions can be devised which fit the objectives of the Participation Act and the organisational strategy. In this section, we focus on the relationship between the dominant HR strategy (factor 5 in our model) and possible approaches at the operational level. Companies that manage economic rationality are mainly focused on organisational performance and low cost. Possible operational approaches with regard to the objectives of the Participation Act are to invest in strategic Human Capital Management. The wage value of the disabled can be determined based on their labour productivity. Public Employment Services or other governmental bodies can provide financial compensation, such as wage subsidies or wage dispensation. Public organisations increasingly work with SROI obligations in procurement procedures. When companies do not make an effort to hire the Participation Target group and do not meet the requirements of public clients in procurement processes, they might lose business. Companies can also decide to transfer the imposed obligations to their suppliers. After a cost-benefit analysis, a company can conclude that it is not financially attractive to hire the Participation Target group. They intend to pay future fines. While non-participation may not contribute to the objective of the participation Act, this behaviour can be a strategic HR decision from a business perspective. Organisations with an employee wellbeing HR perspective respond to their affinity with the target group. Research shows that employees are very positive when their employer intends to hire people from the target group (Celik, 2015)\(^1\). Hiring PWRC contributes to the employer brand and engagement in the workplace. Possible operational HR approaches that fit this HR perspective are job carving and extra coaching. The HR perspective of social legitimacy offers multiple potential operational HR approaches regarding the Participation Act target group. These approaches range from self-engaging, collaborating with other companies with the aim of creating work, insourcing or reshoring work. It can also go further, for example, a company may feel responsible for the entire chain and may expect their suppliers and customers to also meet the Participation Act objectives. Other possibilities are to provide jobs in the Participation Act:

\(^1\)Ibid.
hiring through temporary employment agencies, group secondment, privatization of Sheltered Work place companies, joint ventures between Sheltered Work place companies and enterprises, or self-initiated social enterprises.

To look for inclusive HRM strategies that meet the requirements of the Participation Act, different solutions will be chosen by employers who differ in their dominant HR perspective (see figure 2). In an optimal fit between ALMP and Strategic HRM, ALMP differ for the different dominant HRM perspectives.

Figure 2. Strategic HRM perspectives and operational inclusive approaches

6. Innovative Active Labour Market Policies

In the previous section we argue that ALMP may be innovative if they respond and align to explanations for organisational and strategic HR decisions. Innovation in ALMP may be achieved by broadening the scope of ALMP by involving explicitly the demand side and responding to the organisational external context, strategy and mission, configuration, dominant coalition, strategic HRM perspective, business case and organisations’ perceived obstacles. In this section, we address innovative ALMP elements emerging from the qualitative data and literature.
Because of lean management and the crisis (external context), many low qualified jobs have disappeared. Heidenreich argues that during periods of cyclical upswing employers create jobs more easily and the crisis may endanger inclusiveness and strengthening labour market segmentation (Heidenreich, 2015). Innovative ALMP can respond to organisational and strategic HR decisions and governments may consider supporting employers in reshoring as a potential source of renewed job creation. This may be of interest, particularly in hard hit sectors such as manufacturing. The question arises how ALMP can contribute to inclusive HRM for employers who face difficulties and try to rebuild themselves.

The sustainability, vitality, and employability of organisations’ current workforce (organisational configuration) is very important. Organisations need sheltered workplaces, as Dutch employers are obliged to reintegrate (and pay) sick employees for two years (external context). At the same time, the pension age has risen which increases the number of older workers, who sometimes need to be protected from working in shifts. SROI and Participation Act requirements add to this challenge. Smaller organisations, in particular, (organisation configuration) do not have more than one workplace with low qualifications. Organisations experiencing or expecting labour shortages will probably not consider recruiting new employees from the target group. Most employers regard PRWC not suitable for these jobs. Providing them with innovative views on job carving to utilize the potential of current staff to the max is more likely to pay off. Many employers lack knowledge of the characteristics, qualifications and limitations of the target group, and experience a lack of external support in finding the right candidates and need customized advice. Providing information and advice remains an important policy measure. Welfare states may consider to act as a ‘Knowledge-partner’ for employers and introduce specific programs for employers in their ALMP. Although none of the employers indicated that they hired PRWC because of the new Act, it does stimulate employers to think about hiring PRWC. Free trial placements are considered an important policy instrument to ensure person–job–organisation fit. Most employers are sceptical about the Participation Act, even most inclusive employers. These employers feel demotivated by the new regulations, as the law only covers PRWC.

that receive social benefits, and employees employed after 2013. These employers now face financial penalties, because they are forerunners, which raise negative sentiments. The government runs the risk of losing role model organisations. It is important to pay attention to the negative effects of the growing number of different governmental regulations that add up to a combination of requirements that makes it almost impossible to run businesses. Organisations hedge to financial and non-financial risks. Covering risks, such as financial and non-financial risks, that employers face when hiring the target group may be a useful strategy for innovative ALMPs.

7. Conclusion

In this paper, we opened the black box of employers' decision-making process in hiring the target group combining it with consequences for innovative ALMP. This may inspire welfare states to adjust ALMP to create a better alignment with business strategies increasing the chances of more sustainable employment relationships. Organisations with different strategic HR perspectives make different decisions with regard to hiring PRWC. In both economic rationality and social legitimacy approaches hiring PRWC may fit the business strategy, however their motives differ. The strongest motivation for the economic rationality approach occurs in industries in which SROI is required, and this argument is used as a lever to introduce PRWC into the organisation. Our strategic inclusive HRM model gives an overview of many factors that are included in the decision making process of employers, indicating that it is a very complex matter. We also related these factors to the different HR approaches and demonstrated how hiring strategies of PRWC fit these approaches. For example, the HR approach that fits with a social legitimacy perspective may result in solutions such as collaboration with other organisations or insourcing options in view of sustainable employment for PRWC. Integration, job carving or coaching could serve as possible routes for HR approaches aimed at creating wellbeing, whereas SROI, financial incentives or the avoidance of paying financial penalties are linked to an economic rationality HR perspective. It is important that the chosen method for integration of PRWC fits within the organisation, both in the production or service process and the structure of the organisation. In order to exploit a broader range of labour market participation effects governments can consider additional interesting, ongoing, and innovative ALMP interventions. Examples of possible ALMP interventions include:
introducing services developed for employers in reshoring as a potential source of renewed job creation;
- providing information and advice services to employers;
- developing specific structural financial programs that fit employers’ needs;
- reducing perceived employers’ financial and non-financial risks when hiring the target group.

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