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'Rights and Obligations' Approach in the Labour Markets of European Countries

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Abstract

The paper analyses the functioning of the rights and obligations approach in the labour markets of European countries. After decades of labour market policies being aimed at the reduction of unemployment rates, more and more attention is being paid to labour force activation and rights and obligations approach. The conditionality of rights with obligations is based on the normative framework that regulates the rights and obligations of the unemployed and inactive. The analysis of the functioning of the rights and obligations approach, in this paper, is based on the comparison of the eligibility criteria for unemployment benefits, defined and calculated by the OECD and the calculated share of inactive persons registered in the employment offices of European countries.

Keywords: Rights and obligations approach; activation policies in the labour market; eligibility criteria for unemployment benefits; Republic of Croatia, Labour Force Survey microdata.

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1. Introduction

Labour market policy has historically been primarily aimed at reducing unemployment with active labour market policy measures (ALMP). However, in recent decades, more and more attention has been paid to the activation of the workforce and the rights and obligations approach. The conditionality of rights with obligations is based on the normative framework governing the rights and obligations of the unemployed and inactive.¹

Increasing orientations towards activation strategies² came after decades of extensive investment in active and passive policies. It became clear that such efforts were unsustainable. In addition to budget constraints, several meta-analyses³ have shown numerous counter effects of ALMPs whereby the most expensive and ineffective interventions are those that "finance" exit from the labour market.

The "rights and obligations approach" has taken its turn in a number of countries. Papers in this context deal with the effectiveness of meetings

¹ The terminology of labour market interventions in this paper is according to the methodology of Eurostat ("Labour market policy statistics, Methodology 2018", Bruxelles: European Commission. <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>). According to this methodology, labour market policies include active and passive interventions. Active policy interventions include labour market services and measures (ALMP), such as training or employment incentives, while the most prominent passive policy intervention is unemployment benefits. Passive labour market policy has a role in ensuring income during unemployment, and active in increasing employability and integration in the labour market.

² See in: P. Tergeist, D. Grubb, *Activation Strategies and the Performance of Employment Services in Germany, the Netherlands and the United Kingdom*, OECD Social, Employment and Migration Working Papers, 2006, No. 42, OECD Publishing, Paris, <https://doi.org/10.1787/341116536484>; OECD *Employment Outlook 2007*, Paris: OECD; OECD *Employment Outlook 2013*, Paris: OECD; OECD *Employment Outlook 2015*, Paris: OECD

³ For instance: A. Dar, Z. Tzannatos, *Active labor market programs: a review of the evidence from evaluations*, Social Protection Discussion Paper Series, 1999, 9901. Washington, D.C.: World Bank; J.P. Martin, D. Grubb, *What works and for whom: a review of OECD countries' experiences with active labour market policies*, *Swedish Economic Policy Review*, 8(14), 2001, 9-56.; D. Card, J. Kluve, A. Weber, *Active labor market policy evaluations: a meta-analysis*, NBER Working Paper, 2010, 16173. Cambridge, MA: National Bureau of Economic Research; D. Card, J. Kluve, A. Weber *What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations*, *Journal of the European Economic Association*, *European Economic Association*, 2018, vol. 16(3), pages 894-931.

with an employment counsellor,⁴ as well as the effectiveness of a combination of job search monitoring and sanctions,⁵ but also the performance of employment offices⁶. In the past twenty years, the OECD has intensively monitored the level of strictness of eligibility criteria for unemployment benefits.⁷ In other words, it developed an analytical concept of measuring or quantifying the normative framework that governs the implementation of active and passive policies.

The objective of this paper is to provide an assessment of the functioning and implementation of rights and obligations approach across the European countries.⁸ More detailed analysis and explanation of the results is based on the example of the Republic of Croatia. Namely, the correct implementation of rights and obligations is particularly important for

⁴ For instance: J.M. Pedersen, M. Rosholm, M. Svarer, *Experimental Evidence on the Effects of Early Meetings and Activation*, IZA Discussion Paper, 2012, 6970. Bonn: Institute for the Study of Labor.; S.T. Nyland Brodersen., S. Dimova, S., M. Rosholm, *Do caseworker meetings matter (in the long run)? A cyclical view of almps and individual labor market outcomes*, In *Essays on Job Search Assistance and Labor Market Outcomes* (PhD thesis of S. T. Nyland Brodersen), 2014, Denmark: Aarhus University.; J. Maibom, M. Rosholm, M. Svarer, *Experimental Evidence on the Effects of Early Meetings and Activation*, *Scandinavian Journal of Economics*, 2017, 00(00), 1–31.

⁵ For instance: P. Dolton, D. O'Neill, *The Long-Run Effects of Unemployment Monitoring and Work-Search Programs: Experimental Evidence from the United Kingdom*, *Journal of Labor Economics*, 2002, 20(2), 381-403; OECD Employment Outlook 2005, Paris: OECD; W. Eichhorst, R. Konle-Seidl, *Contingent Convergence: A Comparative Analysis of Activation Policies*, Discussion Paper, 2008, 3905, Bonn: Institute for the Study of Labor.

⁶ For instance: OECD *Employment Outlook*, 2005; Tergeist and Grubb, 2006; A. Nunn, T. Bickerstaffe, B. Mitchel, *International review of performance management systems in Public Employment Services*, Research Report, 2010, 616. Department for Work and Pensions.

⁷ See: D. Venn, *Eligibility Criteria for Unemployment Benefits: Quantitative Indicators for OECD and EU Countries*, OECD Social, Employment and Migration Working Papers, 2012, No. 131, OECD Publishing, Paris: OECD. <https://doi.org/10.1787/5k9h43kgkvr4-en>; H. Immervoll, S. Scarpetta, S. *Activation and employment support policies in OECD countries. An overview of current approaches*, IZA Journal of Labor Policy, 2012, Vol. 1/1, p. 9, <http://dx.doi.org/10.1186/2193-9004-1-9>. Bonn: Institute for the Study of Labor.; K. Langenbucher, *How demanding are eligibility criteria for unemployment benefits, quantitative indicators for OECD and EU countries*, OECD Social, Employment and Migration Working Papers, 2015, No. 166, OECD Publishing, Paris: OECD. <https://doi.org/10.1787/5jrxtk1zw8f2-en>; H. Immervoll, C. Knotz, *How demanding are activation requirements for jobseekers*, OECD Social, Employment and Migration Working Papers, 2018, No. 215, OECD Publishing, Paris: OECD. <https://doi.org/10.1787/2bdfecca-en>; H. Immervoll, C. Knotz, I. *Otmani Activity-related eligibility conditions for receiving unemployment benefits*, OECD Report to the European Union, 2020, Paris: OECD.

⁸ Member states of the European Union and the United Kingdom (UK), Switzerland, Norway and Iceland.

labour markets which, despite the increase in demand for labour force, are still characterized by a high share of those who are able to work but are inactive. The best example of this can be seen in the labour market of the Republic of Croatia, which is characterized by a low labour market participation rate that varies very little, regardless of the labour market trends,⁹ and at the same time, has one of the strictest eligibility criteria in the world.¹⁰

The paper uses a unique and for the first time applied calculation applicable to large number of countries' assessment. The calculation is performed with Labour Force Survey (LFS) microdata obtained by Eurostat.¹¹ The main research question is do the systems and the legal frameworks governing the conditionality of rights with obligations for the unemployed and inactive in European countries actually and in practice allow individuals to be inactive, not search for a job, not comply with the obligations and at the same time be registered with the employment offices and benefit of certain rights?

The methodology of the analysis is based on a comparison of the coefficient of eligibility criteria for unemployment benefits as defined by the OECD,¹² and the levels of inactive persons registered at the employment offices of European countries, which are calculated based on the LFS microdata.

The most accurate description of this research is an exploratory study. The findings of this work can serve as a starting and useful point for further research into this highly interesting and relevant topic, but it is impossible to accurately assess the functioning of such a broad approach. The paper consists of two main parts. The first part provides insight into the labour market developments and policies that preceded the rights and

⁹ For the last decade Croatia had one of the lowest levels of labour force participation rate among EU27, i.e. in 2014 it was 71%, at the same time the average for EU27 was 76,4% and OECD 77,5%. In 2019 Croatia had was 71,3%, EU27 average was 78,3% and OECD 79,3% (age group 20-64). Source OECD.Stat, accessed 2.4.2023.

¹⁰ Croatia's overall score of the OECD indicator is 4.17, with only one country (Malta) having higher score (4.33). Source: OECD.stat

¹¹ Access and use of microdata of the Labour Force Survey (LFS), for the purposes of this paper, was approved based on the scientific research project RPP 103/2020-LFS.

¹² The coefficient of eligibility criteria for unemployment benefits is based on a series of works, firstly by the ones done by Danish Ministry of Finance, author Hasselpflug in 1998, 2005 (Danish Ministry of Finance, *Availability Criteria in selected OECD countries*, Working Paper, 1998, no. 6; S. Hasselpflug, S. *Availability criteria in 25 countries*, *Working Paper*, 2005,12/2005. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/tr07-022>), then Venn (2012), Langenbucher (2015), Immervoll and Knotz (2018, 2020).

obligations approach as well as the practical aspects of the approach, implementation, basic procedure, core components and impact, while the Annex provides examples of the most prominent activation policies implemented worldwide. This chapter explains the current trends in measuring and quantification of the normative framework that governs the system of rights and obligations and proposes an assessment of the functioning. It answers the main research question of the paper. The second part proposes an explanation of the results of the second part, as it illustrates the reasons for the outcome of the individual example of the Republic of Croatia. Additionally, it provides detailed evidence of the impact of the strictness of criteria on the labour market outcomes in the Republic of Croatia.

2. Application of the Rights and Obligations Approach and Workforce Activation

2.1. Rights and Obligations Approach as a basis for the Activation

The strive for labour activation is not new. Individuals' reliance and dependence on the State had often occurred over the years as a consequence of certain employment policies. The first example of such intervention, that directly created jobs, can be traced back to the 1930's in the United States during the Great Recession. According to most authors,¹³ it was the first large-scale intervention in the labour market.

Another policy from the past that brought even greater dependence on the state was the one from the seventies and eighties of the last century. This was again encouraged by the high unemployment. At that time, intending to decrease labour supply, governments encouraged workers of a certain age to retire early.¹⁴ This resulted in the withdrawal from the

¹³ For instance: P. Auer, Ü. Efendioglu, J. Leschke *Active Labour Market Policies Around the World: Coping with the Consequences of Globalization*, 2008, 2nd ed. Geneva: International Labour Organisation.; M. Auerback, *Time For a New "New Deal"*, *UTIP Working Paper* 2009, No. 56, University of Texas;

J. Zubovic, J. Subic, *Reviewing Development of Active Labour Market Policies and the Evaluation Techniques, The role of labour markets and human capital in the unstable environment*, Karta Graphic Publishing House, 2011, Available at SSRN: <https://ssrn.com/abstract=2173496>.

¹⁴ Auer, Efendioglu and Leschke, 2008; Zubović and Šubić, 2011.

labour market of, we might say an “army” of people still capable of work.¹⁵

In 1994, the OECDs Jobs Study¹⁶ had for the first time emphasised the harmfulness of social benefits and the potential of incentives to work.¹⁷ They promoted directing resources from passive to active. European Union has also, with the European Employment Strategy, in 1997 identified rebalancing from passive to active labour market policies as one of the most important objectives. Many authors¹⁸ cite this preference as the beginning of the activation paradigm. By the mid-1990s, most countries implemented some form of workfare and a system of benefits conditionality (Sengenberger, 2011).¹⁹ Social protection systems have been more and more used to increase employability and opportunities to find a job and “break the circle of poverty” rather than as pure income insurance.

However, it became clear that it was not enough to redirect funds from passive to active ones²⁰ and the strategies began to emphasize the interaction of social policy systems, labour market institutions, and passive and active labour market policies.²¹ This implied the coordination of the policies that provide different levels of benefits - the integration and coordination of employment offices and social security institutions, and increasing the scope of beneficiaries whose rights are conditioned by obligations.

¹⁵ Theory that started this initiative originates from the year 1851. when the paper of Henryja Mayhewa, „London Labour and the London Poor“ was published. This work introduced „Lump of labour theory theory“, according to which unemployment can be reduced by reducing working hours, that the amount of jobs in the labour market is fixed and the retirement of older workers can free up places for young workers (In detail in: A.H. Munnell, Y. Wu, *Do Older Workers Squeeze Out Younger Workers? Discussion Paper*, 2013, No. 13-011.)

¹⁶ *The OECD Jobs Study: Facts, Analysis, Strategies*, 1994, Pariz: OECD.

¹⁷ Eichhorst and Konle-Seidl, 2008.

¹⁸ For instance: Martin and Grubb (2001), Auer, Efendioglu and Leschke (2008), Zubović and Šubić (2011) and J.P. Martin, *Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on their Effectiveness*, IZA Policy Paper, 2014, br. 84. Bonn: Institute for the Study of Labor.

¹⁹ W. Sengenberger, *Beyond the measurement of unemployment and underemployment: the case for extending and amending labour market statistics*, 2011, Geneva: International Labour Office.

²⁰ More details in: C. Pignatti, E. Van Belle *Better together: Active and passive labour market policies in developed and developing economies'*, *Research department Working paper*, 2018, No.37, Geneva: International Labour Organisation.

²¹ More details in: Martin and Grubb, 2001; Martin, 2014.

The conditioning of rights with obligations is described by some authors as activation.²² It encourages sanctions if an unemployed person does not want to be active, accept a job whenever possible, or participate in ALMP. It also obliges responsible behaviour through monitoring and sanctions. Rights and obligations approach presents a narrower sense of the activation because activation has been found to act on two sides.²³ These two sides are often called positive and negative activation²⁴ or enabling and binding elements.²⁵ Most authors tend to call them the “carrot and stick” strategy.²⁶

Positive activation provides participation in the ALMP, job search assistance, advise, work pay, employment incentives, childcare, etc. Negative activation, such as stricter conditions for receiving benefits, job search, sanctioning, action plan, or workfare, are subjects of conditioning rights with obligations.²⁷ Such activation represents rights and obligations approach.²⁸ Negative activation is also the most criticized. First, it can

²² E.g. Eichhorst and Konle-Seidl, 2008.

²³ For instance: J. Kluve *The Effectiveness of European Active Labor Market Policy*, IZA Discussion Paper 2006, 2018. Bonn: Institute for the Study of Labor; S. Carcillo, D. Grubb, *From Inactivity to Work: The Role of Active Labour Market Policies*, OECD Social, Employment and Migration Working Papers, 2006, No. 36, <https://doi.org/10.1787/687686456188>. Paris: OECD; Eichhorst and Konle-Seidl, 2008; C. M. Knotz, *Measuring the 'new balance of rights and responsibilities' in labor market policy: A quantitative overview of activation strategies in 20 OECD countries*, ZeS-Arbeitspapier, 2012, No. 06/2012, Zentrum für Sozialpolitik, Univ. Bremen, Bremen; P.S. Martins, S.P. Costa *Reemployment and Substitution Effects from Increased Activation: Evidence from Times of Crisis*, IZA DP 2014, No. 8600, Bonn: Institute for the Study of Labor.

²⁴ Sengenberger, 2011 and in G. Bonoli, *The Origins of Active Social Policy, Labour Market and Childcare Policies in a Comparative Perspective*, 2013, First Edition.

²⁵ Eichhorst and Konle-Seidl, 2008 and Knotz, 2012.

²⁶ For instance: Kluve, 2006; Sengenberger, 2011; B. K. Graversen, J. C. van Ours, *How to Help Unemployed Find Jobs Quickly: Experimental Evidence from a Mandatory Activation Program*, IZA Discussion Papers, 2006, 2504, Bonn: Institute for the Study of Labor and P. Arni, G.J. van den Berg, R. Lalive, *Treatment versus Regime Effects of Carrots and Sticks*, IZA Discussion Papers, 2015, br. 9457. Bonn: Institute for the Study of Labor.

²⁷ For instance: Eichhorst and Konle-Seidl, 2008, table 7; G. Bonoli, *The political economy of active labour market policy*, Working Papers of the Reconciliation of Work and Welfare in Europe, 2010, REC-WP 01/2010, Edinburgh; T. Weishaupt, *From the Manpower Revolution to the Activation Paradigm: Explaining Institutional Continuity and Change in an Integrating Europe*, 2011, Amsterdam University Press and Knotz, 2012.

²⁸ In that context I. Lødemel and H. Trickey (ed.) in *An offer you can't refuse*. Policy Press, 2000, Bristol, outlined one of the first grouping of countries based on the implementation of rights and obligations – into *work first* approach, that is also called *anglo saxon* and *train first*, the *scandinavian*, *human resources first* (Eichhorst and Konle-Seidl, 2008).

make one accept a bad job, under the slogan “Better a poor job than no job at all”.²⁹ Second, low wages allow employers not to invest in workers, productivity and innovation, thereby ignoring the long-term development of the labour market and the economy. Third, conditioning by job search hardly works when there is a small number of vacancies,³⁰ and fourth, there are groups to which conditioning is simply not applicable, and who must have adjusted access to the labour market.

In general, labour force activation approach has introduced two major changes to the labour market. First, the rights that come with unemployment are not unconditional but are increasingly conditioned by the behaviour of the unemployed. Second, a new objective has been introduced, which is to maximize economic activity and increase employment.³¹ Since it operates on the obligation and conditionality of benefits, the best effects are achieved where previously there was no conditionality of benefits at all.³²

2.2. Functioning of the Rights and Obligations Approach in Practice

The basic procedure, or the central point of the rights and obligations approach, operates on the same principle in most countries. Labour market services intervention plays the most important and central role because the rules are implemented through contact with employment counsellors with the unemployed.

This intervention includes mediation, information and referral, as well as counselling and job search assistance, individual action plans, monitoring of the unemployed and if necessary sanctioning.³³

²⁹ Sengenberger, 2011.

³⁰ H. Immervoll, H. *Minimum-Income Benefits in OECD Countries: Policy Design, Effectiveness and Challenges*, IZA Discussion Papers, 2009, 4627, Bonn: Institute for the Study of Labor and OECD, 2015.

However, G. Van den Berg, B. Van der Klaauw, B. in their *Counseling and Monitoring of Unemployed Workers: Theory and Evidence from a Controlled Social Experiment*, *International Economic Review*, 2006, 47 (3), p. 895-936., proved that activation has positive effects even during lack of demand in the labour market, because people tend to search for work in more formal way, the one that can be monitored.

³¹ Knotz, 2012.

³² OECD, 2005.

³³ In more detail: A. Ostrovidov Jakšić, T. Rogić Lugarić, T. *Usluge tržišta rada*, *Revija za socijalnu politiku*, 2022, 29 (2), p. 229-256. <https://doi.org/10.3935/rsp.v29i2.1748>

One of the most important components is sanctioning, which usually occurs if, during the monitoring, it is determined that the unemployed person is not fulfilling his obligations. The most common form of sanction is the loss of the unemployment benefits. For this reason, most countries have based their initial conditionality on unemployment benefits, which is also simpler. However, unemployment benefits have a limited duration, when they expire it is no longer possible to condition. That is why some beneficiaries simply substitute unemployment benefits with social benefits, which then take over the negative impact on participation in the labour market.³⁴

The sanctions depend on the strictness and explicitness of the normative framework, but also the employment counsellors. Müller and Steiner³⁵ argue that imposing sanctions is more effective than reducing benefits for everyone. There are some obstacles, such as economic factors. Recession and a large increase in unemployment can reduce the impact of sanctions. However, in practice, a very small number of beneficiaries are being sanctioned.³⁶ The main problem with sanctions is the implementation of the regulation. For example, in France, it was expected from employment counsellors to report if they observed that a person receiving unemployment benefits was not searching for a job, but in practice, this rarely worked. A similar pattern was observed in Finland and Greece.³⁷ Formal strictness is an unreliable source of data for the actual behaviour of job seekers and the control of employment offices.³⁸

³⁴ See: S. Markussen, K. Røed *Leaving Poverty Behind? The Effects of Generous Income Support Paired with Activation*, IZA Discussion Papers, 2014, 8245, Bonn: Institute for the Study of Labor.

It was only in recent decades, and only in some countries, that the conditioning was imposed for all the workforce (s. Eichhorst and Konle-Seidl, 2008, table 4). This approach is expected to be adopted by more countries, especially because of the spread of non-standard employment. Not everyone will be entitled to unemployment benefits, so many will find “safety net” in other benefits (Immervoll, 2009).

³⁵ K. Müller, V. Steiner, V. *Imposed Benefit Sanctions and the Unemployment-to-Employment Transition: The German Experience*, IZA Discussion Papers, 2008, 3483, Bonn: Institute for the Study of Labor.

³⁶ More precisely in the nineties, that share was no more than 10% of the unemployed benefit recipients that did not comply with the rules (Venn, 2012).

³⁷ See: R.G. Sultanam, A.G. Watts, *Career Guidance in Public Employment Services across Europe*, *International Journal for Educational and Vocational Guidance*, 2006, 6, 29–46.

³⁸ See Immervoll and Scarpetta, 2012.

In Netherland in the period from 1987. to 1994. the number of sanctioned beneficiaries of the unemployment benefits grew from 27.000 to 140.000. In 1995. there was a new institution with 200 employees founded with the purpose of controlling and monitoring

Here, it is also necessary to mention the very important threat effect. The indication and anticipation of possible sanctions also play a major role.³⁹ This effect works in two directions - on the one hand, people want to avoid participation in the program by any means, so they are eager to find any job. On the other hand, finding a job faster prevents the loss of human capital that can occur because of long-term unemployment.⁴⁰

2.3. Assessment of the Functioning of the Rights and Obligations

As indicated, the legal frameworks for obtaining and receiving unemployment benefits operate on a similar principle in most countries. In the last decade, the OECD has begun to quantify, or measure, the strictness of the legal framework governing the strictness of benefit eligibility around the world.

The strictness criteria relate more to the passive labour market policy, especially the unemployment benefits but also cover certain provisions of the active policy, namely those which impose obligations to actively job search, participation in ALMP, or to accept a job offer. Therefore, it can be said that this indicator is the main indicator of conditioning rights with obligations.⁴¹

the public spending on social security (from: *OECD Employment Outlook 2000.*, Paris: OECD).

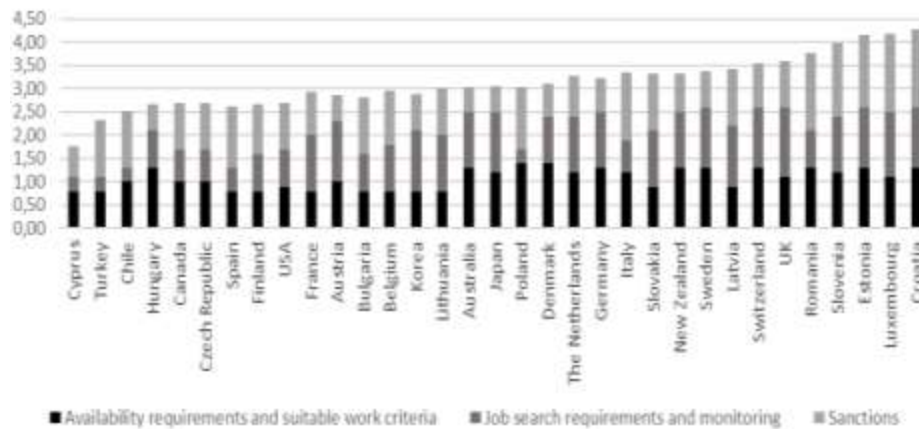
³⁹ For example, in Switzerland, a sanction warning was sent and it increased exit from unemployment by 25%, but the sanction itself by 20% (more details in: R. Lalive, J.C. Van Ours, J. Zweimüller, *The Effect of Benefit Sanctions on the Duration of Unemployment*, *Journal of the European Economic Association*, 2005, 3 (6), 1386-1417). Therefore, mild sanctions have the same effect as strong ones. Using the example of the Norwegian reform, K. Røed, L. Westlie in *Unemployment Insurance in Welfare States: The Impacts of Soft Duration Constraints*, *Journal of the European Economic Association*, 2012, 10 (3), str. 518-554, analyzed people's behavior related to the loss of benefits and concluded that it is not the sanction that matters, but the fact that the sanction exists.

⁴⁰ Finding a job faster can also lead to better-paying jobs later and is especially effective for employees in the undeclared economy (see in: Eichhorst and Konle-Seidl, 2008; Martins and Costa 2014 or M. Csillag, A. Adamecz-Völgyi *Early activation and employment promotion*. Directorate-General for Employment, Social Affairs and Inclusion, 2018, Brussels: European Commission).

⁴¹ The indicator entails three sub-indicators, each with different number of items and weights in overall indicator. First sub-indicator "Availability requirements and suitable work criteria" includes following items: Availability during ALMP participation, Requirements for occupational mobility, Requirements for geographical mobility and Other valid reasons. Second sub-indicator "Job search requirements and monitoring procedures" includes Frequency of job-search activities and Documentation of job-search activities. Finally, third sub-indicator "Sanctions" includes Sanctions for voluntary

The first initiative in creating this comprehensive indicator was two studies by the Danish Ministry of Finance, one from 1998 and the other from 2005, by Hesselplüg. OECD continued supplementing the indicator with Venn's work (2012), then Langenbucher (2015) and Immervoll and Knotz (2018 and 2020).

Graph 1. Levels of Strictness of Eligibility



Source: Own elaboration, 2024.

According to the papers mentioned above, the strictness of the criteria increased. For example, in 1999 only six countries demanded active job search reporting⁴² and in 2017 only 10% did not have this obligation in their system.⁴³ However, it is not possible to identify the exact pattern in that context between the countries. Some countries, such as the Netherlands and Denmark, have high amounts of unemployment benefits and strict availability requirements, and others, such as the UK and Ireland, have low amounts of benefits and strict availability requirements. What is characteristic is that, for example, the conditions for active job search are stricter in Continental countries and lenient in Mediterranean countries. In contrast, Eastern European countries generally have stricter

resignation from employment, Sanctions for refusals of job offers, Sanctions for repeated refusals of job offers, Sanctions for refusals to participate in ALMPs and Sanction for repeated refusals to participate in ALMPs (in more detail in Immerwill, Knotz and Otmani 2020).

⁴² Martin and Grubb, 2001.

⁴³ Immervoll and Knotz, 2018.

sanctioning criteria, those which impose the total loss of benefits rather than the suspension to a certain period.

What is also important is the level of application of the rules in practice. As indicated by Venn (2012), this indicator has a relatively large deficiency related to the method of implementation, whereby large differences can arise between the *de jure* and *de facto* strictness of the criteria.

The terminology of the normative framework may also prove to be a problem. For example, German law previously stated that “all means must be used to put an end to unemployment” and French law that “one must be permanently and effectively searching for a job”.⁴⁴ This at first seems strict, but these provisions make it difficult to sanction someone for a single act, such as not applying for a job vacancy. Later, both countries specified bit more thoroughly these conditions, Germany with an integration agreement and France with an obligation for job seekers to provide evidence of their job-search actions.⁴⁵ The absence of explicit rules on job search, the rules that are difficult to implement in practice, or sanctions that are rarely applied, do not make sense. Unclear legislation puts too much responsibility on counsellors.⁴⁶ In most countries, there is a provision for refusal of job acceptance and loss of benefits, but often the implementation of these provisions depends on the discretion of the counsellor.⁴⁷

Having in mind the previous paragraphs, we tried to assess the efficiency and the approximate implementation of the normative framework governing rights and obligations on the base of an additional indicator. Therefore, the methodology of the assessment will be focused on the comparison between the levels of strictness of benefit eligibility criteria, calculated by the OECD and the share of inactive persons registered in the employment offices, derived from the LFS microdata. This methodology, which is applicable to a large number of countries' assessments, uses the differences between two labour market data sources.⁴⁸

⁴⁴ OECD, 2000.

⁴⁵ Hasselpflug, 2005.; Venn, 2012.; Langenbucher, 2015.

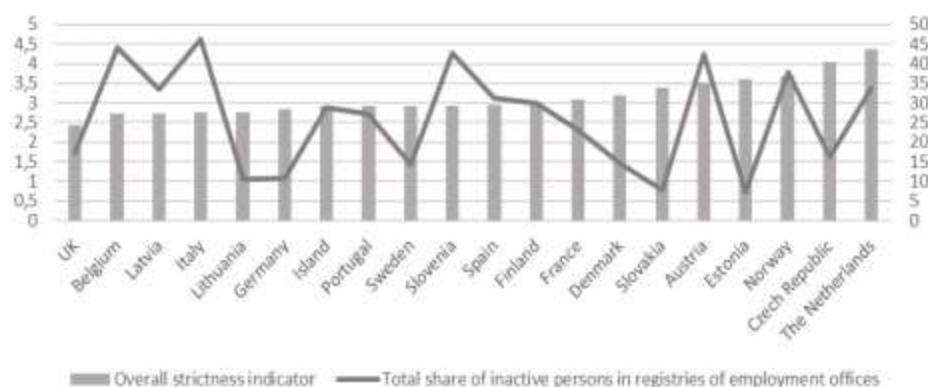
⁴⁶ OECD, 2000.

⁴⁷ Immervoll, 2009.

⁴⁸ The differences between the two main data sources on the labor market (LFS and registered unemployment) result from a different definition of a person's status on the labor market. LFS gives a more realistic picture of the unemployed and inactive, while registered unemployment also includes individuals who have other motives for being registered, which are not necessarily related to employment but to certain rights. Data on the shares of such individuals, obtained from the LFS microdata were calculated after

The approach derives from a logical presumption that if one is inactive, that person is not searching for a job. But if that person is at the same time registered at the employment office, that means that the person is not fulfilling its obligations, but is not being sanctioned either. Levels of those exercising certain rights but not fulfilling obligations, those that should but are not being sanctioned will be compared with the levels of eligibility strictness, across Europe, calculated by OECD. The aim is to see if there is any connection between the two variables: the levels of strictness and the levels of those who should but are not being sanctioned.

Graph 2. Overall Strictness Indicator and Total Share of Inactive Persons in the Registries of Employment Offices in 2004



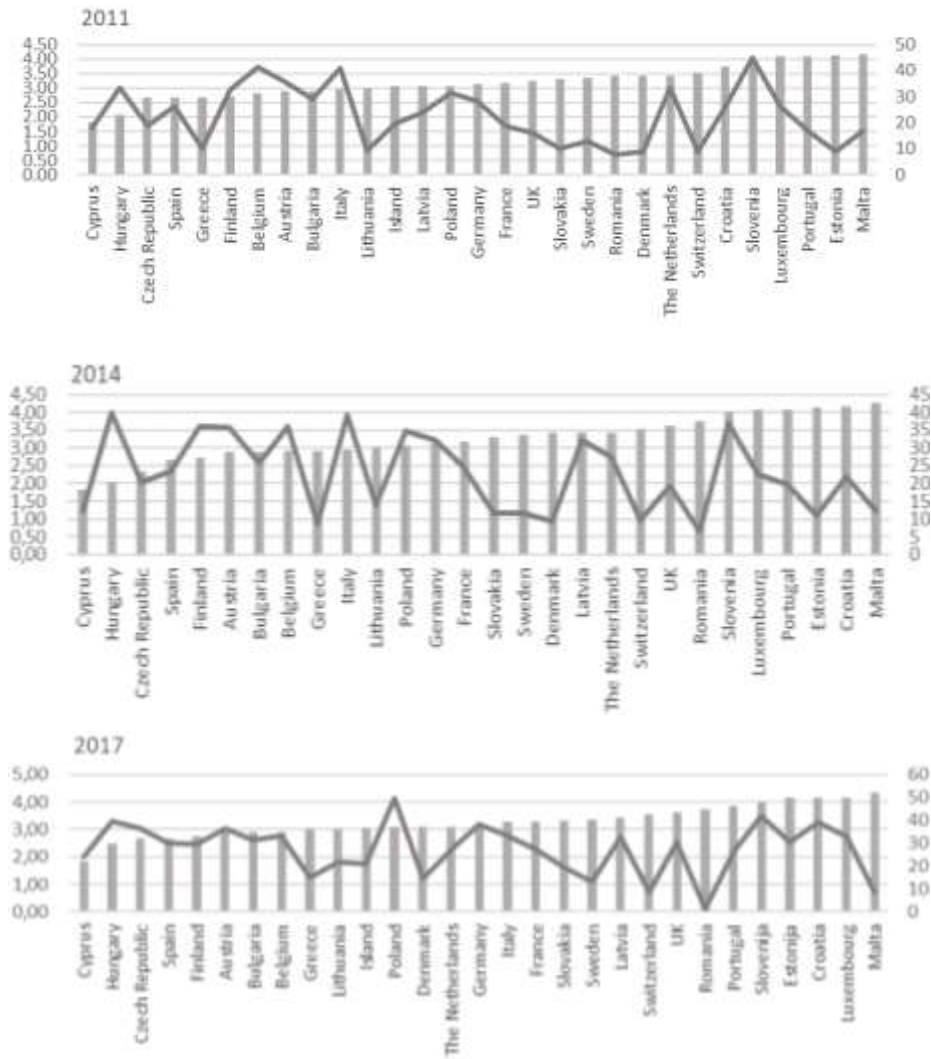
Source: OECD.Stat, accessed, 1.10.2022. and LFS microdata, authors calculation

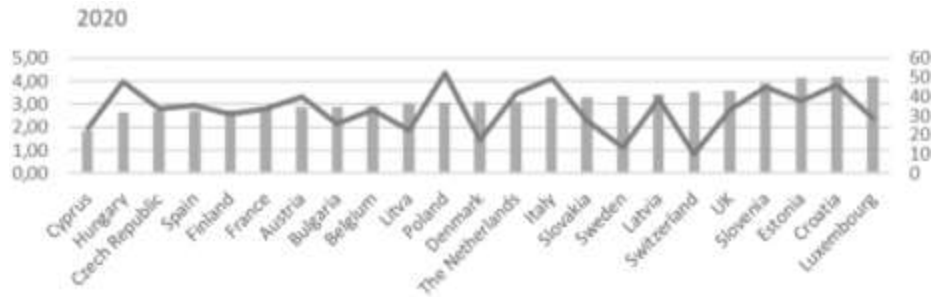
The assumption would be that the stricter the criteria the lower the level of inactive persons registered at the employment office and *vice versa*. However, if we observe the graphical imaging (graphs 2 to 6) of the two variables, the level of strictness and the levels of inactive persons

basic data processing according to the needs of this analysis - in the age category, those younger than 15 and older than 74 were excluded. Main variables of the calculation are "Register" and "Ilostat". „Register“ variable indicates whether or not somebody is registered in the employment office/service and „Ilostat“ indicates persons status, is someone employed, unemployed or inactive. Basic tabulation of those two variables provides the information on the level of inactive persons registered in the employment office/service of a certain country. Calculations were obtained using Microsoft Excell and the Stata application, version 16.

registered in employment offices it is clear the two do not have a clear connection. The same applies to all the observed periods.

Graphs 3, 4, 5 and 6. Overall Strictness Indicator (Columns) and Total Share of Inactive Persons in Registries of Employment Offices (Lines) for 2011., 2014., 2017, and 2020





Furthermore, if we observe this connection in more detail, we get the same results. Table 1 presents the results of the calculations of correlation coefficients for each possible combination of the sub-criterion of the indicator and the share of individuals who are inactive with regard to their status with the employment office. Correlations in the table were performed between the variables for all countries, the same as in graphs 3, 4, 5 and 6. The results indicate no connection. The correlation coefficients were calculated considering all possible combinations in the total number of persons registered in the employment office and in the overall total number of inactive persons. There is no link between the level of inactive persons registered at the employment offices of European countries and the level of strictness of the criteria.⁴⁹ Of course, this approach has its deficiencies. First, the level of strictness changes very little, and when it does change, that change is extremely small, the impact of which can only be visible in a few years. Secondly, the macro level only observes the movement of these two variables in general, but the system might differ to a certain extent depending on the individual country.⁵⁰ Most importantly strictness indicator does not measure the level of application of the rules in practice.

⁴⁹ As part of this analysis, changes in the shares of inactive persons were also observed in comparison with changes in the level of strictness for individual countries and for five observed reference periods, however, no link was identified, as well.

⁵⁰ Availability of the data also depends on that same issue. In example for UK there is no data on the inactive persons that are not beneficiaries of unemployment benefits, only the ones that receive unemployment benefits, for the Netherlands it is the oposite. For Malta data on the registered persons in the employment offices dates from 2009, and Ireland does not have that data, the same as the Bulgaria. Rumania does not have the data only for 2020, and the data for Germany for the year 2011 were not taken into consideration (for total number of inactive) due to the fact that for that year numbers were significantly different that for all other years.

So, the methodology used in this paper gave us only a rough overview of the comparison of the two variables. The fact is that the normative framework bears a great deal of responsibility for many labour market outcomes. However, the causes themselves, the individual institutes, that may seem insignificant but can have a huge impact, are sometimes difficult to detect. As the OECD reports have regularly highlighted, certain institutes are difficult to measure, given that many countries do not have them incorporated into the conditioning system. Also, there are numerous factors of influence, such as inherited culture, specific rights, intentional or accidental lack of a crucial institute or simply a situation of adaptation both by the system and a certain group.

Table 1. Correlation coefficients of the levels of strictness of eligibility criteria and the share of inactive persons

Year	Sub-indicator	Shares of inactive persons within the registries of the employment offices			Shares of inactive persons in total workforce			
		Beneficiaries of the unemployment benefits	Non beneficiaries of the unemployment benefits	Total share	Beneficiaries of the unemployment benefits	Non beneficiaries of the unemployment benefits	Total share	Not registered at the employment offices
2004	Availability requirements	0.0348	0.0983	0.0012	0.0635	0.0476	0.0018	0.0034
	Job search requirements and monitoring	0.0095	0.0094	0.0089	0.0483	0.0147	0.1319	0.121
	Sanctions	4E-06	0.0536	0.0008	0.1065	0.126	0.0003	2E-05
	Total	0.0782	0.0183	0.0059	0.0216	0.0046	0.0071	0.0057
2011	Availability requirements	0.0372	0.004	0.0251	0.0837	0.0015	0.0217	0.0161
	Job search requirements and monitoring	0.0994	0.0195	0.0535	0.0004	0.058	3E-05	0.0004
	Sanctions	0.0252	0.0088	0.0089	0.0111	0.0009	5E-06	0.0057
	Total	0.0496	0.0045	0.034	0.0426	0.0018	0.0065	0.0121
2014	Availability requirements	0.0322	0.0027	0.0192	0.1094	0.0066	0.0156	0.0132
	Job search requirements	0.0925	0.0238	0.0478	2E-05	0.0038	7E-05	0.0004

	and monitoring							
	Sanctions	0.006	0.0113	0.017	0.0557	0.0069	0.0259	0.039
	Total	0.098	0.035	0.0768	0.0743	0.0003	0.0217	0.0256
2017	Availability requirements	0.0003	0.0025	0.0083	0.0701	0.0019	0.0067	0.004
	Job search requirements and monitoring	0.041	0.0224	0.0291	0.0017	0.0006	8E-06	8E-05
	Sanctions	0.0053	0.0019	2E-06	0.1115	0.0015	0.0211	0.0297
	Total	0.0103	0.0069	0.0217	0.0824	8E-05	0.0151	0.0168
2020	Availability requirements	0.0076	0.0047	0.0054	0.1957	0.0006	0.0284	0.0275
	Job search requirements and monitoring	0.067	0.0125	0.1385	0.0005	0.0024	0.0001	5E-05
	Sanctions	0.0683	0.0849	0.1297	1E-04	0.0003	9E-05	3E-05
	Total	0.0329	0.0735	0.0165	0.0026	0.0118	0.008	0.0084

Source: OECD.Stat, <https://stats.oecd.org/> accessed, 1.10.2022. and LFS microdata, calculations of the authors.

3. Explanation of the Apparent Lack of Impact of the Strictness on the Labour Market Outcomes of European Countries Based on a Detailed Analysis of the Republic of Croatia

The results obtained can be explained on the example of the functioning of the rights and obligations approach in a particular country. Namely, for a detailed analysis of the normative framework and the functioning of rights and obligations approach in practice, it is required to have a detailed knowledge of the system in a particular country. In this context, this was possible only for the Republic of Croatia, since the authors are well equated with the functioning of Croatian system. The same analysis for all countries of the European Union and beyond would nevertheless require an intensive engagement of national experts and would present a comprehensive analysis that goes beyond the scope of a single paper.

In the Republic of Croatia, the unemployment benefits coverage is relatively low, the benefits are not generous, and still, there is a large share of people that are registered in the employment office, compared to the (former) EU 28 average.⁵¹ Namely, just like in other countries, in Croatia, in addition to

⁵¹ In 2019, the share of unemployed people not receiving benefits that were registered at the CES for a period of 3 to 5 months was 62.8%, while the average of EU 28 countries

unemployment benefits, people can be registered for other reasons, such as meeting the requirements for receiving guaranteed minimum income⁵², participation in ALMP, or simply for no reason. In any case, everyone who is registered must search for work.

This analysis of Republic of Croatia is like the previous one, but more comprehensive and detailed. It includes exact data on the share of sanctioned persons from the registries of the Croatian Employment Service (CES) over the years. Another difference is the comprehensive and detailed analysis that was performed on the normative framework of rights and obligations according to the established criteria for awarding and receiving benefits. This method provided us with answers as to whether the system is that strict or whether it allows individuals in Croatia to exercise rights without fulfilling obligations.

The Republic of Croatia joined the previously described OECD calculation in 2014.⁵³ According to this calculation, Croatia was placed in the group of countries with the strictest requirements for unemployment benefits. The levels of strictness for Croatia were the same as in the calculations from 2018 and 2020.

However, if all the acts of the normative framework are analysed in detail, the assessment of the Republic of Croatia needs to be corrected for several criteria. These criteria are the key to understanding and identifying the main deficiencies of the normative framework and can contribute to the explanation of the functioning of the system of rights and obligations in the Republic of Croatia.

The analysis was based exclusively on the relevant normative framework.⁵⁴ According to the recalculation based on the coefficients,⁵⁵ Croatia's total level of strictness drops from 4.17 to 3.63, bringing it closer to the average of other countries. In detail, the correction of grades refers to the following items of sub-criteria:

was 29.2%. For the period of 12 to 17 months the share for Croatia was 78.5%, and EU 28 37.5%. Source: Eurostat, accessed 29 November 2021.

⁵² According to the Social Welfare Act (Official Gazette 157/13 - 19/22), the normative framework that regulates the guaranteed minimum income, one of the main conditions for receiving the guaranteed minimum income for people that are capable of work is registration (listing) at the CES and the corresponding job search obligations.

⁵³ Langenbucher, 2015.

⁵⁴ Labour Market Law Official Gazette 118/18 -18/22 and Rulebook on active job search and availability for work OG 28/2019.

⁵⁵ Detailed calculation of weighting of individual items of the overall strictness indicator is based on the table from Immervoll and Knotz, 2018, page 26.

- availability to accept a job or search for a job while participating in the ALMP (from 2 to 1), because no provision of the relevant Law or Rulebook has so far prescribed, nor does it prescribe, that a person must be available to search for or accept employment while participating in ALMP;
- justified reasons for refusal of employment (from 5 to 1), because the number of reasons has increased over the years with the changes in the normative framework and eventually 5 or more reasons have been prescribed;⁵⁶
- the frequency of active job search monitoring (from 4 to 2), although, according to the ratings assigned, individual consultations are stated as a method of checking active job search: active job search, according to the current definition, does not specify the activities of applying to open vacancies. The description of active job search provides a general indication of activities that include the submission of applications and activities that are in fact aimed at increasing employability.⁵⁷ This can be confirmed especially if we compare the Croatian definition of active job

⁵⁶ According to the first Law (Law on mediation in employment and rights during unemployment OG 80/08), the exemption referred to a mother with a child up to the age of 7, a single parent with a child up to the age of 10, and other. In addition, the Rulebook on active job search and availability for work OG 96/2002 ever since the first version (related to the first, 2002 Law), in its III. Part - Availability for work (then Article 12) states that "an unemployed person is considered to be at a disposal to CES even outside of his place of temp. or perm. residence, if he informs the CES of his temporary absence outside of his place of temp. or perm. residence due to - 1. illness and hospital treatment, 2. moving, 3. death of spouse, parents, child, brothers, sisters, spouse's parents, 4. natural disasters, 5. personal reasons up to 18 days a year". With the next edition of the Rulebook the „movement“ was removed. With the 2017 edition of the rulebook there were additional reasons – sickness and care provision of an underage child with the confirmation by the competent family medicine doctor. Version from 2019 added also pregnancy, 45 days before the day of expected birth and participation in activities related to employment.

⁵⁷ Article 11 of the Law stipulates that an unemployed person is considered to be actively searching for a job if: he/she carries out activities to establish a professional action plan (or an agreement for inclusion in the labor market from Article 24), and if performs activities determined by a professional plan (an agreement for inclusion). Also, Law generally includes submission of applications to employers or advertisements and responding to vacancies and advertisements. In contrast, Article 3 of the Rulebook outlines job search activities, and among other includes activities that are aimed at increasing employability - participation in group information, individual consultations, professional guidance process, defining and implementing the activities and goals of the Professional Plan (Agreement) and similar.

search with the definition of active job search by the EU Commission for the LFS.⁵⁸

- documentation of job search activities (from 3 to 2), because the Job Search Diary was removed from the normative framework in 2017 (originally this obligation was introduced by amendment in the Rulebook from 2014).

Therefore, according to the current definition of the Law and the Rulebooks, there are no prescribed criteria for the availability of search or acceptance of a job during participation in the ALMPs. There are several reasons for refusing the offered employment, and the job search check is irregular or *ad hoc*. Job search activities are vaguely defined and activities that could objectively be called as active job search, such as responding to a certain number of vacancies, are not listed. At the same time some other activities are prescribed, activities that, do not present active job search. Additionally, the obligation to submit the Job Search Diary was abolished in 2017.

Therefore, the legal framework that prescribes rights and obligations is lacking in the focal part that defines the activities and proof of job search. This makes it impossible to sanction someone for not searching for a job, regardless of the level of strictness of the criteria and the severity of the sanction. Related to that, the sanctioning provisions in Croatia are as strict as possible and presuppose a complete loss of benefits, rather than just a temporary suspension, as is the case in most countries. It is precisely this maximum stringency that calls into question the effectiveness of the provisions themselves, making it less likely that people will be sanctioned and deprived of benefits for non-compliance.

⁵⁸ Definition for the purpose of the LFS (Commission Regulation (EC) No 1897/2000 of 7 September 2000 implementing Council Regulation (EC) No 577/98 on the organisation of a labour force sample survey in the Community concerning the operational definition of unemployment, Official Journal of the European Union L (228), 18–21. : Annex 1, Article 1, paragraph c and Annex II, Points 8, 9, 10 and 11) clearly defines methods of active job search, it also stipulates that "The wording of the question must avoid that only a continuous search throughout the entire reference period is considered as a sufficient condition of job search.", that the "contact with the public employment office to find work" is „distinct from the administrative renewal of a registration to claim unemployment benefits (when this was not preceded by a spell of employment or inactivity). It is also distinct from the assistance provided by the employment office to improve the employability of the registered unemployed person“ and that the “Job search methods are enumerated until at least three active methods have been mentioned“.

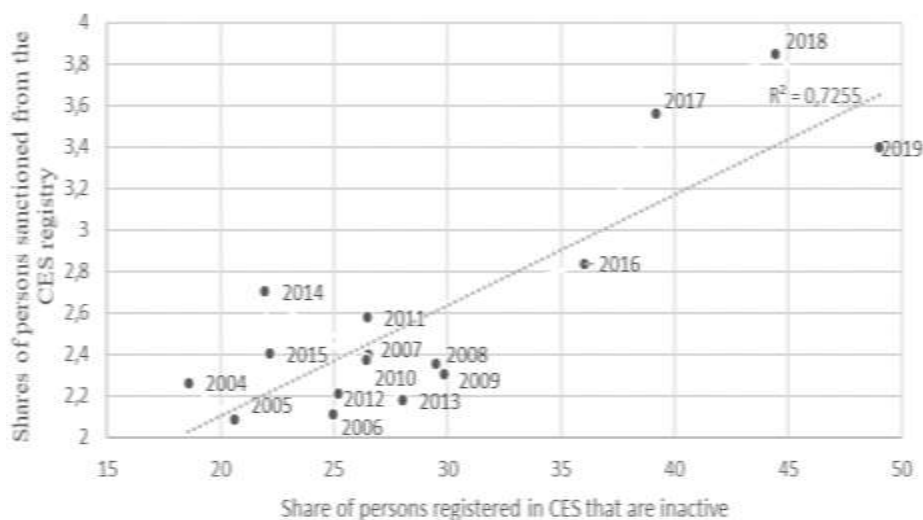
The deficiencies of the normative framework are also apparent from the graphical imaging (graph 7). This, detailed overview of the functioning of the rights and obligations is obtained from a combination of LFS microdata and data on shares of sanctioned people from the CES Statistics, which is regularly published on the CES website.⁵⁹ We will compare the chronological sanctioning from the CES registry (deregistered for not reporting and non-compliance with legal provisions), and the shares of inactive persons in the CES registry.⁶⁰ The information on the shares of inactive persons registered in CES is derived with the same method as described above (footnote number 47). Thus, when we compare the development dynamics of the shares of people who were sanctioned in the total number of people in the CES records of a certain year (Y-axis) and the shares of people in the records who were inactive (X-axis), the pattern is visible ($R^2=0.7255$).

⁵⁹ Available here: <https://statistika.hzz.hr/>.

Due to the data range of the CES database dating back to 2004, the period from 2004 to 2019 will be taken into account in the entire section.

⁶⁰According to the reasons for deregistration from the CES records in 2014, the main reason, apart from employment, became "failure to comply with statutory provisions", replacing the previous main reason, which was more general - "deregistration from the records and failure to report." Basically, main reason of deregistration, the sanctioning remained the same, just got a new, more official title.

Graph 7. Linear regression of the shares of inactive people in the registry of CES and shares of sanctioned people in the total number of CES registry for the years



Regression is performed with the end year of 2019 due to provision of more realistic image of the labour market situation, taking into consideration the circumstances caused by COVID-19 epidemic in 2020. Source: CES stat. and LFS microdata, authors calculation.

Shares of sanctioned people were in line with the shares of inactive ones through out the years. In another words, the system of rights and obligations generally works. Inactive people are being sanctioned (deregistered from the CES registry).

However, if we do a much more detailed comparison, we will get different results (table 2). Yes, the increase in the share of inactive people followed the level of the ones that were sanctioned, however, those were not the same people. The inactive ones were not necessarily sanctioned.

This, more detailed comparison was based on some basic socio-economic variables that are available in both CES and LFS data sources (gender, age, education, and duration of unemployment).⁶¹ It showed that predominantly these are not the same people.

⁶¹ Correlation coefficients in the table number two are calculated for each of 15 compared variables within categories (gender, age, education, and duration of

Table 2. Correlation coefficients - sanctioned and inactive registered in CES for 15 compared variables for the period from 2004 to 2019

Category	Variable	(R2)
Gender	Male	0.4092
	Female	0.4092
Age	15 - 24 years	0.5033
	25 - 34 years	0.0505
	35 - 44 years	0.0011
	45 - 54 years	0.0408
	55 - 65 years	0.7469
Level of education	Lower secondary education	0.1222
	Upper secondary and post secondary non tertiary	0.0738
	Tertiary education	0.5854
Duration of unemployment, period from the last employment	0 - 5 months	0.0801
	6 months – 1 year	0.0757
	1 - 2 years	0.0143
	2 - 4 years	0.0882
	4 years and more	0.1323

Source: CES stat. and LFS microdata, calculation of the authors.

The LFS microdata gave us information about the description of people who were inactive and were registered in CES. That's how we found out, for example, that in 2019, the age group from 25 to 34 years of age had

unemployment), between levels of sanctioned and inactive people registered in CES and for the period from 2004 to 2019.

the highest rate of inactive people - 17.37%. On the other hand, the CES statistics provided us with information on how many, for example, were those in 2017 with tertiary education that were sanctioned due to non-compliance to legal obligations (10.66%). Finally, comparisons of the development dynamic of inactive and sanctioned levels over the years gave us the level of similarity between the values of these variables through the coefficient of determination (R^2).

Results of the 15 variables compared indicate that only 4 have a medium relationship (highly educated within the education category, male and female, and age from 15 to 24), while only one has a strong relationship (age group from 55 to 65 age).

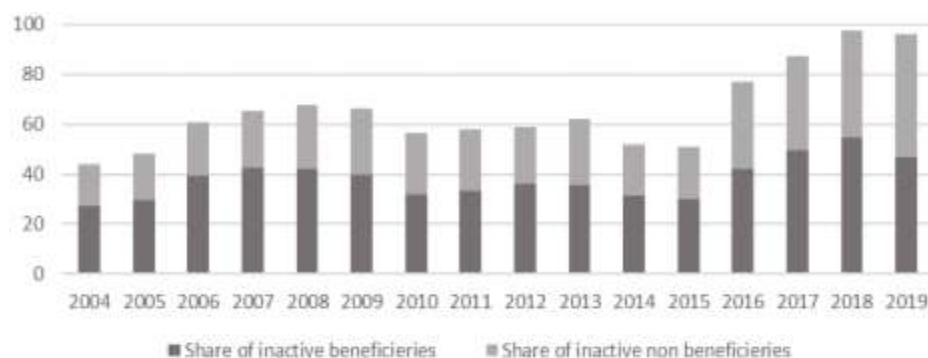
The system of rights and obligations seemingly works, but in practice the situation is different. This can entail that persons exercising certain rights, like unemployment benefits, are being "spared" of sanctions and the assumption is that the ones being sanctioned are actually the ones that don't bear any real loss of certain rights from those sanctions. This conclusion is in fact the same as the one described in Ostrovidov Jakšić and Rogić Lugarić (2022).⁶²

Another way that we could observe the impact of the rights and obligations system in Croatian labour market are the chronological changes in the levels of inactive persons in the records of the CES. The normative framework and subsequently the eligibility criteria for receiving benefits, has undergone numerous changes over the years. Those changes can be traceable by a change in the levels of inactive persons in CES registry (Graph 8).

The first major change in the normative framework took place in 2002, with the introduction of conditioning rights with obligations of active job search and availability for work. In that initial period, in 2004 and 2005 the share of inactive persons in the records of the CES was the lowest.

⁶² Which was gained by comprehensive qualitative research on employment counsellors employed in CES.

Graph 8. Share of inactive beneficiaries and non-beneficiaries of unemployment benefits registered at CES for the years



Source: LFS microdata, authors calculation.

The next, relatively bigger change was in 2014. Then the regular monthly reports were abolished, and individual consultations by phone or e-mail and the Job Search Diary were introduced. This, on one hand, relaxed the criteria, and on the other, tightened them. These changes coincide with the decline in the share of inactive in 2014 and 2015.

After those years the share of inactive in the registry of CES started to increase and was higher and higher, which can also be explained by the removal of Job Search Diary from the normative framework, that occurred in 2017. In the last three observed years, when the legal framework governing rights and obligations was relaxed - there was a significantly higher number of inactive persons registered in CES.⁶³

The trends in the shares of inactive people in the records of CES showed us that in the period of a less strict normative framework, there was a significantly greater number of inactive people registered in CES

⁶³ In this respect, it should be clarified that based on the data, the indicated shares of inactive persons registered in CES are much more related to changes in the normative framework than to economic trends and the unemployment rate. For example, in 2018 the unemployment rate was 8.5%, and in 2008 it was 8.7% - almost at the same level. At the same time the share of inactive people registered in CES in 2008 was significantly lower than in 2018. Likewise, in 2005 the unemployment rate was 13% and in 2016 it was 13.3%, again almost the same. While the share of the inactive people was in 2016 again significantly higher. Additional example is for the years of 2006 and 2017, with unemployment rates of 11.5% and 11.3%. Similarly in 2017 the share of inactive people registered in CES was still significantly higher.

compared to the initial period when the rights and obligations approach was first introduced.

Finally, normative frameworks governing rights and obligations can have a significant impact on the workforce. Even the provisions that may be considered to have a minor impact can have a very significant impact. In the Republic of Croatia, this framework affects the activity of the labour force, in a way that allows people to be inactive. People manage, and adapt the existing regulations to their own needs. In the absence of explicit rules, the rules that are difficult to implement in practice or sanctions that are rarely applied, are meaningless (OECD, 2000).

4. Conclusion

The rights and obligations approach has evolved in response to certain unsustainable labour market policies. Decades of intervention and investment in active and passive labour market policies have led to a change in the discourse toward the unemployed. It has become clear that the most expensive interventions are those that finance exit from the labour market.

In the last decades, research has focused on measuring and quantifying the normative framework of the strictness of eligibility criteria for receiving unemployment benefits, i.e. the rules governing rights and obligations approach.

This indicator showed that the normative frameworks of many countries are either not explicit enough or the rules are not applied in practice. The number of countries has not provided adequately designed labour market regulations and services to ensure that this conditioning is properly implemented. Rules on the rights and obligations are there, but in practice only a small number of people are being sanctioned.

Calculations in this paper have shown that this indicator is not related to the share of inactive persons registered in the employment offices. This makes no sense if we consider that rights and obligations generally operate on the same principle in all countries. Registration at the employment office is the predominant condition for exercising certain rights that are conditional on job search. However, if that person is in the register and not searching for a job (and is not covered by one of the prescribed exemptions), it means that that person is not fulfilling the obligations and should be sanctioned. On the one hand, this is possible if the normative framework is vague or non-explicit. On the other hand, a seemingly minor oversight by the legislator, such as omitting evidence of active job searching, is sufficient, and consequently the counsellors have

no tools to sanction someone. In any case, the above said points to the fact that the implementation of the normative framework of rights and obligations, is not being implemented properly.

The best example of this can be found in the Republic of Croatia. According to the OECD analysis, the Croatian legal framework is rated as one of the strictest in the world. However, a detailed analysis of all previous laws and regulations gave us a slightly different picture. Croatia has somewhat milder criteria for job search and monitoring and in general, the criteria have softened over the years. The current normative framework is deficient in the main part that defines activities and evidence of job search, which makes it impossible to sanction non-searching, regardless of the level of strictness of the criteria for sanctioning.

The system of rights and obligations in Croatia has some influence on the level of activity of the workforce, in a way that allows people to be inactive. This is only a partial contribution and of course, the normative framework is not solely responsible for the lower rate of the active labour force in Croatia, but if the normative framework allows individuals not to search for a job while at the same time possibly enjoying certain rights, this impact is certain.

The assumption is that the situation is the same or similar in other countries, which is why the correlation results of the share of inactive and the level of strictness of eligibility criteria showed that there is apparently no link. Of course, there are links, the normative framework governing rights and obligations unquestionably has a major impact on the labour market of a particular country. However, differences in national legal frameworks and enforcement at national level make it very difficult, if not impossible, to generalise the impact of the strictness of eligibility criteria on the labour market.

What is possible is the identification of the main obstacles and deficiencies that make it difficult and/or perhaps impossible to implement the legislative framework properly and create the appearance of a strict system that is in fact not.

5. Annex - Examples of the most prominent activation policies

Table 3.
Examples of the most prominent activation policies

The **Danish** example of activation is, along with the UK one, the most frequently cited in the literature.⁶⁴ They were among the first to introduce, as early as the 1980s, stricter conditions for job-searching, receiving benefits and more intensive activation.⁶⁵ The activation was further refined over the years with a work-first approach⁶⁶ and efforts to increase the profitability of work, introduced through in-work benefits as well as tailored ALMP.⁶⁷

Sweden had exceptionally high rates of sick leave between 1994 and 2006.⁶⁸ At that time amounts for sickness and other family benefits have been reduced⁶⁹ and large investments in ALMP have been replaced by smaller, more targeted and more effective programmes.⁷⁰ Direct job creation measures have been used less and less, the usage of training increased⁷¹ and more attention was directed to job search assistance⁷² with an emphasis on individualised assistance.⁷³ However, in the 2008 recession, the rise in unemployment tightened job-search conditions. If a person did not get a job within 100 days, they had to accept a job with a lower salary and up to 10% of the remuneration.⁷⁴ Work-first approach has been increasingly used and the cost-effectiveness of work has increased.⁷⁵

⁶⁴ For instance: Kluge, 2006; Bonoli, 2010; Weishaupt, 2011; OECD, 2005; T. Wilthagen, T. *Flexicurity Practices*, *Journal of Economic Perspectives*, 2007, 11(3), str. 37-54; K. Roed, *Active Unemployment Insurance*, *IZA Policy Paper*, 2012, No. 41; Bonn: Institute for the Study of Labor.; and W. Eichhorst, A. Hemerijck, *Welfare and employment: a European dilemma?*, *IZA Discussion Papers*, 2008, No. 3870, Bonn: Institute for the Study of Labor. <http://nbn-resolving.de/urn:nbn:de:101:1-20081216249>

⁶⁵ I. Møller, Homemann, J. Lind, *Activation for what purpose?*, Working Papers Social Arbete, 2005:1; Paper presented at VIII Congresso uso-Afro-Brasiliero Coimbra, 16-18 Sept 2004.

⁶⁶ Eichhorst and Konle - Seidl, 2008.

⁶⁷ B. Quade, C. O'Leary, O. Dupper, *Activation from Income Support in the US'* in: W. Eichhorst, O. Kaufmann, R. Konle-Seidl (ED.) *Bringing the Jobless into Work? Experiences with Activation Schemes in Europe and the US*. 2008, Berlin: Springer.

⁶⁸ J. Huo, M. Nelson, J.D. Stephens, *Decommodification and activation in social democratic policy: resolving the paradox*, *Journal of European Social Policy*, 2008, 18 (1): 5–20. doi:10.1177/0958928707084449.

⁶⁹ Eichhorst and Hemerijck, 2008.

⁷⁰ L. Calmfors, A. Forslund, M. Hemstrom, *Does active labour market policy work? Lessons from Swedish experiences*, *Swedish Economic Policy Review*, 2001, 85(2001), str. 61-124.

⁷¹ Weishaupt, 2011.

⁷² Bonoli, 2010.

⁷³ Kenworthy, 2010.

⁷⁴ Bonoli, 2010.

⁷⁵ Weishaupt, 2011.

The **Norwegian** switch-over to activation has been described extensively by Lødemel.⁷⁶ It's a universal social security system that since the early 1990s has been conditioned on job assistance. This system was more like an American workfare than a European activation, except that the emphasis was on building human capital. The 2007 reform created one-stop-shop agencies linking social welfare institutions and employment offices, allowing better access to ALMPs. Compared with other countries, also rich in natural resources, Norway has shown great caution in spending on ALMP, with priority given to long-term objectives. The public works were not used even during the recession.

The **USA**, which is the main representative of this model, leads the way in obligations by providing minimal alternatives to employment. They combine low benefits with strict conditions and a small number of compensation services.⁷⁷ The 1996 reform made the most drastic changes in social policies. They introduced the activation of the workforce and the maximum duration of social assistance of 5 years for the entire life of the beneficiary, with mandatory workfare or participation in training.⁷⁸ This was followed by a sharp decline in the number of beneficiaries.⁷⁹ It is the policy of the USA from the nineties that is often described as an example of reform.⁸⁰ It is because of their rigorous measures, reduction of the number of beneficiaries per counsellor, reduction of state benefits,⁸¹ and inclusion in the labour market of groups that previously received social benefits and were not actively working, and without a valid reason, such as single parents.⁸²

The activation Restart Program in the **UK** was already introduced in 1986. As part of this programme the unemployed, after six months of not being able to

⁷⁶ I. Lødemel, Workplace with stipend: public works, activation, workfare or ALMP? Peer Review on "Activation measures in times of crisis: the role of public works Riga, Latvia, 26 – 27 April, 2012, Mutual Learning Programme.

⁷⁷ Knotz, 2012.

⁷⁸ Kenworthy, 2010.

⁷⁹ OECD, 2005.

⁸⁰ For instance: D. Bloom, C. Michalopoulos, *How welfare and work policies affect employment and income: A synthesis of research*. 2001, New York: Manpower Demonstration Research Corporation and R. Moffitt, *Welfare Reform: The US Experience*. Johns Hopkins University; Revision of a paper prepared for the Economic Council of Sweden conference, "From Welfare to Work," Stockholm, May 7, 2007.

⁸¹ In Bloom and Michalopoulos, 2001.

⁸² Carillo and Grubb, 2006.

find a job, had to go through compulsory counselling during which they would have to prove their efforts in job searching.⁸³ In 1989, they introduced the conditioning of benefits with active job search.⁸⁴ The workfare policy was adopted⁸⁵, benefits were reduced, conditions were tightened, and the profitability of work increased with in-work benefits.⁸⁶ Direct job creation programs practically disappeared.⁸⁷ In the 1990s, the work first programmes were dominating, job search assistance⁸⁸ and the duration of unemployment benefits were cut from a year to six months.⁸⁹ New Deal, one of the most famous activation programs ever, was launched in 1997. The program aimed to strengthen job-searching skills for young people, and the main elements of activation were intensive counselling and job search.⁹⁰ The criteria, which were even stricter than in Restart, increased the chances of employment by 20%, while the social benefit outweighed the cost of the program.⁹¹ In the late 1990s, reforms to fight poverty began with institutes such as the minimum wage and guaranteed minimum income.⁹² The new approach was based on rights and obligations, increasing employability, and all to reduce poverty by relying on work.⁹³

In **Germany**, the efforts to reduce dependence on benefits and the activation of the long-term unemployed⁹⁴ started at the beginning of this century. Those were the so-called “The Hartz reforms”. The reforms have been preventively activating - increasing the supply of work through better services, counselling, stricter conditions for job search, salary incentives, profiling of beneficiaries,

⁸³ H. Siebert, *Labor Market Rigidities: At the Root of Unemployment in Europe*, *Journal of Economic Perspectives*, 1997, 11(3), str. 37-54.

⁸⁴ Table, 4.3 in *OECD Employment Outlook 2003*. Paris: OECD

⁸⁵ Y. Kazepov, S. Sabatinelli, S. *Minimum income and social integration: Institutional arrangements in Europe*, *Working Paper Fighting Social Exclusion*, 2006, STEP Portugal, Geneva: International Labour Organisation.

⁸⁶ Eichhorst and Konle-Seidl, 2008.

⁸⁷ N. Meager, Labour market policy and what works: The UK experience, Lessons from the Work Programme LMC-UCD Geary Joint Conference: 6th February 2017.

⁸⁸ Ibid.

⁸⁹ Siebert, 1997.

⁹⁰ Eichhorst and Hemerijck, 2008 and Weishaupt, 2011.

⁹¹ J. Van Reenen, J. *Active Labor Market Policies and the British New Deal for the Young Unemployed in Context'* in D.R. Blundell and R.B. Freeman (ed.) *Seeking a Premier Economy: The Economic Effects of British Economic Reforms, 1980-2000*, 2004, Cambridge, MA: National Bureau of Economic Research, pp. 461-496.

⁹² Eichhorst and Hemerijck, 2008 and Weishaupt, 2011.

⁹³ Eichhorst and Hemerijck, 2008.

⁹⁴ Eichhorst and Hemerijck, 2008.

introducing an individual action plan, flexibilising the labour market, encouraging part-time work⁹⁵, and shortening duration and reducing the number of benefits.⁹⁶

Temporary employment agencies were introduced, but the most important was the merge of social assistance and assistance for the long-term unemployed.⁹⁷ Employment counsellors were then better able to access information on benefit recipients and available jobs, and they were also able to apply active job search conditions, resulting in reduced benefits for many.⁹⁸ The German version emphasised the so-called case management, individual approach.⁹⁹ By the middle of that decade, in 2005, with Hartz's IV. Law, Germany abandoned conservative insurance of living standards and turned to a more universal Anglo-Saxon form of rights with obligations that provide only essential needs, which, according to Eichhorst and Konle-Seidl from 2008, together with the Danish active period of the nineties, made it the most drastic example of reform.

⁹⁵ Eichhorst and Hemerijck, 2008 and S. Zirra, J. Buchkremer, *Activation Reforms in Continental and Southern Europe Impacts of the European Employment Strategy on Exclusive Employment Regimes in Germany, Italy and France First Draft. Working Paper*, International Conference, May 15th-16th, 2008 in Nuremberg, Germany "Activation" policies on the fringes of society: a challenge for European welfare states organized by the "Institute for Employment Research (IAB)" and the "Political Sociology" Section of the German Sociological Association.

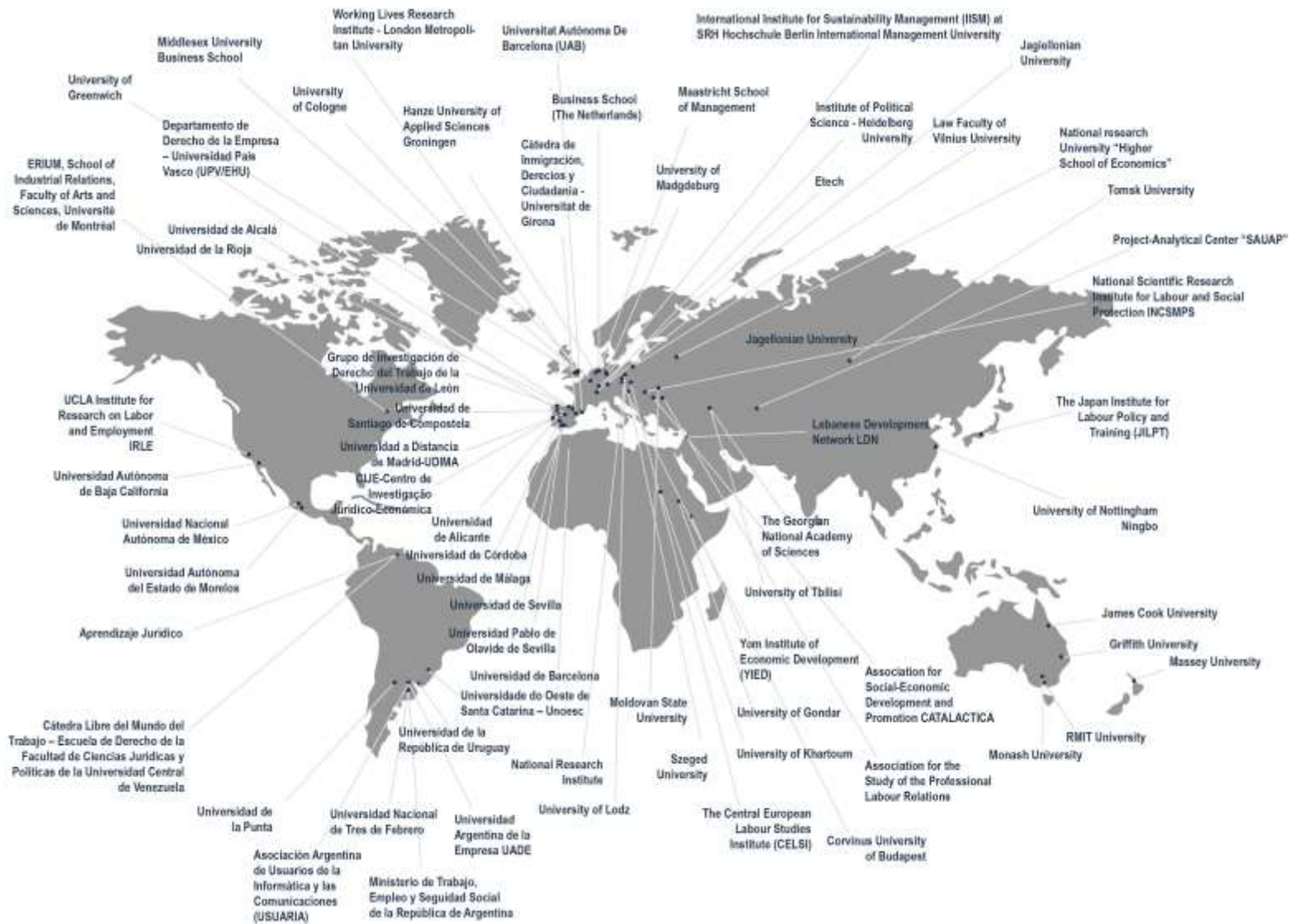
⁹⁶ Kenworthy, 2010.

⁹⁷ Bonoli, 2010.

⁹⁸ Kenworthy, 2010.

⁹⁹ Weishaupt, 2011.

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