



Bussi, M. (2016)

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in G. Ritschard & M. Studer (eds), Proceedings of the International Conference on Sequence Analysis and Related Methods, Lausanne, June 8-10, 2016, pp 129-141.



# Transitions, trajectories and the role of activation policies for young people

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**Abstract** The aim of this contribution is to understand to what extent activation policies are able to reduce the risk of transition into the labour market of young people unemployed or in social assistance. The relevance of the institutional structure in which activation policies are implemented and the importance of the nature of activation policies on young people's transitions are assessed by using optimal matching and event history analysis. The theoretical background underpinning the analysis is an original combination of the Capability Approach (CA)(Sen and Nussbaum 1993) and Transitional Labour Markets Approach (TLM)(Schmid and Gazier 2002; Schmid 2008). These theoretical frameworks, together, are believed to provide new perspectives on the assessment of activation policies. Their combination allows the researcher to assess whether the nature of activation policies shows different capacity of compensating for the lack of 'transitional skills' of the most disadvantaged young people (Bijwaard and Veenman 2008). The analysis is performed on a customized longitudinal administrative dataset and it focuses on the case study of the Brussels Capital Region (RBC).

## 1 Individuals and Institutions: the contribution of the TLM and CA

The individualisation of (new) social risks, the idea that the labour markets can no longer secure employment (Gazier 1999), the subsequent spread of activation, the increasing responsabilisation of individuals on welfare benefits, and the modified relationship between the state and its citizens were crystallised in a concise - though broad - concept: the concept of employability.

Gaining employability, being able to integrate the labour market and avoiding being excluded from the the labour market implies managing several risks which are embedded in changing status over the life-course (e.g. from student to worker, from employed to unemployed etc.).

Hence, employability can be understood as an empowering process where institutional and individual responsibilities are intermingled. On the one hand, I defined *active empowerment* as the active role played by the person through the control and management of the resources needed to reach valuable outputs. On the other hand, I define *passive empowerment* as the empowering action provided by institutions through the services and support to any person at risk of experiencing

a loss of employability. An example is the quality of training provided: (young) individuals who need to enhance their skills and enrol in training courses organised in the framework of active labour market policies. The quality of education and training provided is not something that is actively achieved or modified by the recipients, but is provided independently by the institution.

A fair balance of active and passive empowerment is essential in order not to blame the unemployed for their situation and avoid adopting a paternalistic attitude, which can easily happen namely with young people.

Investigating the capacity of activation policies – intended as the main tool for delivering employability to the inactive and unemployed - of providing *passive empowerment* - i.e. their capacity of reducing the risk of transitions for young people and the institution's role in shaping young people's trajectories – means using a theoretical background that investigates *both the institutional opportunity structure and its interactions with individual characteristics*.

Indeed, the risks of transitions cannot be only attributed to the lack of 'transitional skills' of (young) individuals but also to the demand side which is indeed responsible for the lack (abundance) of labour market opportunities. While not denying the importance of the demand-side in the outcome of labour market transitions of young people, this contribution only focuses on the efficacy of opportunity structure created to answer to the lack of transitional skills of among the young labour market entrants.

This is achieved by combining two theoretical frameworks deriving from different areas of study - labour economics and development economics – that are believed to offer a more comprehensive view of the kind of responses that take simultaneous account of the insecurity inherent in transitions to the labour market: the Transitional Labour Markets (TLM) and the Capability Approach (CA). Two sets of different statistical techniques are also deployed: sequence analysis and event history analysis.

### ***1.1 The Transitional Labour Markets Approach***

Going beyond the focus on the individual capacity of coping with these risks linked with life-course transitions (supply-side perspective), the Transitional Labour Markets approach encourages policy-makers to address labour market transitions through institutional forms of regulation. These forms of regulation – called 'transitional labour markets' – are provided by institutions designed to encourage risk-taking, while simultaneously providing workers with the prospect of relative economic security and employment satisfaction without confining them in dead-end jobs (Lassnigg et al 2007).

More in details, it is believed that TLM is particularly interesting for this analysis because it clearly indicates how institutional arrangements should work

in order to function as a bridge for individuals transitions towards labour market and social integration, thus answering to the need of rethinking institutions and their role in mitigating social risks. It does not overlook the relevance of empowering of individuals and supporting individual capacity for choice and also a capacity to reverse choices (Anxo and Erhel 2006), thus accounting for the individualisation of life trajectories. In addition, it adopts a dynamic perspective both of individuals' participation in the labour market and coordination of institutions by focusing on transitions rather than static labour market positions.

## ***1.2 The Capability Approach***

The Capability Approach, developed mainly by Amartya Sen and Martha Nussbaum (Nussbaum and Sen 1993; Sen 1999) has provided an umbrella theoretical framework for empirical qualitative and quantitative operationalization of well-being and agency concepts on development economics, social and psychological research (Bussi and Dahmen 2012).

In contrast with the TLM, the CA better accounts for the heterogeneity of individual needs and their relationship with the institutional, social and environmental context in which individuals act. This aspect of the CA has been applied to policy evaluation in diverse social policy fields, such as social work and employment policy, where policies are assessed in terms of their capacity of making people able to increase their opportunities and reach valuable outcomes.

The CA complements the institutional perspective of reducing risks of TLM by looking at individuals' potential to act and be, thus accounting for the individualisation focus of welfare policies. The CA provides analytical tools that allow the researcher to investigate the interactions between individuals and institutional arrangements. Thus it helps the researcher grasp the nature of the institutional answer and the nature of the contract between the citizen (in this case the young unemployed or social assistance beneficiary) and the State.

In light of the idea of passive empowerment, the research question can be expressed as follows *to what extent is the institutional set up at the local level able to compensate for lack of individual active empowerment of young disadvantaged people?*

## ***1.3 The institutional mechanisms of smoothing transitions***

From the combination of the two theoretical backgrounds, it derives that favourable transitional arrangements should include two important aspects through which institutions deliver passive empowerment and help prevent social exclusionary transitions: 1) the degree of empowerment of individuals and 2) a flexible coordination between levels of decision-making as to facilitate the adjustment of the institutional answer to individual needs and local circumstances.

Activation policies are meant to contribute to create favourable transitional arrangements insofar as they play an important role in empowering unemployed

or inactive young people. They do this by promoting training of basic and job-specific skills and contributing to reduce the risk of erosion and deterioration of human capital (Schmid and Gazier 2002). They support the acquisition and strengthening of employability through job-search support and work experience in order to reduce the negative signals to employers while helping (young) persons to define their own conception of a valued job (Bonvin and Farvarque 2006).

On the other hand, at an aggregate level, welfare and labour market systems that are equipped with institutions dealing with the variety of risks rising during transitions are more successful in reducing the risks over the (several) transitions in the life-course. Similarly, those systems providing a basic level of income insurance independent of actual work histories will perform well in reducing risks associated with transitions (Schmid 2008).

These two criteria will be investigated in the selected case study and target group: the young people in unemployed and in social assistance in Brussels Capital Region.

## 2 Young people's transitions and the case study

In this contribution, young people in their early careers are the group of interest. Young people are considered more at risk in the labour market compared to adults and are more likely to have unstable trajectories; thus at higher risks of exclusionary transitions. For this reason, the role of *passive empowerment* is most important.

Several quantitative studies on longitudinal data of school-to-work transitions have adopted an international comparative dimension (Brzinsky-Fay 2006; Wolbers 2007; Quintini and Manfredi 2009). Adopting a cross-national perspective allows the researcher to investigate at the macro level to what extent an institutional framework might be more empowering than others at the moment of crucial transitions in the labour market (Brzinsky-Fay 2006; Erhel et al 2014).

However, the heterogeneity of the institutional set up across countries overlooks the impact of single labour market institutions on different social groups as well as the diversity of the environment in which policies are implemented.

Focusing on a single case study and looking at the local level allows one to better grasp the complementarity of institutions and their impact on a variety of social groups known for their diverse active empowerment.

### 2.1 The choice of the Brussels Capital Region

The case study is the Brussels Capital Region (RBC). Various reasons encouraged this choice.

From a national perspective, the Belgian welfare system is not often included in international comparisons, because it is often associated with the continental Europe and close to its 'elder brother' (France).

Moreover, despite recent reforms, the incomplete transformation of the welfare system into an active welfare state makes Belgium and the Brussels Capital Region difficult to categorise it into the well-known "Work-First" or "Human Capital Development" (Clegg 2007). Its hybrid position makes it more interesting to define and investigate in terms what kind of passive empowerment institutions are able to provide.

Further, the complex governance structure makes the complementarity of welfare and labour institutions more challenging. The system also faces a high the heterogeneity of the youth population, which is particularly marked in the Brussels Capital Region, where a considerable share of young people is unemployed, inactive or living in poverty.

In addition, the focus on the Brussels Capital Region has been chosen because the decentralisation and local delivery of services for unemployment -

at the regional level- and for social assistance -at the municipal level- is likely to increase challenge the implementation of services across local entities.

These issues show the importance of social assistance (CPAS) and social insurance institutions (PES) and their activation policies in shaping and potentially reducing the risk of young people's first transitions into the labour market.

### **3 The hypotheses**

The investigation of mechanisms (processes) and the effects (outcomes) of empowering individuals and of coordinated labour market and welfare institutions should be understood as complementary. The table below brings together the analyses while specifying the unit of analysis, the dependent and the independent variables used to answer the hypotheses as well as the methods.

The first hypothesis deals with the overall institutional structure and tries to understand how labour market and welfare systems intervene on individual trajectories.

The second hypothesis is connected and complements the first one insofar as it explores level the impact of single employability measures on individual transitions at a more disaggregated level. The scope of analysis is reduced to a single event occurrence and the interaction of individual and institutional variables is also accounted for.

Hypothesis	Dependent variable	Institutional-related variables	Individual-related variables	Methods
<p>Looking at how the institutional coordination shapes individual trajectories</p> <p><i>H1: Varied and complementary labour and welfare market institutions favour individual integrative trajectories into the labour market.</i></p>	Degree of risk of trajectories (cluster membership)	Time spent in certain labour market positions Probability of transition from unemployment or social assistance into employment or education	Age, gender, neighbourhood, education position in the household, origin, previous work experience	Optimal matching analysis, cluster analysis, transition matrices
<p>Looking at the impact of single employability measures on individual trajectories</p> <p><i>H2: ALMPs adopting an “enabling employability” approach will function more as a bridge leading to upwards transition into employment and compensate for lack of personal disadvantage.</i></p>	Probability of individual transition out of unemployment and social assistance	Employability programmes For CPAS (social assistance): supported employment (article 60) and education/training For PES (social insurance): CPP (action plan) and RAE (job-search programmes)	Age, gender, neighbourhood, education, position in the household, origin, previous work experience	Competing risks discrete-time event history analysis

**Table 1** Investigating the coordination of the institutions and the empowering of individuals: two complementary levels of analysis

#### 4 The choice of methods

If the life-course perspective of the TLM is taken seriously (Anxo and Erhel 2007), then research adopting this framework should consider the whole sequence of all transitions from one state to another during the life of an individual. This overall approach to individual trajectories is needed insofar as one should expect the system of institutions to work as an opportunity structure in a coherent and sequential manner for each type of different risk that may arise.

To this end, sequence analysis allows one to test whether the existence of “varied and complementary” welfare and labour market institutions enables trajectories with a low degree of risk. Sequence analysis is also relevant to



understand to what extent one trajectory differs from another (Abbott 1995; Studer and Ritschard 2015); therefore, this statistical technique can reveal whether the institutional complementarity works for different degree of individual risks.

In a second step, cluster analysis is used to reduced the complexity of the results of sequence analysis by clustering together the most similar trajectories. I also investigated trajectories by looking at the interactions between labour market institution systems (through transitions matrices) while also identified who is more likely to have risky trajectories (using regression analysis).

These steps identified the most vulnerable population (i.e. young people with a migrant background) that is investigated in the second hypothesis and from a micro dimension.

Beyond trajectories, there is a need to understand what determines the time spent in a specific state prior to the transition to another state (Abbott 1995). Hence, from an understanding of sequences as a whole unit, one needs to go down to the analysis of one single transition. The risk is then investigated in a step-by-step method and event history analysis is suitable for this aim, i.e. when there is a need of a fairly deep understanding of the relationship between the time spent in a (labour market) position and the subsequent state toward which the person goes (Haplin 2010).

What is interesting about this analysis is its implicit interest in risk: using event history models allows the researcher to answer the questions: “is the event under investigation going to take place? If so, when?” (Singer and Willett 2003). And “under these circumstances and rules, who is going to survive?” (Box-Steffensmeier and Jones 2004).

The ‘rules and the conditions’ I am interested in are the dichotomous, yet interactive, concepts of *passive* and *active empowerment* that help understand to what extent individuals’ characteristics, institutional and environmental factors interact and what results they produce on transitions.

I also argue that analysing both trajectories *and* transitions<sup>1</sup> allows me to test whether an empowering approach to transitions favours this complementarity by making individuals *able* – and not only responsible – *to make a safe transition*. The cumulative and subsequent reduction of risk in (single) transitions should provide the reduction of risk on a longer temporal level – i.e. in trajectories.

## 5 The sample

A representative random sample of 3000 individuals drawn from a larger sample was used over an observation period of 6 years, from March 2005 to

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<sup>1</sup>Based on the definitions coming from life-course analysis, I use “transition” to identify one single movement from one labour market position to another. The word “trajectory” is used to grasp several movements across labour market and embrace a longer time perspective. Mortimer, J.T. and M.J. Shanahan. 2006. *Handbook of the Life Course*: Springer.

December 2010 (quarterly observations). In March 2005 young people were aged between 15 and 30 years old and were all resident in the Brussels Capital Region. Seven positions in the labour market were identified as relevant: employed (including self-employed), in education, unemployed (both with and without work history but with unemployment benefits), social assistance, “*stage d’attente*” (i.e. unemployed without work history and waiting for unemployment allowances), employed with top-ups and other. Being in social assistance, unemployed, in “*stage d’attente*” or employed with top-ups are considered as bridging labour market positions in light of the theoretical background insofar as they are expected to function as stepping stones which empower young recipients and make them able to move upwards.

## 6 A summary of the results

### *6.1. The quality of trajectories and the institutional complementarity*

After performing Optimal Matching Analysis (performed with the user-written ado SQ for STATA with “symmetric substitution costs matrix based on the mean of the transitions' probabilities (p) between every two neighbouring elements in the sequences”, Brzinsky-Fay et al 2006), cluster analysis was performed (Ward's linkage). Four clusters (*Smooth* – with a prevalence of employment; *Trap* – with a prevalence of social assistance; *Failure* – with a prevalence of unemployment; *Other*) were identified<sup>2</sup>.

The quality of each cluster is measured in terms of the ‘degree of risk’. The degree of risk is the combination of high/low volatility and integrative capacity index (with some changes compared to Brzinsky-Fay 2007). Volatility is calculated as the standardised average of different positions of the trajectories of a cluster. Similarly, the integrative capacity is calculated out of transitions matrices and defined as the standardized ratio of between the probability going from a negative to a positive position and the probability of staying in a negative position (i.e. relative risk ratio). The degree of risks varies across clusters, with the *Smooth* cluster having a high but positive mobility (higher chances of spending time in positive labour market position) and the *Failure* and *Trap* clusters having, respectively, a negative mobility and negative immobility.

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<sup>2</sup> The cluster *Other* is not reported in the analysis due to the lack of information on the dominant labour market position.

**Table 2:** Degree of risk by cluster.

<i>Type of risk</i>	<b>Integrative capacity</b>		
	<b>High</b>	<b>Low</b>	
<b>Volatility</b>	<b>high</b>	positive	negative
		mobility	mobility
	<b>low</b>	<i>Smooth</i>	<i>Failure</i>
		positive	Trapped
	stability	<i>Trap</i>	

Source: own elaboration

Transition probabilities matrices - often used in research adopting a TLM approach (Leschke 2006; Schmid 2008) - were used, at the cluster level, to investigate to what extent labour and welfare institutions work as bridges. Results show that being unemployed, in social assistance or “en stage d’attente” do not seem to keep their promises of working as bridges for those who are likely to be more vulnerable, i.e. young people in the cluster with a higher degree of risk.

Once established the four type of clusters, it is important to define which individual characteristics are more likely to predict trajectories with higher or lower degree of risk. This is crucial for the second part of the analysis where the capacity of compensating – through passive empowerment - for individual lack of individual active empowerment is assessed.

The results of the multinomial logistic regression of the cluster membership show that young people with lower “transitional skills” - defined as educational attainments, weak position in the household, short work experience, poor neighbourhood and a foreign nationality- are less able to have their positions into the labour market secured and less likely to enjoy favourable trajectories.

## ***6.2. The results for event history analysis***

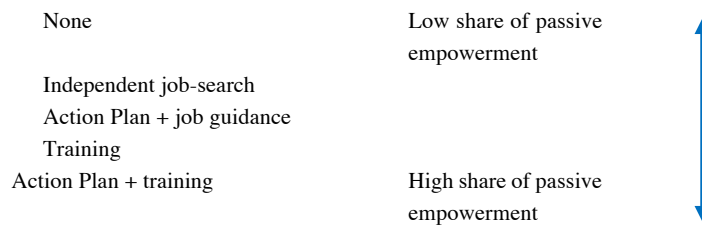
Looking at single transitions means investigating each single activation measure and establish to what extent it is able to compensate for the lack of transitional skills, i.e. accelerating the process out of unemployment or social assistance.

Informed by the previous results, young people with a migrant background were chosen as vulnerable group on who the effect of compensating effect of activation policies could be tested. Having a migrant background was found closely associated with a wide range of disadvantages, particularly in the RBC, which cannot be grasped by single socio-demographic variables.

According to the hypotheses and the theoretical account, I expect that the activation policies that are known to be richer in *passive empowerment* will be

more likely to compensate for the lack of transitional skills. This means that they will predict a higher likelihood of transition out of inactivity or unemployment towards the labour market.

The variables available describing the type of employability measures were classified in ordinal variables according to their degree of intensity in passive empowerment. The example of the CPP (individual action plan) is provided below.



**Fig. 1:** Intensity of passive empowerment of CPP (individual action plan) measures.

These covariates are interacted with the variable for nationality in order to explore to what extent the compensation takes place when comparing young with a foreign background with young natives who received the same measure.

Discrete-time event history analysis (competing risks) was conducted separately for young people in social assistance (CPAS) and young people unemployed (PES).

For young social assistance recipients, I tested the compensating effect of attending full-time education while receiving social assistance allowances and being employed in supported employment (aka “article 60”). For young unemployed people, I tested the compensation capacity of two sets of activation measures available namely linked with the individual action plan (CPP) and job-search activities (RAE).

Results for young people in social assistance show that interaction between the nationality and being in supported employment does not reveal any “compensation effect” for the young disadvantaged under the same type of contract as their native peers. In fact, difference between the probabilities of exiting towards employment or staying in social assistance are not different for natives and non-EU/EU employed in supported employment.

Similarly, the expected compensating effect of attending full-time education for young disadvantaged compared to natives does not seem to work. In fact, young people with a migrant background seem penalized from attending some education/training as they are twice as likely to exit towards unemployment compared to young Belgians.

As for young people in unemployment benefits, findings from the two sets of activation measures show the the compensatory effect of activation measures is limited.

For the job-search measures, the interaction between the variable of origin and the activation programme did not improve the model. Only conclusions related to the main effects of different types of programmes could be drawn. Findings show that young people who benefited from the empowering and bridging effect of an intense coaching (intense and individual) are much more likely to exit towards education than employment.

At the same time, when comparing exits towards employment and social assistance, young people who received an intense coaching are also more likely to end up in social assistance.

These results suggest that – although being conceived as leading to employment – more intense measures might bring to the surface other specific individual needs, such as lack of education and training or lack of adequate income which geared young people towards other services than the labour market.

As for the second set of measures linked with the action plan, results of the interactions between each of the measures and the variable for the origin show that, young people with a migrant background have higher likelihood of remaining in unemployment, and this independently from the type of measure undertaken.

## **7 Conclusions**

From this contribution, two aspects are esteemed important.

First, the combined theoretical background is a first step towards a more holistic perspective on activation measures that include both an individual and institutional perspective. Although this work was limited to the identification of the passive empowerment, the definitions of passive and active empowerment open to a more interactive perspective of the impact of activation policies on young people's trajectories. The definition of passive empowerment has also allowed to classify the measures in terms of their capacity of providing empowerment in relation to individual needs and not in terms of their costs or length.

Moreover, the combination of sequence analysis and event history analysis has brought together two levels of analysis of the institutional action - yat the aggregate with the coordination of institutions and at individual level with the empowerment of individual - which are not often used together but that broaden the research agenda for life-course research (Aisenbrey and Fasang 2010).

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