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WeLaR Newsletter

Issue #8 / September 2024

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From the Editors

As summer winds down, Project WeLaR is heating up! We're excited to bring you the latest updates about our research, activities, and upcoming events.

In this edition of our newsletter, we present insights from our recent workshop on labour market institutions and risks. The event sparked interesting discussions on innovation, gender disparities, and vulnerabilities within labour markets. The findings presented during the event will inform future research and policies.

We also write about our two latest research papers. The first explores interest in Pan European Pension Plans (PEPP), showing that workers are willing to pay higher fees in exchange for the ability to move their pensions among different countries in the European Union. The second study challenges the narrative that digitalisation automatically leads to precarious jobs. Instead, it shows that when digitalisation is paired with robust wage coordination, it can actually enhance job quality and stability.

Looking ahead, don't miss our Open Virtual Expert Café on 19 September. This informal gathering offers an opportunity to explore how digitalisation, globalisation, demographic shifts, and the green economy are reshaping labour markets and welfare systems. We invite scholars, NGO representatives, and other stakeholders to join the conversation—whether you're presenting research or simply participating.

Be sure to mark your calendars for our 24 October workshop, where we'll look into the sustainability of welfare states in the face of emerging challenges. This event will tackle critical issues such as ageing populations and the fiscal implications of climate policies.

As always, we're eager to hear from our readers; you can get in touch with us anytime via our website, or contact our researchers directly via their profiles on the site. Whether you contribute to our events or provide feedback on our research, we are grateful for your engagement. We hope you find this newsletter informative and look forward to your continued involvement in Project WeLaR.

Upcoming events

19 September: Open Virtual Expert Café

24 October: WeLaR workshop, "Welfare States and Public Finance – Adapting Welfare States to New Challenges while Ensuring their Long-Run Financial Sustainability"

Follow us on social media or check projectwelar.eu to make sure you don't miss out!

Funded by the European Union

This project, WeLaR, has received funding under the Horizon Europe programme.

Invitations to WeLaR events

WeLaR invites contributions for its September Virtual Expert Café

The next WeLaR Open Virtual Expert Café will take place on 19 September 2024, at 2:00 pm CET. Join us to discuss how labour markets and welfare states are evolving due to digitalisation, globalisation, demographic changes, and the greening of the economy.

A Virtual Expert Café is an open, informal format driven by participants' contributions. It serves as a platform to promote ongoing projects or research, leverage attendees' collective intelligence for specific questions, or simply engage in dynamic thematic conversations. Presenters will have 5 minutes to share their insights using 1 or 2 slides (please include contact information and links). Following each presentation, we'll engage in informal discussions.

For the September edition, we are seeking contributions from individuals working in the fields of labour markets, welfare states, megatrends (e.g. digitalisation), platform work, social innovation, and labour market integration for vulnerable groups. Whether you have fresh insights, project updates, or upcoming events, we welcome your input! Calls for Papers (CfPs), event announcements, or updates on any relevant developments are highly encouraged.

To register, send an email to Stella Wolter (wolter@zsi.at). Please indicate whether you will be listening in or contributing.

Please ensure your slides reach us before September 16th.

WeLaR workshop on welfare states and public finance to take place on 24 October

The WeLaR workshop "Welfare States and Public Finance – Adapting Welfare States to New Challenges while Ensuring their Long-Run Financial Sustainability" will take place on 24 October at ZEW in Mannheim.

Organised by Holger Stichnoth of ZEW, the event will address the challenges posed by megatrends to welfare states and public finance. Topics include managing ageing populations, automation, and new forms of work through social security systems and pension plans, as well as the fiscal and distributional impacts of climate policy and migration.

If you are interested in participating and presenting your paper, please contact: Holger.Stichnoth@zew.de

WeLaR Events

WeLaR workshop on labour market institutions and risks features 10 papers

The workshop "Labour market institutions and risks" provided an outstanding platform for WeLaR scholars and other labour economists to share recent research on topics such as innovation, gender disparities, vulnerabilities, and

labour market dynamics.

Organised by WeLaR researchers Cristiano Perugini and Fabrizio Pompei from the University of Perugia's Department of Economics, the event took place on 28 June 2024 and featured 10 presentations. Participants also had the opportunity to reflect on how the workshop's findings could influence policy changes.

The first session focused on the role of innovations in the labour market. Kenta Ikeuchi (RIETI) presented the paper "Innovative capital and rent-sharing: Employees' characteristics, employers' heterogeneity and rent-sharing in Japan". Co-authored by Fukao Kyoji, Cristiano Perugini, and Fabrizio Pompei, the paper explores the employer-specific factors that lead to differences in profit-sharing with workers. The authors found that a 1% increase in a company's earnings, measured by the value added per employee, results in a 0.1% wage increase for regular Japanese workers. Additionally, larger, older, and more internationalised companies investing in digital technologies were more likely to share their profits with workers. Next, Sem Vandekerckhove (KU Leuven) presented the findings of the WeLaR research paper "Bargaining models, the quality of work and rent-sharing in the era of digitalisation". This study examined whether technological change pushes employees towards atypical employment, such as part-time and fixed-term contracts, negatively affecting their financial security. The researchers found that digitalisation does not adversely impact employment conditions, and stronger wage coordination is associated with a lower incidence of fixed-term contracts. The session concluded with Katsufumi Fukuda (Chukyo University) presenting "Technological Choice between nonautomation and automation and labour income share".

The second session focused on gender gaps and featured two presentations. Seamus McGuinness (ESRI) discussed the paper "The impact of a minimum wage increase on hours worked: heterogeneous effects by gender and sector," co-written with Paul Redmond. The authors found that in Ireland, a 10% increase in the minimum wage led to a one-hour reduction in weekly working time, with a more significant decline in the manufacturing, food, and accommodation sectors. Interestingly, women's working hours were not affected, while men experienced a decrease of 1.5 hours per week. The wage increase was sufficient to offset the negative impact of fewer hours worked. Next, Piotr Lewandowski (IBS) presented the paper "Job tasks, working hours, and the gender pay gap", co-written with Sarra Ben Yahmed and Marta Palczyńska. The paper demonstrates that shorter working hours lead to more routine-intensive tasks, which are associated with lower earnings. This in turn contributes to the gender pay gap within occupations, because women tend to be less flexible and work shorter hours. However, the researchers found that the differences in task allocation between men and women based on hours worked explain only a small part of the earnings gap between highly skilled men and women.

The session on vulnerabilities began with Sandra Leitner (wiiw) discussing the WeLaR paper "Offshoring, technological change and the quality of work in the EU: On the mediating role of trade unions", co-authored with Laetitia Hauret, Ursula Holtgrewe and Ludivine Martin. The authors analysed the impact of three factors: types of technological change (robotisation and various ICT assets), offshoring practices, and the mitigating role of trade unions on job quality measured by the proliferation of temporary contracts and involuntary part-time work. The findings indicate that technological change and offshoring increase the likelihood of atypical employment in the EU, although the effects vary by sector and over time.

Wojciech Szymczak (IBS) followed with a presentation titled "Technology, trade unions, and atypical employment," which found that adoption of industrial robots significantly increases the share of workers in involuntary atypical employment. He also showed that while the effect of technology on atypical employment varies widely across EU countries, trade unions play a crucial role in mitigating this negative impact. The session concluded with Fabrizio Pompei (University of Perugia) discussing the WeLaR paper "Labour and product market regulations and vulnerability", which shows that in the context of accelerating automation, changes in labour law that overly protect workers or excessively deregulate labour markets may do more harm than good for Europe's youngest employees.

The session on labour market flows featured two presentations. Maria Cristina D'Aguanno (University of Modena-Reggio Emilia) discussed the paper "Individual and household drivers of in-work poverty in the EU", which she co-wrote with Anne-Catherine Guio and Philippe Van Kerm. The paper explores the connection between employment conditions and poverty status, and identifies the determinants of in-work poverty. Fabio Lamperti (University of Perugia) presented the WeLaR paper "Aggregate megatrends and the risk of labour market exclusion across Europe", co-written with Davide Castellani. Lamperti highlighted that unemployment, and its duration are persistently higher among middle-aged and less-educated individuals. The paper found that four megatrends – digitalisation, climate change, demographic shifts, and globalisation have little or no effect on long-term unemployment and inactivity, with individual and labour-market characteristics playing a more significant role.

The workshop concluded with a debate on the potential policy implications of the findings presented throughout the day. Ursula Holtgrewe (ZSI) moderated the discussion, encouraging participants to identify the most important insights from both policy and scientific perspectives. The debate clustered around such topics as data and indicators, vulnerabilities and mitigating policies, the role of trade unions, the effects of technology, and reflections on the four megatrends, their variations, and contextual influences.

WeLaR research

New WeLaR study finds that wage policies can cushion digitalisation's impact on job quality

As more and more companies invest in technology, wage coordination mechanisms remain crucial in helping countries maintain job quality, a recent Project WeLaR study shows.

"As digitalisation progresses, it's important to look beyond just jobs and wages to understand its full impact," said Francesco Venturini, an economist at the University of Urbino Carlo Bo who co-authored the study. "Job quality matters too because it affects workers' well-being and their ability to benefit from those technologies. By studying how technology changes job quality, we can work towards a fairer and more sustainable labour market for everyone."

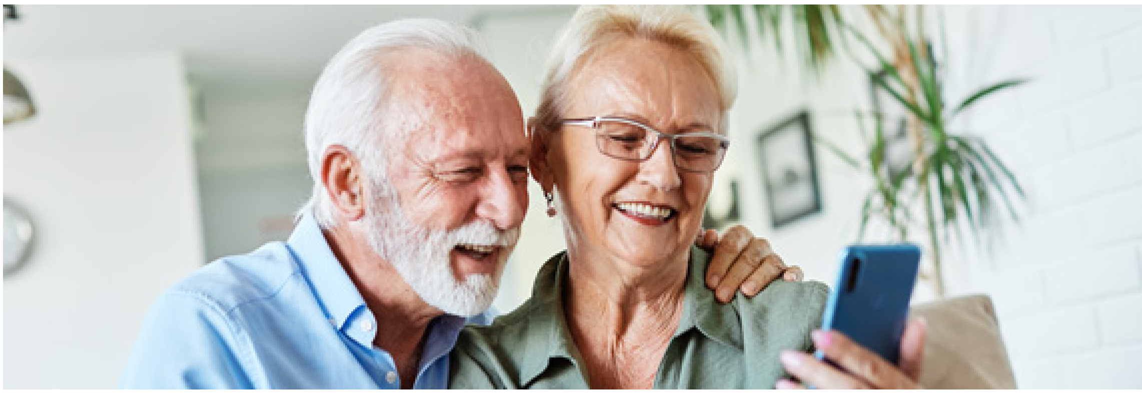
In the study "Bargaining Models, the Quality of Work and Rent Sharing in the Era of Digitalisation," WeLaR researchers investigated whether technological change degrades job quality by pushing employees towards atypical employment, such as part-time and fixed-term contracts, thereby negatively affecting their financial security. They also examined whether rent-sharing mechanisms and the way workers are organised can mitigate the potential negative effects of technological change on employees.

To answer these questions, Venturini and his co-authors extracted data from databases including KLEMS, SES, and OECD, and analysed how investment in software impacted the share of part-time and fixed-term employees in 18 industries across 14 European countries between 2006 and 2018.

The study found that digitalisation does not impact the share of fixed-term jobs in total employment, contradicting the fear that more technology leads to an increase in temporary work. In addition, stronger wage coordination correlates with a lower incidence of fixed-term contracts.

The authors also found that industries with higher software usage, such as publishing, telecommunications and professional services, reported lower levels of part-time employment. This trend was even more pronounced in countries with strict wage-setting regulations.
"Our research suggests that when digitalisation takes place in a context of robust wage coordination, there is an even stronger increase in job stability," said Sem Vandekerckhove, co-author of the study and researcher at HIVA KU Leuven.

The study's findings emphasise the relevance of wage coordination in the digital age. While digitalisation alone may not improve all aspects of job quality, it can affect employment conditions positively. The study suggests that when paired with the right policies, digitalisation may enhance job stability rather than undermine it.
The paper is available here.



WeLaR study: EU workers willing to pay more for portability in voluntary pension schemes

Workers are willing to pay higher fees in exchange for the ability to move their pensions among different countries in the European Union, according to research by the EU-funded Project WeLaR.

The study aimed to understand how EU citizens engage with the pan-European Personal Pension Product (PEPP), a voluntary retirement scheme that complements state-based and occupational systems. PEPP's unique portability scheme allows workers to maintain their pension plans and provider even after relocating to another EU member state.

"The idea behind PEPP was to address growing mobility and the rise of atypical jobs," says Mikkel Barslund of KU Leuven, a co-author of the study. "Our data shows that people who work in an EU country other than the one where they were born are less likely to save in voluntary pension plans."

New data indicates a significant increase in mobility within the EU27, with projections suggesting a continued rise in mobile workers. Increasing numbers of EU citizens spend more than five years employed in another country, which highlights the need for accessible portable pension products.

The WeLaR researchers used data from European surveys such as SHARE, EU-SILC, and HFCS, along with their own survey of workers in Luxembourg, including cross-border employees. The WeLaR questionnaire found that respondents are willing to accept an additional 3.6% reduction in pension benefits in exchange for portability. Additionally, mobile sub-groups, such as non-homeowners and younger participants, demonstrated a higher tolerance for increased management fees.

"Our study aims to inform policymakers on how to design these schemes effectively," says Thuc Uyen Nguyen-Thi of the Luxembourg Institute of Socio-Economic Research, a co-author. "As people become increasingly mobile and hold temporary jobs with limited access to national pension schemes, it is crucial to ensure they can save for their retirement."

The research also revealed varying levels of investment in voluntary pensions across member states, dependent on the national development of voluntary pension systems. Austria, Belgium, Germany, and Luxembourg reported the highest shares of voluntary pension contributions, while Lithuania, Malta, Poland, and Slovakia exhibited the lowest shares of contributions.

Among the key factors influencing workers' decisions to contribute to supplementary pension plans, the researchers identified age, gender, nationality and occupational skill level. The study also reveals a complex relationship between technological change and participation in voluntary pension plans, and shows that the impact of technological change on women's financial decisions is not uniform. Women tend to reduce their contributions to voluntary pension plans when they perceive that technology is modifying their job tasks. However, when technology actually replaces their tasks, they are more likely to increase their voluntary contributions. This suggests that women view task-altering technological changes as threats to their job security, prompting them to seek financial security for the future through pension planning. The researchers did not find significant evidence of a similar effect among men.

"Income is the main determinant of additional pension contributions, so we need to have pension products that will be affordable for people such as those in lower-paying occupations, part-time workers, and workers on temporary contracts," says co-author Aleksandra Anić of the University of Belgrade. "This will allow Europe to respond effectively to population ageing in the context of increasing automation and mobility of workers between EU countries."

Anic, A., Barslund, M., Ivkovic, I., Martin, L., Milinkovic, A., Nguyen-Thi, U., Olivera, J. (2004). Pan-European pension plans as a way to cope with the risks of ageing, automation and new forms of work, 2024. (Deliverable D6.1). Leuven: WeLaR project 101061388–HORIZON.
The study is available here.

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