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WeLaR Newsletter

Issue #10 / March 2025

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From the Editors

With the arrival of spring, WeLaR is entering an exciting and busy phase. As we approach the final months of our project, our team has been working hard to publish results and prepare for our final conference.

In recent months, WeLaR researchers have completed a wealth of studies. This edition offers a preview of our latest papers, which examine the effects of globalisation, automation, and carbon policies on inequality and employment. Our research also explores trends in remote work, the factors driving in-work poverty, and the crucial role of skills in helping young unemployed individuals enter the workforce. Alongside these insights, we provide a range of policy recommendations to support more inclusive and sustainable labour markets.

We invite you to take part in the WeLaR Final Conference in Brussels. If you're a researcher eager to contribute, don't forget to submit your abstract before the March 14 deadline.

As always, we welcome your thoughts and feedback. Stay connected with us via our website and social media channels - and get ready for an eventful and inspiring few months ahead!

The WeLaR Team

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Upcoming events

14 March: Abstract deadline for WeLaR final conference

18 March: WeLaR Foresight Workshop

12 June: WeLaR final conference - *The Effects of Digitalisation, Globalisation, Climate Change, and Demographic Shifts on Labour Markets and Welfare States in the European Union*

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 final conference on labour markets and welfare states in the EU

The project WeLaR is accepting papers for its final conference, "The effects of digitalisation, globalisation, climate change and demographic shifts on labour markets and welfare states in the European Union," to be held on 12 June 2025 in Brussels.

The deadline for submitting papers or extended abstracts is **14 March 2025**. Submissions should be sent to **Laurène Thil** at laurene.thil@kuleuven.be.

The conference will examine how four megatrends drive structural transformations in the labour market, influencing skills demand, job quality, and working conditions. It will also look into the social implications, including effects on inequality and well-being, as well as their impact on welfare states, preferences for social protection, and public finance.

Keynote Speaker:
Francesco Vona, Full Professor in the Department of Environmental Science and Policy at the University of Milan, will be the keynote speaker.

Themes:
We welcome contributions from researchers across all social science disciplines, particularly those addressing:

- Heterogenous labour market and distributional impacts of these megatrends
- Work-related migration and skills
- Spatial convergence/divergence
- Inequalities and intersectionality
- Technology, skills and human capital
- EU economic governance, trade
- Social policy, social protection systems

Contributions combining two or more megatrends are especially encouraged.

Opportunities for PhD Students and Early-Career Researchers:
PhD students and early-career researchers are highly welcomed. The conference will include a poster session, with a prize for the best poster presentation.

You can find further details here.

WeLaR Research

Automation raises long-term joblessness risk for older, less educated Europeans

Automation technologies and other forms of digitalisation make long-term unemployment and inactivity more likely across Europe, with older and less-educated workers most affected, a WeLaR paper found. To respond, the researchers recommend targeted policies that promote lifelong learning and invest in workers' skills and adaptability.

The study, "Aggregate Megatrends and the Risk of Labour Market Exclusion Across Europe," examines how four key megatrends – digitalisation, globalisation, climate change, and demographic shifts – influenced labour market exclusion in the EU27 countries and the UK from 2009 to 2019. Labour market exclusion is defined as long-term unemployment and inactivity, conditions that marginalise individuals.

Among the megatrends analysed, digitalisation proved to be the most significant contributor to labour market exclusion. A 10% increase in automation-related patents corresponds to a 0.12 to 0.24 percentage point rise in long-term unemployment, the study found. Similarly, the implementation of advanced manufacturing technologies leads to a 0.22 to 0.79 percentage point rise in inactivity rates. Older, less-educated male workers are the most vulnerable to these changes, underscoring the need for tailored policy interventions.

Read the full paper here.

Davide Castellani and Fabio Lamperti (2024) Aggregate megatrends and the risk of labour market exclusion across Europe, 2004 (Deliverable D4.1). Leuven: WeLaR project 101061388–HORIZON.

Offshoring and technology raise atypical employment across the EU

Offshoring and technological change are reshaping European labour markets, driving a significant increase in part-time, temporary, and other involuntary atypical jobs, according to a new study from Project WeLaR.

The paper, "Offshoring, Technological Change, Labour Market Institutions, and the Demand for Typical and Atypical Employment in Europe," examines how the expansion of global supply chains, offshoring, and the diffusion of new technologies (robots; information and communications technology; and databases) impact employment in the European Union. Using data from 2009 to 2018 across EU countries, researchers found that atypical work, defined as temporary or part-time employment, is becoming increasingly prevalent in both manufacturing and services.

Offshoring was found to increase the number of atypical jobs in the short term across the economy, while reducing total and typical employment in the manufacturing sector over the medium and long term. Technological change, especially advances in communication technologies, has boosted overall and atypical employment. But robotisation has displaced typical jobs over time, with more pronounced effects in the older EU15 member states than in the EU13 countries.

The findings also highlight the vulnerability of specific groups, with women and younger workers disproportionately affected by increases in involuntary atypical employment due to automation.

The study also underscores the critical role of labour market institutions, such as employment protection legislation (EPL) and trade unions, in shaping how these trends play out. For instance, strong unions can mitigate the negative effects of automation by protecting workers from displacement. Stricter EPL, while protecting some workers, can amplify negative outcomes for others, such as those in typical jobs, particularly in countries with strong temporary contract protections.

Read the full paper here.

Sandra M. Leitner, Piotr Lewandowski, Alireza Sabouniha and Wojciech Szymczak (2024) Offshoring, technological change, labour market institutions and the demand for typical and atypical employment in Europe (Deliverable D4.2). Leuven: WeLaR project 101061388–HORIZON.

Automation to deepen inequalities in the EU in the absence of strong welfare states

Automation will transform jobs and income across Europe, but its impact will not be felt evenly, according to a study by Project WeLaR. Countries with robust welfare policies are likely to see less inequality and a smaller decrease in disposable income, even in scenarios when automation advances quickly.

The research, "Automatisation and basic income: distributional implications for selected European countries," explores how automation could transform employment across European countries by 2030. Using EUROMOD, the European tax and benefit microsimulation model, and data from the European Union Statistics on Income and Living Conditions (EU-SILC), the study simulates changes in employment, income, and inequality under two different scenarios of 1) slower uptake of automation and fewer job losses, and 2) rapid automation adoption and larger job losses.

The findings reveal that automation reduces average disposable income across all scenarios, with substantial national variations. France experienced the smallest income reductions—1.7% in the slow automation scenario and 2.8% in the rapid automation scenario—due to relatively modest employment disruptions. Conversely, Spain and the Czech Republic faced sharper declines of 3.3% and 3.6% in the slower automation uptake scenario, and 5.0% and 5.7% in the rapid scenario, reflecting larger job losses in high-risk sectors like manufacturing and machine operation. Romania saw the steepest drops, with disposable income falling by 4.2% in the slow automation scenario and 6.8% in the rapid scenario.

Authors also found that automation increases income inequality in all countries, as reflected by rising Gini coefficients. The smallest rise occurred in the Czech Republic and France, where inequality was already low. In contrast, Romania experienced the largest rise, reflecting its higher pre-existing levels of inequality.

The study also tested a policy experiment replacing existing unemployment benefits with a form of Universal Basic Income (UBI). This policy distributes a fixed benefit, equal to the average unemployment payout, to all unemployed individuals regardless of prior earnings. The study showed UBI reducing poverty and inequality in France and Romania, even in the rapid automation scenario, but having mixed impact in Spain and Czech Republic.

The study also uncovered the effects of UBI on women workers. The reform in the Czech Republic and Spain decreased the number of single women participating in the labour market, particularly in scenarios involving rapid automation.

Read the full paper here.

Nizamul Islam, Marko Vladisavljević, Jelena Žarković (2024) Automatisation and basic income: distributional implications for selected European countries. (Deliverable D6.4). Leuven: WeLaR project 101061388–HORIZON.

Digital skills hold the key to tackling Europe's youth unemployment crisis

A staggering 60% of young people in the European Union who are not in education, employment, or training (NEETs) have very low digital skills necessary to secure stable, well-paying jobs. While many have prior work experience, their past roles often failed to provide them with modern, transferable skills essential for today's job market, according to a WeLaR study.

NEETs currently account for approximately 11% of individuals aged 15–29 in the European Union, though this proportion varies significantly across member states, ranging from 5% in the Netherlands to 19% in Romania. Drawing on data from the 2022 Labour Force Survey, WeLaR researchers examined differences in occupations and skill usage at the workplace between NEETs with prior job experience and employed individuals aged 15–34.

The report "NEETs in the digital age" reveals that unemployed young people with prior work experience were mostly engaged in roles that were repetitive and physically demanding, requiring minimal cognitive or digital skills – competencies increasingly valued in modern workplaces. This leaves them with little advantage in the labour market. By comparison, their employed peers were more likely to have experience in jobs requiring digital proficiency, reading, and calculation skills.

The WeLaR study shows that NEETs with low digital skills fall into two groups. The first is lower-educated individuals with a history of physically demanding jobs, predominantly male. The second is better educated, working in roles that demand social interaction but still lagging in digital abilities, predominantly females.

Read the full paper here.

Mateusz Smoter and Wojciech Szymczak (2024) NEETs in the digital age. (Deliverable D3.4). Leuven: WeLaR project 101061388–HORIZON.

Targeted family policy, social protection measures can cut in-work poverty

Targeted family policies and social protection measures can play a crucial role in protecting the millions of Europeans who remain financially vulnerable despite holding jobs, a Project WeLaR study found.

On average, from 2004 to 2021, 6% of employed individuals in the EU experienced

poverty, but rates varied significantly across countries. The highest levels were found in Luxembourg, where 10% of workers were at risk of poverty, and in several Central European and Mediterranean countries. By contrast, countries such as Belgium and Czechia reported significantly lower rates, just above 2%.

The study, "Reforms, Labour Market Outcomes, and the Quality of Work", explored factors that contribute to in-work poverty in 25 EU countries. Using the latest longitudinal EU-SILC data, researchers examined transitions into and out of in-work poverty and the effects of a large set of reforms introduced in the period 2006 to 2018.

One of the study's more striking findings is that getting a job after a period of unemployment does not necessarily lift people out of poverty. Nearly half of those who return to work remain in financial hardship, exposing the limits of employment as a route to economic security.

Education can be a powerful shield against in-work poverty. Researchers found that those with higher qualifications are far less likely to struggle financially, as they have better access to stable, well-paid jobs.

Read the full paper here.

Maria Cristina D'Aguanno, Anne-Catherine Guio, Cristiano Perugini, Fabrizio Pompei, Philippe Van Kerm (2024) Reforms, labour market outcomes and the quality of work. An analysis of the drivers of in-work poverty and of the moderating effects of reforms of family policies, labour market institutions and social protection. (Deliverable D5.4). Leuven: WeLaR project 101061388–HORIZON.

Europeans stick to their home countries despite opportunities for remote work

Most workers in the European Union have stayed in their home countries and remained on traditional contracts, despite predictions that remote working would fuel a surge in cross-border work, digital nomadism and self-employment, a study by Project WeLaR found.

The study, "Post-COVID Developments in Remote Work, Migrations, and Self-Employment in the EU", based on data from the EU Labour Force Survey (EU-LFS), found that the overall share of remote work in the EU declined to 10.5% in 2022 from 13.6% a year earlier, signalling a shift back to in-office roles. Around the globe, governments and companies are implementing hybrid work, requiring employees to return to the office for at least some of the time. Earlier, a jump in the share of remote work from 5% before 2019 had fuelled expectations of a boom in cross-border working.

Within the area of work from home, the study found significant regional disparities. Western and Northern European countries, particularly Ireland and Finland, saw the highest increases in remote work, with nearly a quarter of employees primarily working from home in 2022. In contrast, Southern and Eastern European countries, where employment is more concentrated in in traditionally in-person sectors such as tourism and manufacturing, had far lower adoption rates, with Greece, Bulgaria, and Romania recording just 2-3% of workers in remote roles.

Remote work was also expected to boost cross-border employment, but the study found no significant rise in the number of Europeans working for foreign companies while remaining in their home country. The share of employees doing so grew to 0.13% in 2021 from 0.04% in 2019, but by 2022 the figure was already declining again.

The number of digital nomads – those who work remotely from a country different

from their employer's location – increased noticeably after Covid. While digital nomadism has received widespread attention in the media, their overall share in the domestic workforce has not exceeded 0.2% in any EU country except Luxembourg.

Some experts also speculated that remote work would push more employees toward self-employment, as companies might prefer hiring freelancers over full-time staff. However, the research shows that self-employment rates in the EU remained stable at 12.4% between 2019 and 2022, with no major increase linked to the rise of remote work. The authors speculate that remote work opportunities could even improve the relative attractiveness of regular employment contracts.

While countries like Belgium, Ireland, and France saw some growth in self-employment, the report finds no clear evidence that remote work directly contributed to this trend.

Read the full paper here.

Maciej Albinowski and Mateusz Krząkała (2024) Post-COVID developments in remote work, migrations, and self-employment in the EU. (Deliverable D4.4). Leuven: WeLaR project 101061388–HORIZON.

EU needs strong redistribution policy to cushion effects of new carbon rules

The European Union's plan to reach climate neutrality and expand its Emission Trading System (ETS) in 2027 to cover buildings and road transport could worsen economic inequality. Without strong redistribution policies, household consumption – people's ability to buy goods and services – could significantly decline in some regions, a study by the EU-funded Project WeLaR finds.

Climate policies like carbon pricing are crucial for tackling global warming but can have unintended economic consequences, including wider inequalities between household income groups, regions, and EU countries. While the first ETS (ETS1) covers greenhouse gas emissions from the power sector and energy-intensive industries, the second ETS (ETS2) will apply to the emissions from fuels used in buildings and road transport, increasing costs for households.

In their recent report "The Distributional Effects of EU Carbon Pricing", WeLaR researchers from ZEW, IBS, and LISER developed economic models to assess the impact of upcoming ETS policy changes on businesses, workers, households, and the economies of 100 European regions.

The findings show that the extension of carbon pricing could particularly strongly hit regions whose structure of production relies on carbon-intensive manufacturing. Latvia, parts of Poland, and Bulgaria could experience the largest decreases in consumption. Conversely, wealthier regions with more green and diversified economies will be better positioned to absorb the economic costs associated with the transition. Germany, Luxembourg, and Switzerland (whose trading system is linked to the EU's) are projected to see smaller economic losses or even gains.

Carbon pricing will disrupt employment and cut real wages, forcing some workers to change jobs or relocate as higher production costs push businesses to downsize or shut down. On average, real wages could decline by around 5%, with the most affected areas seeing steeper drops of up to 10%. This is likely to drive migration, particularly from Eastern Europe, as affected workers may seek opportunities in stronger economies such as Germany, the Netherlands, and the United Kingdom, which remains outside the EU's emissions trading system.

The study underscores the importance of redistribution to mitigate the negative effects of carbon policies. The EU has established the Social Climate Fund, an instrument for reallocating ETS2 revenues, that can mobilise at least €86.7 billion in public funding from 2026 to 2032. Member States can allocate part of these resources for households' direct income support to tackle the ETS extension's unintended consequences.

The study shows that some countries will see welfare gains, mainly because they will receive a large share of carbon revenues from the first and second phases of the ETS and have relatively low costs for reducing emissions. However, by 2050, nearly all countries are projected to face adverse effects. The impact on households is expected to be even more pronounced. When ETS2 is introduced in 2027, the effects on households' welfare across the EU could vary significantly, from a decrease of around 10% to an increase of 20%.

WeLaR researchers examined how using carbon revenues to fund lump-sum payments to citizens could ease the financial burden of ETS2 on households. They found that this approach could significantly reduce inequality, particularly in countries where such transfers represent a large share of lower-income households' disposable income.

In Poland and Spain, for example, such payments would raise the disposable incomes of the poorest households and narrow economic disparities. However, in countries like France, where carbon tax revenues are lower, transfers may not fully offset rising living costs resulting from ETS2.

Read the full paper here.

Marek Antosiewicz, Michał Burzyński, Piotr Lewandowski, Joël Machado, Sebastian Rausch, Jakub Sokołowski (2025) The Distributional Effects of EU Carbon Pricing. (Deliverable D4.5). Leuven: WeLaR project 101061388–HORIZON.

WeLaR event

WeLaR webinar examines the drivers of in-work poverty in Europe and potential policy solutions

The WeLaR webinar "In-Work Poverty in Europe" brought together 37 participants to investigate the key drivers of poverty among working Europeans and explore the role of social, fiscal and labour market policies in addressing the issue.

Hosted by Università degli Studi di Perugia on 21 February 2025, the event opened with a welcome and introduction by Cristiano Perugini (UNIPG) and featured five presentations, followed by a lively discussion and exchange of ideas.

Anne-Catherine Guio (LISER) presented preliminary findings on what drives in-work poverty and how European workers move in and out of it. Her research shows that countries with similar in-work poverty rates may experience different types of transitions. People with low education, those in low work-intensity households, and individuals facing major life changes are at a higher risk of falling into poverty.

Anna-Magdalena Schwarz (Central European University) examined the gendered nature of in-work poverty in Europe, revealing that traditional poverty indicators often fail to

capture women's financial vulnerability. While household income dynamics primarily shape men's in-work poverty, women are more likely to experience individual poverty, which is often masked by household-level assessments.

Daria Popova (ISER, University of Essex) showed that the model of activating individuals into employment fails to reflect women's reality – part-time work, unpaid care, and the gender pay gap. Her analysis finds that only 1 in 3 women fit this model. Inactive and unemployed women are especially vulnerable to poverty, and even those with the same jobs as men face higher risks due to the gender pay gap. Taxes and social insurance disproportionately impact women in atypical jobs, increasing their poverty risk. Social benefits provide some support but are often insufficient, especially for unemployed, inactive, and self-employed women.

Fabrizio Pompei (UNIPG) presented findings from the WeLaR paper on in-work poverty in Europe and the impact of labour market and social policy reforms. He argued that family policies should be prioritised to tackle in-work poverty, with the strongest effects linked to reforms of paternity leave and non-gender-specific leave policies.

Ive Marx (University of Antwerpen) emphasised that in-work poverty is primarily a household work intensity issue, meaning solutions should focus on increasing overall household employment. While raising minimum wages as high as the labour market can sustain without adverse employment effects is important, it must be complemented by other measures. Keeping taxes and social security contributions low can help ease financial strain on low-income workers, while (quasi-)universal child benefits provide a crucial layer of income support for both working and non-working families.

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Funded by the European Union

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