

Is there a “substitution effect” in public expenditures for labour market? A multidimensional analysis from 1990 to 2010

Abstract: Over the last decades EU strengthened the process of economic integration and promoted a deep change in the social protection for labour market. The EES, inspired by the principles of “activation” and harmonization of the social expenditures, influenced directly the domestic policies of the EU countries (Armingeon, 2007). Following the existing literature (Tanzi and Schuknecht, 2000; Starke *et al.*, 2008; Ferreiro *et al.*, 2013; Van Vliet and Koster, 2011) this paper aims to analyze the changes in social public expenditures concerning the labour market programmes among the EU15 countries, considering both Active Labour market and Unemployment public expenditures from 1990 to 2010. Exploring the change in the relative effort during time, this work extends the period analyzed in previous studies and deepens the existing literature by methodology and results. Because of the complexity of the social protection system, the empirical analysis is based on multidimensional analysis (ACP- Principal Component Analysis and CA-Cluster Analysis). Those instruments allow us to test if the emphasis on the “activation” in the supranational strategies has driven a sort of “substitution effect” between passive and active programs.

Keywords: welfare state, labour market programs, Europe integration, multidimensional analysis, cluster analysis, EES, activation, substitution effect, models of expenditure