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Does flexicurity work in economic crises?

Introduction

The global financial crisis may be seen as a stress test for the different ways to organise labour market adjustment in times of crisis. Different theoretical views are associated with these different ways that predict certain outcomes. For example, for those supporting the "flexibility of the (labour) market paradigm" the market forces will, with a time lag, repair the initial disequilibrium on the labour market, which was caused by the shock of the financial crisis. Government intervention is either detrimental or at best marginally and temporarily helpful. For those supporting flexicurity the adjustment pattern is different: while the market forces call indeed for labour force adjustment, the preferred way (at least in the traditional proposition along the lines of the Danish golden triangle with loose employment protection, generous unemployment benefits and active labour market policies) is to resort to lay-offs, but apply a consequent package of social protection to those having lost their jobs. As a large part of the adjustment package is "activated", reintegration into the labour market will follow. A third approach, which is usually negatively described as the "rigidity on the labour market" model in the "orthodox" labour economic literature.[12] The theoretical assumptions are that these systems react slowly to a shock, initially maintaining employment levels, followed by sustained labour market problems and raising unemployment in the medium and long term as well as by segmented labour markets.

Other theoretical approaches (such as the transitional labour market and to some extent also the capabilities approach) correspond to a wider set of propositions with a view that if the right policies are applied, risks on the labour market can be avoided or at least mitigated. As these approaches very much rely on the individual and their (collectively ensured) rights there is as yet no clear-cut proposition on how to treat a shock such as the great recession's impact on the labour market apart from proposing the usual instruments (generous unemployment benefits, active labour market policies and forms of internal adjustment that could even be applied counter-cyclically such as training). This again with a view that such measures should be applied in an intelligent manner for

[12] With some exceptions, for example Agell (1999), who talks about the benefits of rigidity. There are however attempts to classify these countries in the comparative international political economy that focus on whole country socio-economic systems. For Hall and Soskice (2001) such a "variety of capitalism" with strong institutions come under the label of "coordinated market economies" or for Esping Andersen (1996) under the label of either social-democratic (or conservative for some of them) and/or continental countries. The positive view of Hall and Soskice and also Michel Albert (1993, who introduces the Rhenan variant) on these systems is not shared by Esping-Andersen who talks about the "frozen continental European welfare states" (Esping-Andersen,1996:introduction).

preparing the future and rendering the system less vulnerable to future shocks. (For more on these different approaches see Auer and Gazier (2008) and Gazier (2010) and Schmid (2010), the latter two being papers presented for this symposium).

This paper will narrow the focus to labour market adjustment in times of crisis in the Europe15 and thus primarily discuss the assumed adjustment capacities inherent in the different labour market adjustment systems of Europe15. Here we find a variety of systems. These may loosely be called flexicurity (including the Scandinavian and Continental European variant), flexibility (Anglo-Saxon), the coordinated/rigid Continental and Southern European types of adjustment. Thus, this paper will leave aside the interesting question whether the US employment system, the model for all apologists of flexible labour markets, will do better than Europe[13]. It also leaves aside the question of what happens in the new member countries with unemployment rates varying from a low of 6.2% in Slovenia to more than 22% in Latvia (Eurostat data for March 2010) as there is almost no experience to cluster countries in terms of socio-economic models, as it is quite common in Europe15[14].

However, while this variety will be discussed briefly, the ultimate focus of this paper is to compare labour market adjustment in just two countries –Denmark and Germany- whose institutional setup on the labour market may either be viewed as two opposing forms of flexicurity or as a form of (coordinated/rigid) adjustment versus flexicurity. If we accept the latter one could possibly show that “flexicurity” has come to its end as a major labour market reform paradigm. At least, it will strategically depend on the ingeniousness of the defenders of “flexicurity”, not least the European Commission, to integrate all these forms into one concept, without making it into a “catch-all” motley collection that allows the most contradictory reforms under its wide umbrella. This would lack the clear focus and blueprint nature required for guiding member countries and for introducing at least some form of convergence in labour market reforms throughout the Union.

Which institutional set up works in the crisis?

The essential question then is, whether flexicurity countries, with labour market institutions and policies that support a behaviour relying on lay-offs, generous social protection of the unemployed and on active labour market policies for their reintegration (which is the classical version of flexicurity as suggested by the Danish model) will survive the big shock of the crisis better than counties that have relied more on stringent employment protection, combined with internal adjustment measures, such as Germany? Of course there is a big caveat to this question as without a clear end of the crisis on the table, the wisdom of hindsight cannot yet be applied.

[13] In March 2010, the US unemployment rate stands at 9.7% after having reached a recent peak of 10% and is therefore near to the EU 27 level of 9.6% (unchanged from the previous month but up by 1,1 percentage points compared to a year earlier).

[14] An urgent task for research, an attempt based on principal component analysis is presented in Auer and Chatani, 2010 in this conference.

Before focussing on the two countries standing for the above it can be instructive to show the unemployment performance of country clusters[15] between March 2008 and March 2010.

Table 1: Unemployment developments: March 2008 to March 2010[16]

Country clusters	Unemployment rate March 2008	Unemployment rate March 2010	Change 1:pct 2:pts	M/F Diff. March 2008/ 2010 Pts.	Youth unemployment March 2008	Youth unemployment March 2010	Change 1:pct 2:pts
Flexicurity	4.3	6.9	58 2.5	+0.8 -1.0	11	16.3	48 5.3
Continental	6.6	7.8	18 1.2	+1.0 +0.8	15	18.6	24 3.6
Southern	7.9	12.2	54 4.3	+4.1 +2.7	16	24	50 8.0
Anglo-saxon	5.2	10.5	102 5.3	-2.3 -5.0	12.5	24	90 11.5
US	5.1	9.7	90 4.6	-0.2 -2.1	11.4	18.8	64 7.4
Germany	7.4	7.3	-1 -0.1	+0.2 -1.3	9.9	10.0	1 0.1
Denmark	3.0	7.6	153 4.6	+0.8 -2.1	7.0	14.2	103 7.2

Flexicurity: DK,NL,(AT),FI,SE; Continental: BE,FR,LU,DE; Southern: IT,ES,PT,EL; Anglo-saxon: IE,UK Source: Eurostat press releases 61/2009 and 59/2010 calculation by author

Table 1 shows that flexicurity countries still have the lowest unemployment rates, but they experienced much stronger increases than the continental cluster. Only the "Anglo-Saxon" flexibility cluster (just as the US) had higher increases, which are particularly due to developments in Ireland.The gap between the unemployment rates of the continental and the flexicurity cluster has narrowed in the crisis from 2.3 percentage points to 0.9 points. The Nordic EU flexicurity countries (Sweden,Finland and especially Denmark) have endorsed strong increases.

[15] Clustering as presented here stems from work in progress. It follows the clustering in Auer (2010) that is based on 8 variables that are proxies for flexibility and security. More sophisticated clustering may reveal some changes. For example in the principal component analysis (Auer/Chatani, 2010) Austria (classified here as a flexicurity country) was grouped with the continental cluster, but also there it is very close to the flexicurity cluster. Establishing cluster borders in quantitative clustering entails often some arbitrariness, especially for cases near a cluster border and varies marginally with variables considered.

[16] Eurostat (ILO) definition based survey unemployment rates are used. For Denmark, Madsen (2010) notes a growing discrepancy between national administrative and international comparative survey data of unemployment. The growing gap is interpreted as a rise in the number of unemployed not covered by the insurance system. This needs to be followed up, as good coverage is part of flexicurity.

One of the aims of flexicurity is also to avoid segmentation, particularly among insiders and outsiders of the labour market. As a very rough and incomplete proxy for the insider-outsider problematic one may use the development of youth unemployment. Table 1 shows that youth unemployment has increased more dramatically in the flexicurity cluster, than in the continental cluster, especially in the Nordic EU countries. While demographics may play a role here (e.g. alleviating supply pressures in Germany) the increase shows that there seems to be no advantage for outsiders in the flexicurity countries in times of crisis[17]

Table 1 gives also an indication on how women's unemployment is affected by the crisis. The 5th column in the table shows the differences in male and female unemployment rates between March 2008 and March 2010: all clusters show that women have been less affected by the crisis than men in terms of unemployment (positive values signify higher rates for women, a decline in positive rates or negative rates lower rates for women). For example, before the crisis, in average across the countries of the flexicurity cluster, women had a 1 percentage point higher unemployment rate than men, while in March 2010 they have a 1 percentage point lower rate. Such a pattern can be seen in all clusters. In Denmark women now have, despite also registering a rise, a rate that is lower by 2.1 pts. than the rate of men (6.5 compared to 8.6 for men while in March 2008 the unemployment rate was 2.7 for men, but 3.5 for women).In Germany women now have an unemployment rate that is 1.3 percentage lower than the rate for men.

However, unemployment is only part of the picture. Taking a closer look at two countries standing for opposite adjustment patterns, and also considering GDP, employment and working hours decline, the following picture emerges. Between quarter 2 of 2008 and quarter 2 of 2009, the period which can be considered as the through of the crisis in most EU countries, GDP fell dramatically in both countries, but employment performance diverged quite considerably.

Table 2: Country developments between Quarter 2/2008 and quarter 2/2009 in percent

Countries	GDP growth	Employment growth	Unemployment Rates (May 2009)	Unemployment growth (03/2008-03/2010)	Hours of work
Denmark	-7.0	-2.6	5.7	83 (2.6pts)	-3,1
Germany	-5.9	-0.1	7.7	04 (0.3pts)	-3,1

Source: Hijman, 2009, Eurostat, 2009 for the unemployment rates

[17] Southern European countries have however the highest increases and the highest levels of youth unemployment except for Ireland in the Anglo-Saxon cluster.

Between Mai 2008 and Mai 2009 unemployment has only slightly increased in Germany (about 0.3 percentage point (+4%) to an unemployment rate of 7.7 % in Mai 2009). As table 1 above shows, good labour market performance has continued throughout March 2010 and is estimated to continue as the upswing gains strength. In Denmark, in contrast unemployment has increased by about 80% (2.6 percentage points) and bleak performance has continued with Germany showing in March 2010 lower rates (7.3%) than Denmark (7.6%) for the first time since 1994.

No clear-cut picture on Germany adjusting only internally through working hour reductions and Denmark only adjusting externally through lay-offs emerges from the table. According to Eurostat figures, between Q2 2008 and Q2 2009 both countries have reduced their working hours by 3.1% thus showing that in addition to lay-offs Denmark also uses internal adjustment.

However, there seems to be a problem of measurement here and some of the hours reduction in Germany could have been underestimated by Eurostat data. Indeed Herzog-Stein and Seifert (2010) show that there are several policies for the variation of working time over the business cycle available in Germany, most notably short-time work compensation and working time accounts, which are estimated to be used by about 30% of German firms (other sources indicate even shares of 50%: see Bosch, 2010). The depletion of the positive balance of working time accumulated before the crisis on this accounts and the short-time work compensation schemes are estimated to have saved about 1.2 million jobs between 2008 and 2009.(Herzog-Stein and Seifert, op.cit.). During the global financial crisis “continental countries” like Germany, France but also others considered “flexicurity countries” like Austria or the Netherlands have sometimes strongly relied on employment maintenance measures that have so far prevented lay offs in great numbers or at least mitigated the effects of the GDP decline on employment and unemployment. In Germany in May 2009 about 1.5 million people worked shorter hours under the short-time work scheme (Kurzarbeit). Hours not worked are compensated by the unemployment insurance at a rate of 60 to 67%, sometimes topped up by firms. Average reduction in working time among these short-time workers was about 30% and the measure was strongly concentrated on the metal manufacturing sector, were working time declined by about 4%.[18]

In addition, the government revived a scheme used briefly during German reunification known as training instead of dismissals (Qualifizieren statt entlassen). This scheme subsidizes training during hours not worked for people covered by *Kurzarbeit.* In such cases, the employment service pays full social security contributions and training costs. The European Social Fund substantially contributes to funding the scheme. The scheme is valid through 2010.

Between January and November 2009 about 130 000 short-time workers started training under the scheme. A recent case study of 12 companies showed that the effectiveness of the new training schemes was closely linked to the degree of cooperation between management, the works council and unions, the public employment services and the training organizations. The 12 cases point to a variety of types of training – from formal training leading to certificates for those without vocational training degrees to specific, brief modules adapted to high skilled workers. The case

[18] Federal Employment Service, 2010

studies found that the publicly funded training is helping to address skills shortages that were present before the advent of the crisis (IG Metall, 2009).

A German employment miracle?

What is most striking in table 2 is the difference in the employment reduction/ unemployment increase rates over the period (table 2): -0.1% in Germany versus -2.6% in Denmark with GDP slumping by around 6% during this period in Germany[19] and by 7% in Denmark over the same period. The German "employment miracle" is explained primarily by work-sharing policies accepted by workers and firms alike (Herzog-Stein and Seifert, 2010, Möller, 2010). An argument is also that firms preferred hours reduction to dismissals, because the crisis particularly hit export industries with a need for qualified manpower. There it made much sense in strictly economic terms to maintaining human capital because of high transaction costs of lay-offs and later rehires. Also labour market reforms are cited as possible explanatory factors. (Möller, 2010).

Given the importance of employment protection legislation in much of the labour economics literature and for the whole "flexibility/rigidity debate" one might also ask what role this element of the labour market institutional setup played in the difference of adjustment in both countries. The very moderate decrease in employment and the equally moderate increase in unemployment in Germany have indeed given some credit to labour market adjustment versions that combine stronger employment protection with subsidised internal adjustment possibilities, while the Danish version of looser employment protection with unemployment/activation protection once employees are laid-off –despite coexisting internal adjustment- has produced up to now more unemployment.

It seems that workers in the former case get a better deal than in the latter, as unemployment is avoided, which probably will also weigh on their job satisfaction, motivation and commitment. For firms immediate costs[20] seem to be slightly higher in the former than in the latter case, but gains probably outweigh costs, although no systematic research on this has yet been made. Bosch reports a cost sharing for the German short-time work compensation scheme (for a total of around 14 bn Euros spent in 2009) of 36% for employers, 43% for the Federal Employment Service and 21% for Workers. (Bosch, 2010) Innovative forms of internal flexibility, such as working time accounts are obviously a cheaper alternative. In the loose employment protection/social protection external adjustment variant, the public (or quasi public unemployment system) costs are probably higher depending on wage replacement rates and duration of unemployment, while it seems cheaper for firms.[21]

[19] Or around -5% over the year 2009.

[20] E.g. German firms still bear non wage labour costs for their workers on short-time work schemes, although they are in this recession substantively subsidised. Non wage labour costs are reimbursed in full after 6 month on the scheme or when workers start training. However some costs remain such as for holiday and vacation as well as for fringe benefits (Bosch, 2010)

[21] One should note however, that in Denmark workers may shoulder a considerable amount as unemployment benefits/active labour market policies are also financed by an 8% labour market tax that all employees pay.

Some commentators see no connection between employment protection, internal adjustment and the German "Beschäftigungswunder", simply because in international comparison there is no significant correlation between the OECD Employment Protection Legislation Index (EPL), GDP growth and unemployment (Möller, 2010). However, this would not explain why Germany traditionally prefers employment maintenance to lay-offs, a fact noted in the economics literature already some time ago (Abraham and Houseman, 1993)[22]. And, most notably, employment protection alone is not very significant, given the fact that it measures the paper value of laws that are inconsistently enforced across countries (Boerie, Bertola and Cazes, 2000). Important is also that EPL should usually not be evaluated alone as it is usually complemented by other labour market policies and regulations, in the case of Germany by internal flexibility policies such as working time accounts and short-time working schemes which would make any rigidities inoperative.[23] But there is even more to this: it seems indeed, that there is a connection between employment protection and the forms of adjustment, with countries having loose employment protection recurring easier to lay-offs. Instead in countries with stricter employment laws, firms tend to claim for (and get) policies that allow them to adjust nevertheless, but sometimes in a less costly way for workers. This may not be consistent across all countries but is surely the fact in Germany, France, Austria and others. In former times early retirement played the role of an adjustment buffer, but also short-time work compensation or other institutional arrangements, such as the Italian form of short-time work "Cassa Integrazione Guadagni" (see Auer,1993). One may assume that because of the restrictions of using early retirement, workforce adjustment in the great recession relies more than ever before on internal adjustment.[24]

Too early to assess all advantages and disadvantages of the alternatives?

However, it may still be too early to give a final judgement on the advantages and disadvantages of these alternatives, as the full cycle of crisis and recovery has not yet unfolded and short-time workers may face increased unemployment risk in the future. Also youth unemployment may grow, as employment access could be reduced by job maintenance policies. Theoretically, the insider-outsider model of the labour market (Lindbeck, Snower, 1988)[25] predicts that firms in countries with stricter employment protection, which are using internal adjustment measures for maintaining workers in jobs, would aggravate the employment problems of outsiders. Especially first-time entrants would be concerned by hiring stops or hiring restrictions. While it may be too early to judge how labour market segmentation will increase in the longer term, in the short term countries

[22] Abraham and Houseman note that in a comparison of workforce adjustment between Germany (that prefers hours reduction) and the US (that prefers lay-offs): "Overall, we conclude that German policies have been fairly successful at giving workers more stable employment without inhibiting labor adjustment and without imposing burdensome costs on employers" (p.4)

[23] A fact noted also by Abraham and Houseman who state "In analysing labour market adjustment in Germany, we emphasize that one should not study employment protection laws in isolation, but rather as part of a larger set of labour market policies." (op.cit. p.3) Auer (1993) has also shown, by using the case of Italy that rigid labour laws usually come with alternative adjustment policies that allow adaptation of workforce levels.

[24] Resurrection of the early retirement recession buffer is one of the probable developments in crisis adjustment mentioned (and rejected) by Bruegel (Sapir, 2009:77)

[25] Snower is one of the critiques of the German short-time work programmes use over the longer term (Snower, 2009)

like Germany, Austria and the Netherlands do apparently not face this dilemma in this recession, at least not to the extent of the Southern countries and the Nordic flexicurity countries like Denmark, Sweden and Finland and also the flexible US labour market. (see table 1 above). Relatively good adult/youth unemployment ratios may stem from the dual apprenticeship system existing in these countries, which usually acts as a good bridge to employment in the countries mentioned. In the particular case of Germany the relatively low unemployment rate of youth may also have to do with demographic factors, i.e. a declining (youth) population.

For concluding that flexicurity in its “loose employment protection/generous social welfare” [26] version is not working in time of crisis, it also needs the full business cycle to unfold. While an increase in lay-offs is expected as part of the “easy external adjustment-generous unemployment and active labour market integration”[27] combination of flexicurity, it requires the rapid reintegration into the labour market in the upswing for a complete picture. If such reintegration does not occur, high unemployment rates prevail over a longer time and if long term unemployment strongly increases, the “classical” flexicurity model will probably lose much of its lustre, despite its hitherto good socio economic and labour market performance. As shown above, at the present juncture, not many positive signs for a quick re-absorption of unemployment exist, at least in some of these countries.

Bad performance in times of crisis may not mean the end of flexicurity altogether, but will certainly be the end of the dominance of a particular flexicurity model that relies strongly on external adjustment, albeit protected by good social protection and active labour market policies. Indeed, the massive use of work-sharing instead of lay-offs in the bigger European countries like Germany, France (accounting together for about 40% of EU 15 GDP) gives credit to those who prefer rather strict employment protection for ensuring employment security, combined with subsidised internal adjustment for ensuring flexibility.

This may mean that the Danish model will be buried in the graveyard of socio-economic models, where it will lay in vicinity to other former celebrities like the Swedish model, the Japanese model, the Irish Celtic Tiger model, former versions of the German model and so on while the usually badly noted German model could be resurrected as European alternative to the low employment, low social protection model of the United States.

Mounting critique of flexicurity

Such a development would comfort those who have criticized flexicurity long before the crisis. Indeed, as is more thoroughly shown in the longer paper presented in the conference (Auer and Chatani, 2010), a substantial negative political economy has developed on the term, with critique coming mainly from unions, but also from academia, sometimes critically supporting and

[26] More workers are eligible and covered by unemployment benefits in Denmark than in any other European country. They are also provided with decent wage replacement rates, which however have been cut in recent years. (Ekert-Jaffée and Terraze, 2007, Eiro 2010 b, Madsen, 2010).

[27] Although “generosity” measured in replacement rates and also coverage seems to have declined (see Madsen, 2010)

sometimes outright rejecting the term and its policitcs. Some criticised flexicurity as having a hidden agenda of deregulation and a neo liberal agenda for labour market flexibility and workfare that only paid lip service to security. John Monks, who critically supported the concept, was cited as saying that in parts of the union movement, flexicurity is a swearword. (Taylor, 2008).

Research from all sides criticised among many other issues the imprecise nature of the concept (most), the distance between rhetoric and substantive issues and the fuzziness of the concept (Barbier, 2009), the fact to sell employability as employment security within the concept of flexicurity (Auer, 2007), having a hidden agenda of deregulation and being a trap (Rameaux, 2007, Coutrot, 2008), being socially unbalanced (Keunen and Jepsen, 2007), the non contextualisation of the concept (Algan and Cahuc (2006) and many others) or not considering existing trade-offs between different propositions it includes (Calmfors, 2007).

Also the social partners and the governments, often from the New Member Countries, criticised the concept, especially when it came to some specific version being considered as a model (for example the Danish, considered as being too costly). The Commission's response to the critics was often to open up the definition, with social partners and/or government consent. This ended up in the concept having a catch all shopping list nature full of definitional imprecision. Indeed, under the wide umbrella of the eight "common principles of flexicurity" endorsed by the European Council in 2007 and the no-size-fits-all principle, everything and its opposite seem to have become possible with each country being able to create its own home cooked version of flexicurity. However, this critique may be addressed to European level policy making in general when it is open to discussion with a wide variety of actors like in the social policy and employment field, an exceptions seems to be the "hard" economic field. At the same time it makes results of such a discussion process immune against criticism, as it appears inclusive, taking into account critical comments at the expense of further blurring the concept. This appears as a recurrent dilemma, which is part of the Open Method of Coordination and "soft law" approaches. Lars Calmfors 2007 critique that many trade-offs were swept under the carpet for arriving at what looked like a win-win situation for all is indeed still pertinent.

5. How to organize security in flexible labour markets?

It is probable that the present success of the "strict employment protection/generous internal adjustment model" will shift the preference and give more regard to internal flexibility, but one can fear that it will not be leading to a substantial debate on the role of employment security for worker's welfare, motivation and firm's productivity and competitiveness which was always at the core of the flexibility and rigidity debate.

However, there is a need to fix the conceptual framework of flexicurity: especially urgent is to address a flaw in the European Commission's interpretation of the historical development of security on labour markets, which comforts the "hidden agenda" critique mentioned above. The EU Commission, following on Wilthagen and Tros (2004) contends that "the main thrust of the EU recommendation on flexicurity is to encourage a shift from job security towards employment security" (as cited for example in Employment in Europe, 2006, chapter 2:8). Job security is defined as a job with a single employer and employment security as the potentiality to hold jobs with multiple employers, i.e. employability security rather than employment security. [28] And the problem with selling employability as employment security is that it sells a potentiality (possible access to jobs) for a fact (holding a job).

However, in line with the usage of job and employment security in industrial relations and labour economics, *job security* is related to the probability of workers retaining employment in their **current job**, and *employment security* to retaining a job with their **current employer** (Büchtemann, 1993). Marsden commented on this by stating that the: "permanency of employment in a particular job is clearly much more restrictive than in one's current firm since the latter allows the possibility of redeployment to other work." He added that: "in practice, most collective agreements which protect workers in the event of lay-offs relate to employment rather than job security" (Marsden, 1995:13).

While for the Commission the shift between job-and employment security is new and remarkable, one can demonstrate that the shift from job- to employment security has already happened in the 1980s. It was at that time, that job security was gradually replaced by employment security. The blueprint for such a move was the then applauded Japanese labour market system, which associated strong employment protection with low job protection, or in other words, combined a high degree of external rigidity with high internal flexibility[29]. And as Agell (1999) and Storm and Naastepad (2007) found, such external rigidities may be a security plank in volatile labour markets and also weigh positively on companies' productivity, as Auer, Berg and Coulibaly (2005) have demonstrated.

Real employment security should indeed be the anchor of all employment systems and increasing the number of good and stable jobs should be the aim and a temporary or permanent end-point of all successful transitions on the labour market. The crisis should have made clear that such good jobs are conform to good productivity as well.[30] For example transiting from employment to training and back should indeed result in better careers in stable jobs. Being the anchor does not mean that all access stable jobs and stay on them permanently, there is much voluntary mobility in a labour market anyway[31], and much involuntary mobility also. There are some good arguments for temporary and part-time jobs as well and next to nobody wants total stability of the employment

[28] Indeed, a report aiming at measuring employment security following on the definition of Wilthagen and Tros (2004) uses –in the absence of any other measure of this kind of potentiality- employability (an indicator based on education and training and skills acquired through job and task rotation) as a proxy for employment security (Pacelli et. al 2008).
[29] Marsden describes the standard indefinite employment contract as the one giving the most flexibility to employers, because it means flexible deployment of the worker in exchange for employment security (Marsden, 1999).
[30] The stricter employment protection/internal adjustment pattern is prevalent in the highly productive German export sector. And we have shown formerly that stable employment patterns still prevail in most of Europe and tend to increase in parallel to marginal increases in flexible jobs, a sign that they can accommodate –and are sometimes a condition for-good economic performance .(Auer and Cazes, 2003)
[31] A feature of most labour markets in developed countries –apart from recessionary time- is that voluntary quits are more numerous than involuntary quits. And very often, except in times of crisis, employers are faced by retention rather than redundancy problems. This could be one of the underlying factors in present job maintenance policies.

contract, which in open economies is anyway impossible and is not desirable for workers and firms alike. However, the open ended contract should remain the norm of the employment system as from it stem many of the social rights that make work decent. Günther Schmid's theoretical thought experiment around the contract of the civil servant as being the one giving flexicurity and security does not make it in to the ultimate blueprint for the future labour contract (see Schmid, 2010 submitted for this symposium) but adaptation of the principle with possibilities of dismissal on serious grounds (as in all labour contracts) and a maximum of people on reliable contracts would certainly be a way to decent work. Not only employees would benefit: Marsden describes the standard indefinite employment contract as the one giving the most flexibility to employers, because it means flexible deployment of the worker in exchange for employment security. (Marsden, 1999). This means inter-alia that such contracts support internal flexibility.

But to be clear also, whatever emerges as the next necessarily temporary "ideal-typical" labour market adjustment model (if we need another at all), it cannot be based on internal, company based security alone. It needs to be complemented by security coming from other sources and is thus based on broader and more resilient shoulders in order to allow full participation in decent jobs for as many as possible and also for allowing fulfilling careers.

But the decisive and critical shift that we observe today is not from job- to employment security, but from employment security towards what can be called labour market security[32]. Labour market security implies that security for workers in today's labour markets cannot stem from job-and employment security alone, while these securities form the base of efficient economies. But they have to be complemented by additional layers of security. Seen from the perspective of the life-long professional trajectory of an individual, labour market security will consist of a combination of employment contracts with one (and over the life course several) employers plus periods of non-work such as unemployment, family duties or training, or partial work such as part-time and short-time work, during which income and employability are at least partially maintained. Preferences of people for (real and not potential) employment security should be taken into account, with good transitions on the labour market being those allowing access to decent long term jobs at the end of the day. The transitional labour market school (Auer and Schmid, 1998, Schmid and Gazier, 2002, Schmid, 2009, Rogowski, 2008) has laid some groundwork for analysing good transitions. Employment security with internal adjustment flexibility and protected external transitions for those needing it, are the two sides of labour market security in flexible labour markets. This may read as flexicurity, but indeed has another focus. Flexicurity aims at (protected) flexible labour markets, while labour market security (and policies following the transitional labour market approach) aims at a maximum of good and decent jobs.

[32] Note that the term labour market security here is not the same as the one used in "Economic security for a better world" (ILO, 2004). There it is a labour market state "where supply approximates demand" (2004:113). Our definition is based on labour market institutions, (employment and social protection), which support such good labour market performance, including social protection that allows for adjustment flexibility such as short-time work or vocational training.

Because of its usually good labour market performance up to the crisis, there is a comeback chance for the Danish welfare model. It still features high labour market inclusion, low poverty and working poverty and a high share of good jobs, supporting Madsen's (2010, Paper prepared for this symposium) conclusion that it will survive or be resurrected. But before this, one has to go back to the drawing table, analyse the teachings of the crisis and design forms of effective internal adjustment, and the German experience allows some insights into this.[33]

In guise of a conclusion: What will (can) the Commission do?

As the Commission is one of the main drivers of the concept of flexicurity, in conclusion one should debate the European Commission's options for labour market reforms in the aftermath of the crisis and its new 2020 agenda.

In June 2009 the European Council issued a conclusion on "Flexicurity in times of crises" where it maintained the concept and asserted that "as an integrated strategy to enhance both the flexibility and the security of the labour market and to support those who are temporarily outside it, flexicurity is even more important and appropriate in the current difficult economic context characterised by rising unemployment, poverty, segmentation and the urgent challenge of stimulating growth, creating new and better jobs and strengthening social cohesion" (European Council, 2009:2).

In its August 2009 Memorandum to the New Commission, the influential European think-tank Bruegel writes "EU unemployment is likely to peak in 2010. The situation on European labour markets may destroy the most important conceptual pillar of European employment policy: flexicurity" The returns on labour market flexibility will be unusually low in 2010 and the room for extending social protection will also be narrow, as the crisis responses have led to restricted fiscal space. (Sapir, 2009:76)[34]

The supporting statement of the Council for flexicurity, deals in fact already with the danger signalled later by Bruegel. The support note came in a time of mounting criticism of the concept,

[33] A model is anyway never as clear-cut as one would like to have it. Work sharing, sometimes coupled with training or training instead of dismissal are also part of the Danish employment model . And the recent collective bargaining agreement in manufacturing that is usually first in the Danish system of pattern bargaining, has introduced some welfare measures in compensation for low wage hikes, such as two weeks additional parental leave (one for mothers and one for fathers). There was also timid path to more employment security as witnessed by the extension of severance pay to hourly paid workers and the inclusion of employees in the labour market pension system after two month of employment (instead of 9 month earlier).(EIRO 2010 a) For more on the conceptions and misconceptions of the Danish flexicurity system see also: Andersen and Svarer (2007), Bredgaard et.al. (2005).

[34] Despite this Bruegel sees a chance for an ambitious flexicurity agenda based on the conviction of (real economic) return of flexible labour markets for job creation once growth returns. The security side should be tackled by the introduction of a minimum working wage (instead of a minimum wage) e.g an in work benefit for low wage workers. An alternative is to focus on substantive issues instead such as ageing (and thus retirement) and migration (Sapir 2009).

especially from the trade unions and uncertainty of how flexicurity will fare in times of crisis. As often in politics, no empirical analysis supported the statement. However, the Council conclusion reminds of the progress in institutionalisation of the concept: cited are among others the endorsement by the European Council of the "Common principles for flexicurity" in December 2007, the endorsement of the social partners of the concept in the report on "Key challenges facing European labour markets" in October 2007, the endorsement (with a long list of amendments) of the European Parliament of the Common principles in November 2007 and the results of the high level Mission (led by the French labour minister of the time Gerard Larcher) on flexicurity from December 2008. In fact, the Commission has invested so heavily in this concept and has anchored it successfully in the European political institutions that it seems rather impossible to change it, even if there would be enough evidence against it.

As we have seen above there is some empirical evidence against especially one form of flexicurity, which was up to now the dominant one: a flexible labour market with generous social protection to shield people against the volatility of employment and income that comes together with flexibility. Unions have seen this form of flexicurity as an attack on employment security (not employability, see above) in the absence of a tightly knit safety net with real income and social protection guarantees (which exist in Denmark) in many of the member countries (ETUC, 2007). And as the Bruegel memorandum states, the fiscal space for creating such protection after the crisis is reduced, so that the development of a consequent welfare state in the countries is not yet on the bargaining table, making flexicurity deals in the spirit of the initial version difficult.

This restriction given, the Commission probably has to endorse the stricter employment protection/internal adjustment alternative if it wants to maintain some support from the trade unions and maintain flexicurity. This is visible from the above cited Council conclusion on "flexibility" in times of crisis[35] . Whether former institutionalisation, beginning implementation and research budgets allocated to flexicurity, and inclusion of the stricter employment protection/internal adjustment form of flexibility are sufficient to convince important critics of renewed support, remains to be seen. A much clearer position on the vision of the labour market that should be part of a Social Europe (in my view a maximum of good jobs –and thus also a strong core of stable jobs) and the role of job, employment and labour market security in globalized economies are required.

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[35] "Maintaining employment, where at all possible, for example through helping companies operate alternatives to redundancy such as flexible working patterns and the temporary adjustment of working time, where applicable, and other forms of internal flexibility measures within the companies. This helps mitigate the social impacts of the crisis and preventing the loss of firm-specific human capital. (European Council, 2009)

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