Peter Auer/ Kazutoshi Chatani

Flexicurity: still going strong or a victim of the crisis?[1]

Abstract
This chapter discusses the concept of flexicurity, which emerged as a European alternative to the flexibility of the labour market mantra of the neo-liberal era. Flexicurity assumes that flexibility and security are not necessarily in opposition but can complement each other, if workers in flexible labour markets are protected by effective social and labour market policies. Despite good social, economic and labour market performance in countries like Denmark, which stands as the model for flexicurity, the concept has increasingly been subject to controversy. This has to do with a mix of ideological and substantive matters, such as the "catch-all" imprecise nature of the concept, as well as with the fear that it carries a "hidden agenda" of further deregulation of labour markets, undermining employment protection. In addition, the recession has shown that employment systems that combine stricter employment protection with subsidised internal flexibility appear as an attractive alternative to the "classical" flexicurity pattern of comparatively easy hiring and firing coupled with good and activated social protection. If the former's performance is confirmed over some time, a change in the concept of flexicurity is possible. This would constitute a shift from the Nordic (Denmark) to the Continental (Germany) model of labour market adjustment. However, there is more at stake than just a shift from the external adjustment to the internal adjust model: the opposition of one of the social partners to the implementation of this concept could make it inoperative as a blueprint for further labour market reform.

1.Introduction

Flexicurity has evolved from a buzzword to a serious, institutionalised way of reforming labour markets in the EU. As can be seen by numerous declarations, reports and decisions of the European Commission, the European Council, the European Parliament, The European Economic and Social Council and the European Social Partners, flexicurity has been adopted as a crucial labour market reform package for the labour markets of the European Union member countries. The European Commission[2] does not suggest any particular model of flexicurity, but has developed a set of common principles that were accepted by a ministerial council in late 2007 and has also put forward some ideas on different pathways to reform, adapted to the particular circumstances of clusters of member countries (European Council, 2007, European Commission, 2007).

While there is increasing resistance in some quarters to this broad policy agenda, institutionalisation (integration into the European Employment Strategy[3], specific

---

[1] This paper will appear in: Townsend, K., and Wilkinson, A., (2010) Research Handbook on Work and Employment Relations, Edward Elgar, Cheltenham.

[2] The European Commission functions as a "quasi" European government with restricted power and drives European integration. The European Council (reuniting the head of states and/or governments) and the European Parliament are the two sides of the European legislature. The European Union is today composed of 27 heterogeneous countries with a population of around 500 million people. Nominal GDP per capita in 2008 varied from about 12000 current international U$ in PPP (Bulgaria) to around 79 000 (Luxembourg) (IMF, World Economic Outlook 2009)

[3] The European employment strategy was adopted in 1997 in Luxembourg to promote employment growth and reduce unemployment, but was integrated in 2000 into the so called "Lisbon agenda for growth and jobs". The Lisbon agenda's goal was to transform Europe into the most competitive and the most dynamic knowledge-based economy in the world by 2010,

guidelines and monitoring of guidelines, budgets, research and policy action) provides also some sustainability and large adherence to the concept.

As will be seen below, a broad social dialogue and collective bargaining on a labour market regulatory framework that provides security for workers while allowing for competitive adjustments are fundamental elements of the concept. Indeed, without the participation of the social partners, flexicurity would not even be possible. In opposition to market driven reforms of a neo-liberal kind[4], it is, in principle at least, a thoroughly bargained solution. Therefore, the recent trade-union disillusion with the concept puts it more fundamentally into jeopardy than the European Commission may reckon.

Denmark's "golden triangle" of loose employment protection, generous unemployment benefits and active labour market policies (Madsen, 2002) has served as an ideal typical model of flexicurity, but a model change may be underway.

The present article will provide an overview of the concept and the context from which it emerged, and show the strength and weaknesses of the reform agenda. It will also shortly develop the "political economy" dimension of the term that is after all (and increasingly so) "contested terrain". An empirical analysis will then cluster countries into flexicurity type countries and others types and highlight their social, economic and labour market performance. Before concluding possible alternatives to the highly contested concept of flexicurity are presented.

2.What is flexicurity?

The concept of flexicurity is the outcome of a longer process of discussion on the kind of labour market regulation and policies needed for the labour markets in an era of globalisation. This discussion was very much centred on a comparison between the US (and other Anglo-Saxon) labour markets and European labour markets in the wake of election victories of Reagan and Thatcher in the 1980s. Europe, which was experiencing high unemployment, was considered to be sclerotic and lacking the flexible adaption of the Anglo Saxon countries to the new challenges of globalisation and technological change.

Indeed, most analysts of the labour markets predicted that globalisation and technological change will lead a structural transformation on the labour market and bring about a growing number of flexible jobs and also growing segmentation between regular and irregular workers. It was observed that the regular long-term employment relationship was put in danger by these developments with firms becoming less able than in the past to offer regular jobs to their employees, although the resilience of the long term job was also acknowledged (Neumark, 2000, Doogan, 2008, Auer and Cazes, 2003).

De facto flexibilisation of the labour market in face of a more volatile economic environment led to contradictory policy responses: neo-liberal policy makers and scholars saw the rising trends to unemployment and segmentation as a response to rigidities in labour markets, caused by excessive regulation of wages and working and employment conditions for insiders, who would derive "rents" from such rules (St. Paul, 2000, Krueger, 1974). The situation could be regularized by a stronger homogenisation of labour (a factor of production) through deregulation: when labour

---

when it will be replaced by a new agenda (without having reached its goals, partially because of the crisis). The new agenda's working title is agenda 2020.

[4] E.g. witnessed by the doing business indicators of the world bank (WB 2004-2009)

is flexible (i.e. workers accept “market clearing” wages and are flexibly shifting to jobs in response to labour demand) labour markets would no longer be divided in insiders and outsiders and unemployment would disappear, except for the frictional kind. In such analysis, the labour market is treated just as any other market on which goods, services or financial products are traded, with prices (costs of labour) as main regulator of employment and unemployment. Unions would simply be lobbyists for the interest of labour and push up market wages and job protection, thus hindering labour market adjustment and creating unemployment. When political parties supporting such an agenda came to power in the US, the UK in the 80s and later in New Zealand and Australia, deregulation of all markets, including the labour market, was promoted and partially implemented.

In the view of these economists deregulation would take away the possibility of rents for insiders and ensuing market clearing would also allow outsiders to access jobs. At the end of the day everyone would be better off and the benefits of flexibility in all areas would trickle down to even the most disadvantaged. It is a paradox of economic research, that in particular St. Paul (2000), but also other labour market scholars like Boeri, Conde-Ruiz and Galasso (2007) find in their models that low skilled insiders (which per definition are also low paid) would be the ones benefitting most from the “rents of regulation”.[5]

There was always a strong opposition against these neo-liberal interpretation of labour market distortions and explanations of unemployment both in academia (e.g. Howell et.al., 2007, Freeman, 2009) and in the left political parties and trade unions. However, the opposition, which was in a defensive position as neo-liberal thinking became increasingly dominant, very often just rejected the hypotheses made without engaging in alternatives (except for Freeman, 2009). Often the critics saw only the benefits of regulation and job-and employment security, without also acknowledging some benefits of flexibility. Thus a clear-cut opposition between “regulationists” and “deregulationists” arose. Very schematically, free market liberals and conservative parties often saw regulation, and institutional economists and left parties, in conjunction with unions, saw deregulation as the main culprit for the rise in flexible employment relationships and in unemployment.

A third way

While these debates and policy actions represented two opposing extremes (deregulation and regulation), a new policy agenda arose in opposition to either these views, trying to find a balance between the two sides. This policy agenda of a „third way“[6] reckoned a need for more adaptive capacities of both the economy and the labour market, but also for labour market security, equality and social justice[7]

---

[5] Unfortunately there is no space here to develop a fundamental critique of the whole model’s assumptions like the one that the labour market for the skilled is by definition in equilibrium, while it is in disequilibrium for the unskilled because of their “rents of regulation”. (St. Paul, 2000).

[6] “Put at its most basic the ‘Third Way’ is something different and distinct from liberal capitalism with its unswerving belief in the merits of the free market and democratic socialism with its demand management and obsession with the state. The Third Way is in favour of growth, entrepreneurship, enterprise and wealth creation but it is also in favour of greater social justice and it sees the state playing a major role in bringing this about. So in the words of one of its gurus, Anthony Giddens of the LSE, the Third Way rejects top down socialism as it rejects traditional neo liberalism.(Dickson, 1999)

[7] Antony Giddens became the main thinker of the “third way”, which he saw as a chance of renewal for social democratic parties (Giddens, 1998).

The third way conceptualised “rights and duties” as a moral basis for public spending on social welfare. For example unemployed had a right to receive benefits but had the duty to be “active” and intensify job search, engage in training to improve their employability or even take on temporary (public) jobs, instead of receiving unemployment benefits over the long term. The government had the duty to improve employment services (e.g. the labour exchange) to foresee the creation of enough training places and active labour market policy schemes and engage in the individual accompaniment of the unemployed. Governments had also the right to discontinue benefits for those refusing to comply with this set of policies.

The rights of employers for using flexible forms of employment were enlarged, and one may say that employers were also partially relieved of the important duty of providing strong employment protection to their employees, the state stepping in to some extent. Thus the original version of flexicurity leaned very strongly towards a package that combined more flexibility in hiring and firing and in using temporary jobs, with government supported strong and activated[8] social protection for those changing or losing jobs. In short that was the Danish model of a “golden triangle” linking loose employment protection with generous unemployment benefits and activated labour market policies.

The third way is also much based on a new governance philosophy of the social dialogue and on collective bargaining. It left room for negotiations and preferred bargained solutions to unilaterally imposed policies. Many elements of this “New Labour” concept, exemplified by the UK, were also integrated in and propagated by EU policies.

Flexicurity, as a labour market reform paradigm adopted by the EU Commission, owes something to a “third way”. Indeed hitherto flexibility and security were seen as a trade-off and not as complementing each other. The policies of security, based on moderate employment protection, complemented by active (promotional) and passive (income protecting) labour market policies, were based on a rights and duties and activation approach.

Common principles of flexicurity

It is in this context that flexicurity was borne. The origin of the word “flexicurity” goes back to a Dutch discussion resulting in a law on flexibility and security (Wet Flexibiliteit en Zekerheid) adopted in January 1999. This law made it easier for employers to use flexible forms of employment while it also provided for better protection of workers on such contracts. The term flexicurity became, after a long incubation period and in competition with other words describing more or less the same policies such as “transitional labour markets” or “protected mobility”, the word used for describing the major European labour market reform agenda. Flexicurity was probably chosen because of its appeal as a ‘win-win’ solution accommodating both workers and employers.

The common principles of flexicurity were adopted in late 2007 by the EU Council. It is rather a list of policy areas to be considered in bargaining than a strict definition. Indeed, the common principles are a compromise between different positions, and remain rather unspecific with something as a shopping list and an open bargaining agenda emerging rather than a concise reform product, which could easily be

[8] Based on the notion that it is better to finance active labour market policies and thus work than only unemployment benefits or early retirement and thus non-work.

enshrined in labour law[9]. In this sense, collective bargaining seems indeed to be the only way to design and also implement reforms, underlining the need to have employers, unions and the government on board.

The 8 common principles include items such as a “no-one-size-fits-all” prescription, a response to EU member countries’ fear that everybody has to adopt the (costly) Danish system. Responding to trade union claims, internal flexibility (e.g. adjusting by working hours rather than by lay-off) was also included in the list, as were gender aspects and the claim that flexicurity policies must be financially sustainable. But the main thrust lies in 4 basic principles and a procedural prescription, which are outlined below:

Flexible and secure contractual arrangements and work organisation, both from the perspective of the employer and the employee, through modern labour laws and modern work organisation
*Active Labour Market Policies (ALMP***)** which effectively helps people to cope with rapid change, unemployment spells, reintegration and, importantly, transitions to new jobs – i.e. the element of *transition security*.
Reliable and responsive lifelong learning (LLL) systems to ensure the continuous adaptability and employability of all workers, and to enable firms to keep up productivity levels.

Modern Social Security systems which provide adequate income support and facilitate labour market mobility. This includes provisions that help people combine work with private and family responsibilities, such as childcare.

As a process variable this definition includes:

The involvement of the social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining, with public authorities retaining an overall responsibility.

(Source: European Expert Group on Flexicurity, 2007, European Council, 2007)

As said these principles carry a “philosophy” but are rather imprecise: for example can labour contracts be flexible and secure at the same time? What is the meaning of the adjective “modern” that is often used: modern labour laws, modern work-organisation, modern social security? What is reliable and responsive life long learning? Calmfors (2007) finds that flexicurity tends to sweep many trade offs under the carpet and the common principles look indeed more like a wish list than a concrete bargaining agenda. On the other hand this is probably as far as the European Commission can go in conceptualising a labour market reform agenda, integrating all opinions, but refraining from being specific for not appearing to be too directing.

While social dialogue and collective bargaining are mentioned among the eight common principles, the industrial relations environment that is assumed seems also to be based on wishful thinking rather than reflecting reality in many of the European

[9] A director of the European small and medium sized firm association may probably be right when stating: “I believe that flexicurity is more a concept to discuss current problems in labour markets and social systems than a concrete model to solve something” (Huemer, Euroactiv, 2007)

member countries: “Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders, where all are prepared to take the responsibility for change with a view to socially balanced policies” (Common principles, point 7, European council, 2007).

3. The political economy of Flexicurity

Political Economy is used here in a reduced form, as in OECD (2008) [10] The political economy of reforms (PER) can be defined as “the way in which political and institutional factors influence the design, decision making process, adoption and implementation of reforms” (OECD, 2008 p.1). However, the analysis of PER often serves an even narrower functionalist purpose of overcoming resistance to reform. An OECD Ministerial council meeting’s chair summary concluded “ Several ministers underlined the importance of building domestic coalitions for reform and of using peer pressure and international organisations to inform the public about the need for and the benefits of reforms, particularly in the case of politically difficult issues…..” (OECD, 2008 p.2).

Flexicurity is indeed “a politically difficult issue” with many opponents. Especially unions often see flexicurity as an hidden employer’s agenda for introducing labour market flexibility[11], and such fears tell much about the trust between the European social partners. In low trust environments, the simple fact that employers are more enthusiastic about the term[12] may increase trade union suspicion of such a hidden agenda .

As we have seen above, some economists find that unskilled workers and their representatives are the culprits for blocking (labour market) reforms, in order to save their rents and insider interests. While it is true that some trade unions –in conjunction with left parties -are the most radical opponents of flexicurity-, the

---

[10] Political economy once described the governance of a whole national economy in opposition to the (domestic) economy. The current reduced form is still loosely related to the views of the institutional economist’s school that saw the economy *embedded* in a web of social relations with actors of diverging interest and thus inseparable from the political and social system (Commons, 1934)
However, the modern use of the term has not much in common with those political economists that were interested in the determinants of the “wealth of nations” and its appropriation, like Adam Smith and the other “classical” political economists David Ricardo, John Stuart Mills or Karl Marx.

[11] “The real agenda hiding behind 'flexicurity' simply seems to be the dismantling of job protection, thereby giving employers even more power to press for lower wages and reduce workers' flexibility”. (R. Janssen, Euro-Activ, 2007). In the words of John Monks, the president of the European Trade Union Confederation (ETUC) who noted that in part of the union movement flexicurity is a swear-word , the concerns read more positively as “ To prevent « flexicurity » to become « flexploitation » the Commission should take responsibility for shaping a strong social dimension to the internal market, guaranteeing worker’s rights and worker’s security” (John Monks, ETUC, 2007)

[12] “Flexicurity is an appealing concept because it offers a way to restore a positive link between competitiveness and social protection. Globalisation and technological progress require responsiveness to deliver their full benefits, and hence finding new ways to combine social protection and economic flexibility is fundamental to more and higher-productivity jobs”. (M. Stocker, advisor to Business Europe, in Euro Activ 2007)

reasons given for opposing flexicurity seem to be different, at least in the real world outside the model world.[13] .

Lets then look for alternative explanations of the political economy kind. One explanation is that flexicurity is a broad bargaining agenda without concrete policy propositions, so that its concrete configuration will critically depend on the power balance and bargaining capacity of the social partners in member countries.

But in Europe at present, unions are often weakened, especially also in former communist countries. In general there are few union movements which have high and rather stable membership, extensive coverage by collective bargaining and/or labour law that Scandinavian unions enjoy. Bargaining in Scandinavia is therefore very different from bargaining in the new member states like Hungary or Poland, who suffered from strong decreases in union density in the wake of their transition from planned to market economies (Visser, 2006). Of course the difficulties of social partnership type of bargaining are even more pronounced in most developing countries. This was one of the reasons why the ILO's governing body's employment and social committee –with the voices of the workers group and influential developing countries, opposed by employers and a majority of European countries -has recently advised the organisation to putting a halt on further research and policy advice on flexicurity for developing countries. The committee feared that in the absence of much social protection and social dialogue flexicurity would result in a deregulation agenda, thus endorsing implicitly the "hidden agenda" view. (ILO, 2009)

However, there is also a divide between trade unions. Some embrace the concept and its bargaining agenda, but others reject the term and usually subsume flexicurity under the label flexibility. This reflects also the general stance that trade unions take on bargaining with attitudes going from bargaining considered as "sleeping with capital" and thus strict opposition, to pragmatic acceptance as a way to progress with labour rights.

The opposing views within the union movement appear in France[14]: the reformist CFDT (Confédération française démocratique du travail, close to the socialist party), which has bargained the agreement on the modernisation of the labour market (see below) has developed a concept of "securing occupational careers" which claims for securing voluntary and involuntary transitions on the labour market, centred around skills and external and internal mobility, using especially skill oriented active labour market policies.

The more radical CGT (Confédération Générale de Travail with communist roots), which has not signed the deal, has developed a concept of "professional social security" which puts the responsibility of firms in the centre. The union proposes that dismissed workers remain in the employment relationship with the dismissing firm, as long as they have not been able to find another job. In fact this amounts to employment security being ensured almost exclusively by companies.

[13] One may also object that in light of the extent of the "rents of deregulation" (of the financial sector) and the devastation they are responsible for, any "rent of regulation" extracted by unskilled workers –if they existed at all - would look like peanuts.

[14] Across Europe this divide between what is sometime called "radical vs. reformist" unions cannot be developed in detail in this article, but let's say that Scandinavian unions are in general more pragmatic and of the cooperative type than South European unions. Of course, union's attitude may some time be due to ideology but depends also critically on employer's attitudes towards unions.

There also those critiques who find that flexicurity may push a “workfare” agenda, because of the “activation” agenda that is attached to a “rights and duty” approach[15]. Activation may mean that unemployed are offered jobs with low wages and bad working conditions, which have to be accepted in order not to loose unemployment benefits. Especially the German reform agenda (called Hartz reforms), of which the last, Hartz IV, has unified social aid and long-term unemployment benefits and cut the wage replacement rates of unemployment benefits, is criticised for this. The reforms have also made it more difficult for the unemployed to refuse job offers (even if the jobs offered are much below their qualification and former wage levels) and have thus been accused of pushing people into bad jobs. However, German reforms do not typically fall under the “classical” flexicurity concept, which implies generous unemployment benefits to compensate for looser employment protection.[16] Thus, the ideal typical flexicurity country, Denmark, while having enforced “activation” has not lowered its relatively high unemployment replacement rates.

But beyond the argument that union’s (and employers’) real capacities of bargaining are critical for flexicurity, but do not exist in many European Union member countries, there are some other difficulties that relate to the broad, holistic nature of the concept itself. Indeed it links labour market regulation by law and collective bargaining with the unemployment system and labour market policies, social rights like maternity and parental leave, wages, working time, etc. It constitutes a whole system of links and trade-offs that have to be bargained. But who holds such a comprehensive mandate to bargain flexicurity? In a country like Denmark, flexicurity was coined only recently but the whole welfare system was build over more than a century through battles and bargaining rounds and also by trial and error. If introduced as a “system” in other countries, bargaining on flexicurity would require discussing many issues on many levels (e.g. firm, sector, country). Bargaining a comprehensive flexicurity agenda would also suppose strong coordination between the different levels of bargaining, between employers and unions and the government, which seems extremely difficult. The common principles speak of “no-one-size-fits-all” flexicurity version, which is sound given the difficulties outlined above, but leads to heterogeneous versions of flexicurity that may all make possibly references to one or the other of the issues of the common principles. But this does not make it into a unifying concept. Rather it increases the “catch-all” nature of the concept. Of course, any attempt to propose the “transplantation” of a specific system of flexicurity (e.g. the Danish) is equally impossible, but the imprecise concept of flexicurity nourishes opposition, especially in contexts where the bargaining capacities of unions are low.

While there is then more than one explanation for the resistance that “flexicurity” encounters, the rent seeking one is the least appealing and the most appalling[17]. The basis for opposition is rather to be found in the imprecise definition, the lack of trust in adversarial industrial relations in parts of Europe, as well as in the real difficulties on regulating so broad an agenda. In addition a genuine political and ideological reason

[15] In an open letter that several European MPs of the ‘European United left’ and the ‘Nordic Green left’ have sent to their colleagues of the social democratic parliamentary group it appears that flexicurity is seen as “flexploitation” and “workfare” and is reckoned to be contrary to decent work (Wurtz, Liotard; Musacchio, Zimmer, 2008)

[16] However, in political discourse, Hartz policies are very often subsumed to be a German version of flexicurity and thus opposed by many unions and left parties like the “Left (die Linke)”.

[17] In light of the extent of the “rents of deregulation” (of the financial sector) and the devastation they are responsible for, any “rent of regulation” extracted by unskilled and low paid workers –if they existed at all - would look like peanuts anyway.

for rejection of the term may stem from the association of flexicurity with “third way” politics that are associated with neo-liberalism by the (European) left[18]

In summary, it can be observed that reform policies in the spirit of flexicurity are increasingly contested, especially in the “classical” form that combines loose employment protection with external adjustment and generous social protection. Whether the critique will lead to the demise of flexicurity altogether, or just lead to a change of preference for internal flexibility associated with stricter employment protection remains to be seen and will also depend on further European Commission support. So far, the concept of flexicurity is mentioned in the so called 2020 agenda, which will replace the Lisbon agenda, but its concrete shape is not yet clear.

Does flexicurity work?
And yet, despite all critics and real difficulties there are examples of bargained solutions in the spirit of flexicurity, both for specific policy areas and whole countries. Denmark served as the “ideal model” of flexicurity on a country level with its golden triangle of loose employment protection, generous unemployment benefits and an active labour market policy supporting quick reintegration into the labour market. The country has achieved impressive results on the labour market with –before the crisis-low unemployment high labour market inclusion and a high level of socio-economic welfare.   In the Netherlands flexibility and security was also achieved through the expansion of part-time jobs with also generally good results in the labour market. The social partners in France bargained in 2009 a framework agreement on the modernisation of the labour market, which is considered as the French version of flexicurity and was later enshrined by labour law. The Austrian severance pay reform can serve as an example of a particular element of flexibility and security: from a system in which firms were bound to pay severance pay to workers after 3 years of tenure out of the firm’s treasury, the system was changed in to a contributory system, with employers paying a payroll tax in severance pay funds covering all workers. Practical examples from the transition countries are rare and in these countries flexicurity was often seen as a package of policies to secure the rising number of flexible workers in the trend towards excessive flexible labour markets following adjustment to a market economy, which followed on the secure type of labour markets in the planned economies (Cazes and Nesporova, 2003, 2007). There are also rare examples of flexicurity in developing countries, such as an ILO project in Vietnam that showed that the main task there is to build and reinforce labour market institutions such as the employment service, the unemployment system and active labour market policies.

The concept has also got attention in the US (Kuttner, 2008) and in Australia (Belchamber, 2009), but its application outside the European union context (or even outside Denmark)[19] was always open to question and is for the moment put on a halt because of the difficulties the concept faces in the European Union itself.

However, not only the examples above show that reforms inspired by flexicurity may work under very different conditions, but quantitative analysis shows that countries

[18] For example, Callinicos (2001) accuses the third-way of Blair, Schröder and Clinton as simply continuing (and preparing for new rounds of) neo-liberal policies.

[19] For example, Algan and Cahuc (2006) have claimed that different degrees of civic attitudes (trust) are determining the possibilities of introducing flexicurity: In Denmark there is high trust but such trust does not exist in Mediterranean countries. Therefore generous welfare systems there would be subject to cheating, creating problems of moral hazard. Other arguments have been the path dependency of changes in social systems, the weakness of social partners or simply the cost of flexicurity systems.

that can be qualified as having aspects of “flexicurity” have had, until the crisis at least, good overall socio-economic and labour market results, as will be developed below.

4. A statistical analysis of flexicurity considering collective bargaining

This part of study analyzes statistically the balance between labour market security and labour market flexibility in the EU Member States. While the “catch-all” nature of the concept makes measurement difficult, we adopted a pragmatic approach, using two separate indicators for labour market security and flexibility and incorporate collective bargaining as a component of labour market security. Since complex and interacting regulations and policies affecting security and flexibility in a given labour market are neither directly observable nor measurable, composite indicators are constructed. Composite indicators allow systematizing the broad information necessary to gauge complex policy variables and there interactions. Besides, they can reduce complexity and the size of information, making it easier to comprehend policy outcomes and to benchmark countries. A composite indicator, however, is not flawless. It could be quite misleading if poorly constructed. Especially the choice of variables and the weights given to them can influence the robustness of results (OECD, 2005).

All the variables used[20] are converted into unit-free measurements by data standardization (z-scores). The indicators for labour market security and flexibility are generated by summing up the scores of sub-indicators to which we give equal weight[21].

It is important to note the nature and limitations of the indicators before applying them to further analysis. First, since there is no universally agreed definition of labour market flexibility and security, this study operates pragmatically with variables associated with the dimensions of flexicurity in the scientific debate. Second, the reliability of some sub-indicators is compromised by the availability of data. Third, weighting of data remains a challenge in the construction of the composite indicators. The indicators at this stage intend to give indication of the degrees of labour market flexibility and security according to our definitions based on available data for the 27 EU member countries.

Balance between labour market flexibility and security in Europe

Principle component analysis[22] was carried out on the basis of the seven sub-indicators of labour market security and flexibility in order to group the 27 countries

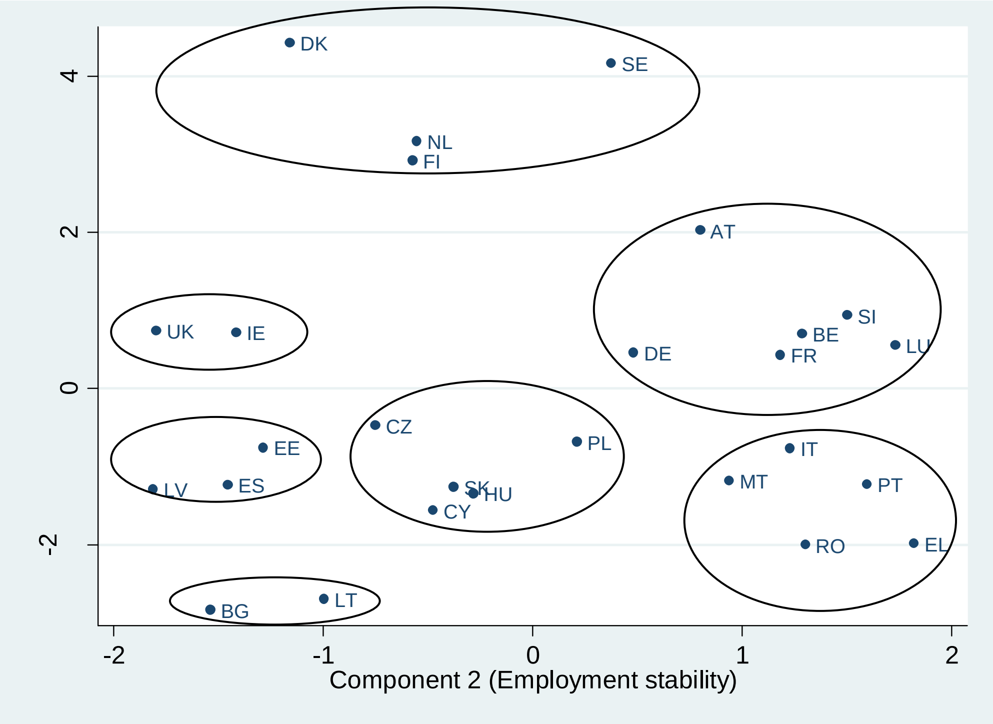
[20] Indicators used were: For labour market security: Income security (expenditure on social protection, unemployment benefits replacement rates and social transfer poverty reduction effectiveness); Employability security (expenditure for ALMPs, vocational training, life long learning); Employment security (average tenure); Representation security (cooperation in employment relations, collective bargaining coverage); For labour market flexibility: External numerical flexibility (share of temporary jobs, workers with less than 1 year of tenure, Employment protection scores: low value=flexible); Internal numerical flexibility (flexibility and autonomy in hours of work, share of part-time jobs); Functional flexibility (modern work organization). Z-scores indicate relative distance between a data point from the mean and express it in terms of standard deviation. The score of each sub-indicator is the average of z-scores of the variables under the sub-indicator.

[21] Weight distribution for sub-indicators and for variables remains an area of further research. Here we assume equal importance for all variables.

[22] PCA is a mathematical method that allows determining and clustering the variables with the most explanatory value among a set of variables.

into several clusters and compare socio-economic and labour market performances. Figure 1 plots countries according to their factor scores for the two components.[23]

Figure 1. Flexicurity country cluster (first two components of the principle component analysis)



As shown in figure 1, the result of principal component analysis yielded seven groups. Countries comprising each group are usually in geographical proximity, but not necessarily. The Northern European states appear as "flexicurity countries", at the top of the chart. Anglo-Saxon countries and continental Europe (note that this group encompasses Slovenia) takes opposite sides of the middle ground, reflecting the difference in employment stability.

If one looks at the balance between flexibility and security in a labour market (flexicurity), Northern European countries (Denmark, Finland, the Netherlands and Sweden) have high positive scores for both security and flexibility indicators. The labour markets in these countries are similar in that they score high on income, employability and representation security and low on employment security, particularly in Denmark. On the flexibility side, Denmark and the Netherlands both boast a high level of internal and functional flexibility.[24]

---

[23] Among the extracted components, the first two are retained. One can interpret the first component as an indication of overall flexicurity since all factor loadings have a positive sign. Determining factors of the second component are employment security (positive direction), external flexibility and employability security (negative direction), which suggests that the second component relates to employment stability.

[24] In a simpler analysis on EU 15 countries, Auer (2007) includes also Austria in the flexicurity cluster. Indeed, even in the principal component analysis for 27 countries, Austria comes closest to the flexicurity cluster countries. The choice of cluster borders, especially with countries close to the border, is a challenge for clustering.

Anglo-Saxon countries, namely the United Kingdom and Ireland, combine average level of labour market security with high external flexibility. Contrary to a common belief that these countries of liberal regime have a highly flexible labour market, the overall labour market flexibility scores for the two countries stand at somewhat above the EU-27 average, but lower than the flexicurity countries. This result stems from the fact that the common view focuses too much on the hiring/firing type of flexibility, whereas labour market flexibility has multi dimensions. UK and Ireland perform mediocre in the areas of internal and functional flexibility.

Continental Europe (Austria, Belgium, France, Germany, and Luxemburg) is generally characterized by moderately high labour market security and average to moderately low labour market flexibility. Common aspects of the labour markets of this group include high income and employment security that go with average to low external flexibility. Other components of labour market flexibility and security show country variation. For example, representation security is high in Austria while France ranks below average due to confrontational industrial relations.

High employment stability characterises some of the Mediterranean countries (Greece, Italy, Portugal and Malta). Challenges for implementing flexicurity in these countries appear to be the lack of labour market institutions that provide sufficient social security, but also the lack of modern work organization. Despite the geographic vicinity, the Spanish labour market differs from these countries in that it has weak employment protection and high external flexibility, but is subject to high segmentation.

Most of the new Member States of the European Union record negative scores for the both indicators, suggesting a combination of below-average levels of security and flexibility among European labour markets. The exception is Slovenia that boasts relatively high labour market security even among the old EU Member States. The Baltic States (Estonia, Latvia and Lithuania) lack labour market security[25]. In particular, income, employment and representation security score low among new member states of the European Union.

Table 2 below shows the socio-economic and labour market performance of each group identified in figure 2. Among the social indicators, inequality in income distribution is the lowest among flexicurity countries, followed by continental Europe. Anglo-Saxon countries show high inequality, but also eastern European countries feature high inequality. The flexicurity country cluster also achieved higher economic performance in terms of GDP and the value-added per inhabitant.

There is however a problem of causality: the good outcome of flexicurity vs. the other countries cannot be read as stemming directly from the organisation of the labour market in a way conducive to both flexibility and security. Superior economic outcome is derived from various factors and adaptable labour market is only a part of them. Nevertheless “flexicurity” countries realize inclusive labour markets evidenced by high activity rates both nominal and in full time equivalents and low unemployment.

[25] And indeed, these countries have very differently managed transition: schematically Slovenia has kept some of the protective institutions of the former planned economy (high degree of employment protection) while the Baltic states have engaged in market liberalisation (Cazes and Nesporova, 2003 and 2007)

Table 2 Socio-economic and labour market performances by country cluster before the global financial crisis (averages weighted by population)

	Denmark Sweden Netherlands Finland	UK Ireland	Austria Belgium France Germany Luxembourg Slovenia	Greece Italy Portugal Malta Romania	Latvia Estonia Spain	Czech Republic Slovakia Poland Hungary Cyprus	Bulgaria Lithuania
Social performance							
Inequality of income distribution (S80/S20 income quintile share ratio)	3.7	5.5	4.1	5.6	5.3	5.0	5.5
Economic performance							
GDP per inhabitant (euro, 2007)	35'954	34'362	29'877	19'958	22'373	9'398	5'207
Value added per inhabitant (euro, 2007)	31'468	30'596	26'751	17'707	20'059	8'265	4'446
Labour Market performance							
Full-time equivalent employment rate (15-64 years)	62.6	61.7	58.5	57.2	59.8	55.4	58.4
Activity rate (15 to 64 years)	77.5	75.1	71.9	64.4	64.0	65.0	64.8
Activity rate (male, 15 to 64 years)	82.0	82.1	77.9	75.8	74.6	71.8	69.0
Activity rate (female, 15 to 64 years)	72.9	68.2	65.9	53.0	53.5	58.2	60.7
Activity rate (55 to 64 years)	57.9	58.0	44.9	36.9	37.7	34.0	43.5
Unemployment rate, gender total	5.3	5.0	9.0	7.6	9.4	13.0	9.8
Male unemployment rate	5.1	5.4	8.8	6.4	7.3	12.2	9.8
Female unemployment rate	5.6	4.5	9.2	9.4	12.5	14.0	9.7
Youth unemployment rate	11.9	12.8	15.6	21.8	20.4	28.0	20.4
Long-term unemployment in % of active population	1.4	1.1	4.3	4.0	2.6	7.2	5.6
Long-term unemployment in % of unemployment	27.6	22.5	47.3	51.7	27.7	53.7	55.5
Change in unemployment rate (Dec 08-Dec 07, % point)	0.4	1.3	-0.1	n/a	5.8	-1.0	0.6

Source: Eurostat, own calculation Note: Date listed in the table is 2003-07 average unless otherwise specified

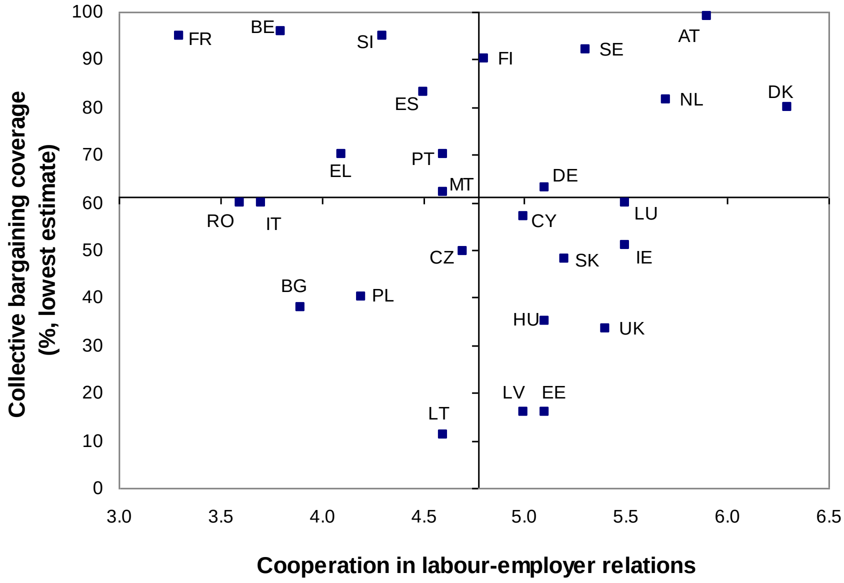
The contribution of industrial relations to flexicurity

As was repeatedly said above, reforms on the labour market in the "spirit" of flexicurity seem only possible, when they are bargained. For this to happen, it needs strong representative powers of the social partners and harmonious labour relations.

Figure 3 classifies the 27 EU Member States into four groups by the degree of cooperation in industrial relations (horizontal axis of the figure 2) and by the collective bargaining coverage rate (vertical axis), which could be seen as a proxy for the effectiveness of the social partners to bargain and have their bargaining results accepted.[26]

[26] The indicator on cooperation in labour-employer relations is taken from the World Economic Forum's Global Competiveness Report (2007), which uses a survey of executives for classifying cooperative employment relations from 1 to 7 (7 standing for very cooperative relations).Collective bargaining coverage was estimated by the European Commission (European Commission 2008).

Figure 3: Country classification by industrial relations system



The plot above clearly indicates that flexicurity countries score highest in both dimensions: they have high collective bargaining coverage and harmonious industrial relations which seem to support a labour market model allowing both for flexibility and security. Some of the new member countries, like Romania and Bulgaria, are in the opposite case, thus for the moment lacking the conditions for achieving a well functioning labour market.

5. Does flexicurity work in economic crises?

The global financial crisis may be seen as a stress test for the different ways to organise labour market adjustment. Will labour market arrangements that rely 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) survive the big shock of the crisis? Will those that have relied more on flexibility (such as the US labour market) come as quickly out of the crisis as they went in? Or will labour markets in those countries, which rely on strong employment protection, combined with internal adjustment measures be in a better shape when exiting the crisis? Without a clear end of the crisis on the table, a definite response to these questions cannot be given yet.
Leaving aside the US, where unemployment has reached the 10% level, and focussing on two countries only, one standing for Scandinavian flexicurity (Denmark) the other for Continental "rigidity"(or better employment stability linked to internal flexibility) (Germany)[27], the following picture emerges:

Table 4: Country developments between Quarter 2/2008 and quarter 2/2009 in percent

Countries	GDP growth	Employment growth	Unemployment Rates (December	Unemployment growth (12/2008-	Hours of work**

[27] As the Commission is now also considering such external rigidity-internal flexibility combination as "flexicurity" it is of course difficult to hold on to the older partition between flexicurity countries and others that one can schematically describe as flexibility (US) and rigidity/stability (Germany). This adds to the "catch-all" character of the concept.

			2009)	12/2009)	
Denmark	-7.0	-2.6	7.4	80	-3,1
Germany	-5.9	-0.1	7.5	06	-3,1

Source: Hijman, 2009, Eurostat, 2010

As table 4 indicates during the global financial crisis “continental countries” like Germany have strongly relied on employment maintenance measures that have so far prevented lay offs in great numbers. 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%. It is estimated that about 350 to 500 000 lay-offs were avoided by the scheme and other working time variation measures like (the depletion) of working time accounts. [28]

Between December 2008 and December 2009 unemployment has only slightly increased in Germany (about 0.4 percentage point (+6%) to an unemployment rate of 7.5% in December 2009). But it has almost doubled in Denmark (+80%) where it has reached 7.3% in December 2009 from a low of 4.1% in December 2008.

However, no clear cut picture on Germany adjusting only internally through working hour reductions and Denmark only adjusting externally through lay-offs can be confirmed. 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. This points to the fact that countries (and firms) use all levers of adjustment available, but prefer those which are supported by public policies and accepted by the social partners. And the difference can be seen in the employment reduction rates over the period (table 4): -0.1% in Germany versus -2.6% in Denmark with GDP slumping by around 6% during this period in Germany[29] and 7% in Denmark over the same period (data from Hijman, 2009).

The very moderate decrease in employment and the equally moderate increase in unemployment in Germany have given some credit to labour market adjustment versions that combine stronger employment protection with subsidised internal adjustment possibilities. In a European council conclusion entitled “Flexicurity in times of crisis” (Council of the European Union, 2009) the principle of flexicurity is maintained, but a stronger focus on job maintenance and internal flexicurity is indeed promoted.[30]

But it is still preliminary 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

[28] These accounts are frequent in German firms and give some flexibility for working time variation, as overtime hours accumulated in booms can be taken as free time in recessions, which was the case in the “great recession” (Herzog-Stein and Seifert, 2010)
[29] Or around -5% over the year 2009.
[30] “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)

reduced by job maintenance policies[31]. And, for concluding that flexicurity is not working in recessions, 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” combination of classical flexicurity countries, it requires the rapid reintegration into the labour market in the upswing for a complete picture. If such reintegration does not occur, 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.

This might even mean that the Danish model vanishes in the dustbin of socio-economic models (the bin is full of other models like the Swedish model, the Japanese model, the Irish Celtic Tiger model, former versions of the German model and so on) while the German (and also French) model could be resurrected as European alternatives to the flexible US model. However, major challenges, such as the risk of increased labour market segmentation remain.

5. How to organize security in flexible labour markets?

Whatever emerges as the next “ideal-typical” labour market adjustment model, 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 protect outsiders as well.

In this regard we notice 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” (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. [32] And the problem with selling employability as employment security is that it sells a potentiality (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

[31] Although there is no indication on this yet: youth unemployment has climbed to 12,7% in Denmark in December 2009, while it stands at 10,1 in Germany:

[32] 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).

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[33]. 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.

The decisive and critical shift is thus not from job- to employment security, but from employment security towards what can be called labour market security[34]. Labour market security implies that security for workers in today's labour markets cannot stem from job-and employment security alone. It has 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 transitions are the two sides of labour market security.

The graph below illustrates this shift schematically along a time axis.

Figure 4: historical evolution of worker's security on labour markets

Time →

Job security 1) **employment security 2)** **labour market security 3)**

1) Protection of a specific job/task
2) Protection of employment but multiple jobs/tasks
3) Protection of employment plus protected mobility or transitions through labour market policies and social rights.

7. Conclusions

This chapter discussed "flexicurity", a labour market reform concept developed by the European Commission, based on the good experiences of some of the smaller welfare states, in particular Denmark. While originally it was seen as a European alternative to the flexibility of the labour market mantra of the neo-liberal era,

---

33 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).

34 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.

increasing criticism has put some doubt on this interpretation. However, countries associated with flexicurity showed good social, economic and labour market performance in pre crisis Europe.

Despite these successes, flexicurity was increasingly criticised by trade unions and the global financial crisis has added to such criticism. It can be shown, that in the “great recession”, employment systems that combine stricter employment protection with internal flexibility helped by government policies appear as an attractive alternative to the “classical” flexicurity pattern of loose employment protection with external adjustment flexibility coupled to good social protection. This would also imply a change in the flexicurity concept and constitute a shift from the Nordic to the Continental model of organising labour market security. However, also the latter model has its limits: as structural adjustment is bound to increase in the future, all economies will need policies supporting those outside stable employment relationships to avoid increasing segmentation of their labour markets in insiders and outsiders. These policies have to support transitions on the labour market, support those losing jobs and those accessing jobs, in particular young people and some of the continental countries have no particular good record in this regard. Thus the need for both adjustment flexibility and worker security remains.

Is it then “Flexicurity is dead, long live flexicurity?”. The European Commission’s new 2020 agenda seems to suggest so. However, a concept that needs the social partners for being implemented, but meets the resistance of one (unions) could become dead letter. Indeed, Flexicurity seems to have become a “catch all definition” without clear boundaries, dragging an adverse political economy. May be the answer to a simple question could trigger a renewed effort to find the labour market institutions needed for the open economies of the 21st century: Does one want to achieve a high level of flexicurity or a high level of labour market security? Opting for the former is choosing a means, while opting for the latter is choosing an end, a high level of security based on decent jobs and the transition towards them.

References

Agell, Jonas. (1999) “On the benefits from rigid labor markets: norms, market failures, and social insurance”, Economic Journal, vol. 109: 143-164.

Algan, Y. and Cahuc, P. (2006) “Civic Attitudes and the Design of Labor Market Institutions: Which Countries Can Implement the Danish Flexicurity Model?”, IZA, DP 1928, Bonn: Institute for the Study of Labour

Auer, P. and Schmid, G. (1998) ‘Transitional labour markets: Concepts and examples in Europe’ in: ‘New institutional arrangements in the labour market’, Berlin: European Academy of the Urban Environment

--------and Cazes, S. (2003) Employment Stability in an age of flexibility Geneva: ILO

--------and Berg, J, Coulibaly, I. (2004) Is a stable workforce good for the economy? Insights into the tenure-productivity relationship, Employment strategy papers 2004-15, Geneva: ILO

Auer, Peter. 2007. “Security in labour markets: Combining flexibility with security for decent work.” Economic and Labour Market Papers 2007/12.

Geneva: ILO.

Belchamber, G. (2009) ‘Flexicurity: Unemployment, social inclusion, and income security’, in: Impact, spring 2009: 6-8

Boeri,T., Conde-Ruiz, I. and Galasso,V. (2006). The Political economy of flexicurity, Working paper, 2006-15, Madrid: FEDEA

Buechtemann, C. (ed.) (1993) **‘**Employment Security and Labor Market Behavior. Interdisciplinary Approaches and International Evidence’. Ithaca, NY:ILR press

Callinocos, A.T. (2001) “Against the third way”, Cambridge: Polity

Commons, John (1931) “Institutional Economics”, American Economic review Vol.21: 648-657

Doogan, Kevin. (2009) “New Capitalism: The transformation of Work”, Cambridge and Oxford: Polity

Calmfors, L. (2007) “Flexicurity: An Answer or a Question?” Stockholm: Swedish Institute for European Studies

Cazes, S. and Nesporova, A. (2003) “Labour Markets in transition: Balancing Flexibility and Security in Central and Eastern Europe”, Geneva: ILO

Cazes, S. and Nesporova, A. (eds.) (2007) “Flexicurity. A relevant approach in Central and Eastern Europe”, Geneva: ILO

Council of the European Union, (2007) “Common principles of flexicurity: more and better jobs through flexibility and security” European council resolution, Lisbon

Council of the European Union, (2009) “Flexicurity in times of crisis” European Council Resolution, Luxembourg

Dickson, N.(1999) ‘What is the third way?’ UK politics, BBC News, Monday, September 27, accessed 25 January 2010 http://news.bbc.co.uk/2/hi/uk_news/politics/458626.stm

ETUC (2007) ‘Flexicurity will get nowhere without reinforcing rights for workers, says the ETUC’ accessed 19 January 2010 at http://www.etuc.org/a/3944

Euroactiv (2007) “Social Partners on Flexicurity and Labour Market Reforms” accessed 25 January 2010 http://www.euractiv.com/en/socialeurope/social-partners-flexicurity-labour-market-reforms/article-164260

European Commission (2008) “Industrial relations in Europe 2008”, Brussels

----------------------------(2004). “Industrial relations in Europe 2004”, Brussels

European Expert Group on Flexicurity (2007) “Pathways to flexicurity, Turning hurdles into stepping stones”, Brussels

European Foundation for Improvement of Living and Working conditions. (2009) “Working conditions in the European Union: work organisation”, Dublin.

---. 2008. “Flexicurity and industrial relations”, Dublin

---. 2007. “Approaches to flexicurity: EU models”, Dublin.

Eurostat (2010) ‘Press release Euroindicators 16/2010 (29.1.2010)

Freeman, R.B., (2009) ‘Labor Regulations, Unions, and Social Protection in Developing Countries: Market Distortions or Efficient Institutions? NBER working paper w14789, Washington: NBER

Herzog-Stein, A and Seifert, H. (2010) Deutsches „Beschäftigungswunder“ und flexible Arbeitszeiten (German jobs miracle and flexible working time), discussion paper 169, Düsseldorf: WSI

Hijman, R. (2009) ‘The impact of the crisis on employment’, Statistics in Focus 79/2009, Luxembourg: Eurostat

International Monetary Fund (2009) World Economic Outlook Database 2009

International Labour Office (2004) Economic Security for a Better World Geneva: ILO.

International Labour Office (2009) Report of the Committee on Employment and Social Policy GB 306/12 (Rev.) Geneva: ILO

Giddens, A., (1998) “The Third Way. The Renewal of Social Democracy” Cambridge and Oxford: Polity

Howell, D.R., Baker, D., Glyn, A., Schmitt, J. “Are protective Institutions the root of unemployment? A critical review of the evidence” in Capitalism and Society, Vol 2, Issue 1

Krueger, A.O. (1974). “The political economy of the rent-seeking society.” American Economic Review, 69:291–303

Kuttner, R. (2008), ‘The Copenhagen Consensus’ in: Foreign Affairs, Vol.87 Issue 2: 78-94

Lorenz, E and Valeyre, A 2003. “Organisational change in Europe: national models or the diffusion of a new ‘one best way’?” Working Paper no. 04-04 Copenhagen: DRUIDE.

Madsen, P.K. (2002): ‘The Danish model of flexicurity: A paradise - with some snakes, in: Sarfati, H. & Bonoli, G. (Eds.): Labour market and social protections reforms in international perspective: Parallel or converging tracks?’, Ashgate: 243-265.

Marsden, D., (1995) ‘The impact of industrial relations practices on employment and unemployment', Centre for Economic Performance, London School of Economics, Discussion Paper No. 240

Marsden, D. (1999) 'A Theory of Employment Systems: Micro-foundations of Societal Diversity', Oxford: Oxford University Press

Neumark, D. (ed.) (2000) "On the job. Is long term employment a thing of the past?" New York: Russel Sage Foundation,

OECD (2005), Handbook on constructing composite indicators: methodology and user guide, Paris.

OECD. (2008) "Enhancing the OECD's contribution to the political economy of reform". Note by the Secretary-General, C (2008)61/REV1 30.4.2008

Olney, S. and Rueda, M. (2005). Convention No. 154 – Promoting Collective Bargaining Geneva: ILO

Pacelli, L.; Devicienti, F.; Maida, A.; Morini, M. Poggi, A.; Vesan, P. (2008) 'Employment security and employability: A contribution to the flexicurity debate', Dublin: European Foundation for the Improvement of living and working conditions,

Rogowski, R. (ed.) (2009) 'The European Social Model and Transitional Labour Markets', Farnham, Surrey: Ashgate

Schmid, G. and Gazier, B. (eds) (2002) 'The dynamics of full employment. Social Integration through transitional labour markets', Cheltenham: Edward Elgar

Schmid, G. (2009) 'Theory of transitional labour markets and "Flexicurity": Lessons for Transition and Developing Countries', Paper presented at the European Training Foundation, Turin, 14.5.2009.

Storm, S. and Naastepad, C.W.M. (2007), Why labour market regulation may pay off: Worker motivation, co-ordination and productivity growth, Economic and Labour Market Papers, 2007/4, Geneva:ILO

St. Paul, Gilles, (2000) "The political economy of labour market reform", Oxford: Oxford University Press

Supiot, A. Meadows, P. (2001) Beyond employment. Changes in work and the future of labour law in Europe, Oxford: Oxford University Press

Tabachnick, B. G. and Fidell, L.S. (2007), Using multivariate statistics, fifth edition. Boston: Mc Pearson Education Inc.

World Bank, Doing business report 2004-2009, Washington: World Bank

Visser, J.,(2006) 'Union membership in 24 countries', Monthly labour Review, vol. 129/1, January:38-45.

Wilthagen, T. and Tros, F. (2004) "The concept of flexicurity-A new approach to regulating employment and labour markets", *Transfer*, 10 (2):166-187.

Wurtz, F., Liotard, K., Musacchio, R., Zimmer, G. (2008) 'Flexicurity or Flexploitation' Offener Brief an die Sozialdemokratische Fraktion im Europäischen Parlament (open letter to the social democratic parliamentary group) accessed January,19, 2010 http://www.guengl.eu/upload/Open_Letter_Flexicurity_DE.pdf