CUPESSE
WORKING PAPER N° 02

Flexicurity policies in Europe – Diffusion and Effects of flexicurity labour market policies

Work Package 5: Assessment of the Diffusion and Effects of Labour Market Policies

Christoph Arndt, Aarhus University (AU)

Felix Hörisch, Ruprecht-Karls-University Heidelberg (UHEI)

May 2015

This Working Paper is published in the Working Paper Series of an international research project "Cultural Pathways to Economic Self-Sufficiency and Entrepreneurship: Family Values and Youth Unemployment in Europe" (acronym CUPESSE) to reflect state of the art results of the research still in progress.

The project involves researchers from eight EU Member States and two Associated Countries: Austria, Czech Republic, Denmark, Germany, Hungary, Italy, Spain, Switzerland, Turkey and the United Kingdom.

Further information on the project is available online http://cupesse.eu/

Contact details

Prof. Dr. Jale Tosun
Assistant Professor of International Comparative Political Economy
Institute of Political Science, University of Heidelberg
Bergheimer Strasse 58, 69115 Heidelberg, Germany
jale.tosun@ipw.uni-heidelberg.de

Managing Editor

Dr. Felix Hörisch
felix.hoerisch@ipw.uni-heidelberg.de

CUPESSE has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no. 613257.

Table of Contents

Abstract

This working paper gives an overview of the diffusion and the effects of flexicurity labour market policies in Europe. The description of the diffusion of flexicurity policies is split into three parts. First, a broad overview of labour market policies in the EU- and OECD-countries is given, showing that – on average – these countries spend more on passive than on active labour market policies and that active labour market policies that are aiming to foster entrepreneurship so far only play a minor role in labour market policy making. Second, we have a closer look at and compare the spread of start-up incentives and training policies among these countries. Third, we describe recent developments and perspectives of labour market policy making as the labour market policy reactions to financial crisis. Fourth, we show that flexicurity policies have been adapted in various countries beyond the Danish and Dutch pathway cases. The implementation of flexicurity was however not always successful or effective since existing labour market institutions in Mediterranean countries and the lack of trust between employer and employee organizations prevented flexicurity adaption beforehand or its effectiveness in those countries, where they have been introduced. This way, existing labour market institutions and corporatist structure constitute important context factors for successful implementation of flexicurity policies. We conclude with a discussion of the implications of our findings.

1 Introduction

The fifth work package of the CUPESSE project aims at assessing the diffusion and effects of labour market policies with a special focus on labour market policies fighting youth unemployment and fostering the creation of new jobs for young adults and youth economic self-sufficiency as well as youth entrepreneurship.

The first objective of the fifth work package and this working paper is to analyse a variety of labour market policies promoted by the EU and whether and how they are adopted by the Member States. The second objective is to evaluate these labour market policies with regard to their effects. This analysis is a precondition for being able to identify new policy approaches that have the potential of tackling the problematic situation of young adults in Europe more effectively (compare Deliverable 1.3 of the CUPESSE project on Research Designs by Kittel et al. 2014). Accordingly, this working paper seeks to answer two major research questions. The first research question is: What does the labour market policy landscape look like; i.e., what different labour market policies exist? The second research question focusses on the effects of these various policies by asking: What effects do labour market policies have on youth unemployment? To study these two questions, the project focuses on three main policy areas: flexicurity policies, policies on business start-ups and entrepreneurship, and policies on education and training platforms. These three policy areas each relate to different aspects of youth unemployment. While clearly distinct, they can of course in some instances overlap conceptually and empirically. While the CUPESSE project addresses all three policy areas, this working paper will mainly focus on the diffusion and the effects of flexicurity policies.

Since we look at three different areas of policies, each of which being highly complex, the relationship between policy and youth unemployment is likely to be far from uniform (compare Kittel et al. 2014). For instance, flexicurity policies consist of a combination of unemployment protection, employment protection, and training schemes that potentially can go in diverse directions. Comparably generous unemployment protection can, e.g., both mean that young unemployed are able to stay integrated into society and therefore not ending up marginalized, but it can also lead to a lack of incentives for finding a (perhaps low paid) job.

Similarly, employment protection can, on the one hand, mean that the young are willing to invest in skills that might be industry- or perhaps even firm-specific, and therefore potentially risky if that industry or firm experience a setback. But on the other hand and as seen in the Mediterranean countries, employment protection can also prevent employers from hiring young people because it may be relatively difficult to fire people at a later stage. In assessing the effects of the policies, we pay attention to whether there is cross-national variation and whether certain policies are more effective for mitigating the problem of young adults’ unemployment than others.

Accordingly, we proceed as follows: In section two, we provide an overview flexicurity policies and their diffusion in Europe. We do this in three steps: First we give an overview of labour market policies in all European and OECD member countries. In the second step we describe diffusion processes between flexicurity labour market policies between European countries and discuss the role of the European Union for these diffusion processes. In the third step we discuss recent developments in labour market policies in European countries and perspectives for the development of labour market policies as a whole as well as flexicurity policies in particular. In section three, we review the literature evaluating the effects of flexicurity policies in Europe. Lastly, in section four we offer a conclusion.

2 Description of the diffusion of flexicurity policies

In the following, we show that labour market policies as well as labour market outcomes still vary widely across western welfare states even though there can be found some diffusion of labour market policies in recent years. In our contribution we discuss overall patterns of labour market policies, but we focus particularly on active labour market policies, which are of superior importance for young people and their economic self-sufficiency like qualification and training measures or start-up incentives for example. This special focus on active labour market policies is due to the findings of the literature on the dramatic long-term consequences of youth unemployment (Bell and Blanchflower 2011, Damelang and Kloß 2013, cf. also Freitag 2000 as well as Freitag and Kirchner 2011 for the effects of unemployment on social capital) showing that just to provide (some) financial compensation for the unemployed is not enough to fight the broad negative consequences of youth unemployment especially.

2.1 Labour market policies in European and OECD countries compared

Labour market policies vary widely across OECD member countries, both in regard to the amount spent for labour market policies as well as the choice of the specific measures implemented. The same holds true in regard to labour market outcomes as can be seen on youth unemployment rates ranging from 7.7% in the Netherlands and Switzerland to 46.4% in Spain. In the literature analysing labour market policy design, implementation and effectiveness it is usually differentiated between active labour market policies and passive labour market policies (OECD 2014). While active labour market policies are commonly defined as government programmes that intervene in the labour market to help the unemployed find work, passive labour market policies provide income replacement for the unemployed. According to the definition of the OECD the following measures are defined as active labour market programmes: Labour market services, training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives (OECD 2014). Passive Labour Market Programmes essentially comprise out-of-work income maintenance and support as well as early retirement programmes (OECD 2014). Table 1 gives an overview about the spread of labour market policies within the OECD world as well as the levels of youth unemployment.

As can be seen in Table 1 youth unemployment has gained an average level of 16.2% in OECD countries and even almost 23% in EU member countries and accordingly is a major problem in many western welfare states (and has risen from 13.4% in 2005 in the OECD world) (OECD 2014). Only Austria, Germany, Japan, Korea, Mexico, the Netherlands, Norway and Switzerland have youth unemployment rates of below 10%, eleven countries suffer from youth unemployment rates above 20%, the situation being particularly dramatic in Greece (44.4%), Portugal (30.1%), Slovak Republic (33.2%) and Spain (46.4%)(cf. Hörisch et al. 2014: 2).

But not only labour market outcomes as the level of youth unemployment vary substantially between different countries, but also governmental spending for the policy area of labour market policies ranging from 0.01% of GDP in 2011 in Mexico over 0.31% in Chile, 0.72% in the US, 1.82% in Germany, 2.34% in France and 3.71% in Spain to a maximum of 3.91% in Denmark.

Further – as can be seen in the last two columns of Table 1 – whether labour market policies rely more on active or passive labour market policies varies greatly between the countries of the OECD world. In average OECD countries spend 1.47% of their GDP for labour market policies, whereof 0.58% fall upon active labour market policies and 0.86% on passive labour market policies. Accordingly, in most OECD countries expenditures for passive labour market policies dominate over active labour market policies, with Denmark, Korea, Mexico, Poland, Sweden and Switzerland being the exception.

Table 1: Overview about youth unemployment and labour market policies in the OECD world

Country	Youth Unemployment	PES and administration	Training	Job rotation and job sharing	Employment incentives	Supported employment and rehabilitation	Direct job creation	Start-up incentives	Out-of-work income maintenance and support	Early retirement	LMP Total	LMP Active measures	LMP Passive measures
Australia	11.3	0.15	0.03	0.00	0.01	0.07	0.02	0.01	0.51	0.00	0.80	0.29	0.51
Austria	8.3	0.18	0.45	0.00	0.03	0.03	0.05	0.01	1.12	0.15	2.03	0.75	1.28
Belgium	18.7	0.21	0.15	0.00	0.72	0.14	0.37	0.00	1.38	0.71	3.68	1.59	2.09
Canada	14.2	0.11	0.10	0.00	0.00	0.01	0.01	0.01	0.65	0.00	0.91	0.26	0.65
Chile	17.5	0.02	0.03	0.00	0.00	0.00	0.05	0.00	0.21	0.00	0.31	0.10	0.21
Czech Republic	18.0	0.10	0.01	0.00	0.04	0.09	0.03	0.00	0.28	0.00	0.56	0.27	0.28
Denmark	14.2	0.67	0.50	0.01	0.39	0.69	0.00	0.00	1.33	0.31	3.91	2.26	1.65
Estonia	21.6	0.08	0.09	0.00	0.04	0.00	0.00	0.01	0.50	0.00	0.73	0.23	0.50
Finland	18.9	0.17	0.51	0.05	0.07	0.10	0.09	0.02	1.30	0.16	2.49	1.02	1.47
France	22.0	0.25	0.36	0.00	0.06	0.07	0.14	0.05	1.40	0.01	2.34	0.93	1.40
Germany	8.5	0.34	0.26	0.00	0.06	0.03	0.03	0.07	0.98	0.05	1.82	0.79	1.03
Greece	44.4	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	26.1	0.01	0.03	0.00	0.10	0.00	0.22	0.01	0.66	0.00	1.02	0.36	0.66
Iceland	14.6	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	29.9	..	..	..	..	..	..	..	..	..	..		
Israel	11.6	0.02	0.08	0.00	0.06	0.02	0.00	0.00	0.60	0.00	0.78	0.18	0.60
Italy	29.1	0.11	0.14	0.00	0.15	0.00	0.01	0.01	1.28	0.08	1.78	0.41	1.36
Japan	8.0	0.05	0.03	0.00	0.09	0.00	0.09	0.00	0.35	0.00	0.62	0.27	0.35
Korea	9.6	0.02	0.06	0.00	0.02	0.03	0.19	0.01	0.31	0.00	0.64	0.33	0.31
Luxembourg	16.8	0.05	0.04	0.00	0.35	0.01	0.11	0.00	0.49	0.15	1.20	0.56	0.64
Mexico	9.8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Netherlands	7.7	0.41	0.13	0.00	0.01	0.44	0.11	0.00	1.63	0.00	2.74	1.11	1.63
New Zealand	17.3	0.10	0.10	0.00	0.02	0.05	0.00	0.00	0.41	0.00	0.69	0.27	0.41
Norway	8.6	..	0.19	0.00	0.05	0.17	0.05	0.00	0.41	0.00	..	..	0.41
Poland	25.8	0.08	0.01	0.00	0.09	0.19	0.01	0.03	0.20	0.11	0.72	0.42	0.30
Portugal	30.1	0.14	0.32	0.00	0.10	0.02	0.01	0.00	1.23	0.11	1.93	0.59	1.34
Slovak Republic	33.2	0.07	0.00	0.00	0.10	0.04	0.01	0.07	0.25	0.25	0.79	0.30	0.50
Slovenia	15.7	0.11	0.08	0.00	0.04	0.00	0.07	0.06	0.87	0.00	1.23	0.36	0.87
Spain	46.4	0.15	0.20	0.01	0.25	0.08	0.08	0.11	2.79	0.04	3.71	0.88	2.83
Sweden	22.8	0.29	0.08	0.00	0.45	0.25	0.00	0.02	0.63	0.00	1.72	1.09	0.63
Switzerland	7.7	0.12	0.18	0.00	0.07	0.22	0.00	0.01	0.53	0.00	1.12	0.59	0.53
Turkey	18.4	..	..	..	..	..	..	..	..	..	..	..	..

United Kingdom	20.0	..	..	0.00	..	..	..	0.00	..	0.00	..	..	..
United States	17.3	0.04	0.04	0.00	0.01	0.03	0.01	0.00	0.57	0.00	0.71	0.14	0.57
EU-Average	22.92	0.19	0.19	0.00	0.17	0.12	0.07	0.03	1.02	0.12	1.91	0.77	1.14
OECD-Average	16.2	0.14	0.14	0.00	0.12	0.10	0.06	0.02	0.79	0.07	1.47	0.58	0.86

Source: Table from the first Policy Brief of the CUPESSE Project (Hörisch et al. 2014: 3), based on data from OECD 2013 and OECD 2014.
Notes: The table shows the numbers for the year 2012 if available, or for 2011, where the data for 2012 was not available in the OECD.stat database, yet. The EU-averages in this table are the average scores of EU-countries in the OECD for which data was available. OECD-average calculations for public expenditure on LMP are based on the available data for OECD-countries.

2.2 The diffusion and transfer of flexicurity policies: Start-up incentives and training policies compared

As shown above there is still a lot of variation between the labour market policies of the EU- and the OECD-countries. Nevertheless it is interesting to have a closer look on the development of the labour market policies and to analyse whether the labour market policies in different countries have developed into the same direction over time. This question is often discussed under the label of policy diffusion or policy transfer in the literature. Policy diffusion is thereby commonly defined as the process by which "policy choices in one country affects the policy choices in other countries" (Meseguer and Gilardi 2009: 528).

Accordingly, we continue by asking what role policy diffusion and policy transfer play in labour market policy making in general and more specifically in flexicurity policies. Do countries learn from each other in the area of flexicurity policies for example by following a best practice example of a first mover state (cf. Knill and Tosun 2015: 198-199) or by adopting policy measures invented by a pioneer in flexicurity policy making?

Research on diffusion processes in other fields of public policies has shown that policy makers under specific circumstances do indeed learn from policies implemented in other countries (for policy diffusion processes in the field of environmental policies see Holzinger et al. 2008 and Tosun 2013 for example, for policy diffusion processes in social policy making see Schmitt and Starke 2011 as well as Obinger et al. 2013). Furthermore it has been shown that policy diffusion processes in the field of economic policies and the role of the European Union on economic policies has increased in the recent economic and financial crisis (Tosun et al. 2014a, Tosun et al. 2014b).

Nevertheless, in the field of labour market policy making the nation states still seem to be the most important legislative authorities. Research on the Europeanization of legislation has shown that labour market policies and social policies are among the policy areas with the lowest level of Europeanization of national legislation, other than policies on environmental, agricultural or judicial policies for example (cf. König and Mäder 2008, 2009). Accordingly, national policy makers still have a huge leeway when deciding on employment and labour market policies, which results in a substantial variation of expenses for labour market policies in the European Union member states and a quite variegated setting of priorities when choosing how to distribute these expenses between active and passive labour market policies as well as the choice of specific labour market policy measures (see above).

Nevertheless, using bodies like the Employment Commission of the European Council (EMCO) or initiatives like the Open Method of Coordination (compare Barcevičius et al. 2014), the European Union more and more tries to influence national labour market policies (see also Knill et al. 2009 for the impact of Europeanization on the Dismantling and Expansion of Domestic Policies). For example, in recent years the EMCO tried to push flexicurity policies. While especially for the crisis countries flexicurity policies have become rather coercive via the Memorandum of Understanding of the European Union, which is aiming to foster flexicurity policies more than the ILO (cf. Tsarouhas and Ladi 2013, Ladi and Graziano 2014), at least some of the member states remained more reluctant towards these kinds of flexicurity labour market policies (Mailand 2010; for an overview of the spread of flexicurity policies within the European countries see also EMCO Report 2009).

Accordingly, we will have a closer look on policy diffusion processes in the field of flexicurity policies in section 3.1 below. There we will discuss whether pioneer countries in flexicurity labour market policies as Denmark and the Netherlands can be regarded as prototype for similar developments of labour market policy making in other countries.

As the CUPESSE project focusses on the possibilities of the advancement of entrepreneurship to fight youth unemployment, active labour market policies that give incentives for the foundation of start-ups are of special interest here. Successful start-ups do not only provide a job for the founder of the start-ups themselves, but also bear the possibility to create even more jobs and accordingly can contribute to fight (youth) unemployment in broader terms. As can be seen in Table 1 above, start-up incentives are a labour market policy instrument that is not very widespread within the OECD world so far. In 2011 in average only 0.02% of GDP was spend for active labour market policy measures that were disposed to support (self-)entrepreneurship, which is only a small share of the overall effort for labour market policies of 1.47% of GDP.

Interestingly, the countries with an above average share of spending for start-up incentives are France (0.05%), Germany (0.07%), Poland (0.03%), Slovak Republic (0.07%), Slovenia (0.06%) and Spain (0.11%). Accordingly within this group of countries that spend larger amounts for start-up incentives there are countries from different types of welfare states. Quite surprisingly, with at least Germany, France and Spain, there seems to be a slight majority of conservative, christian-democratic welfare states according to the welfare state typology of Esping-Andersen among them (Esping-Andersen 1990). As there are countries like Germany that are quite successful in fighting youth unemployment as well as countries like France and Spain that have major problems in this policy area, it is too early to draw conclusions concerning the effectiveness of these labour market policies, especially because the start-up incentives constitute only such a small share of all labour market policies so far. While there seems to be no clear pattern, which countries spend more for start-up incentives, it is obvious that so far these active labour market policies do not play a major role within the labour market policy strategies within most welfare states.

The amount of money spend for training measures within the labour market programmes of European and western welfare states is also very diverse, but all in all is essentially much higher when compared to the expenses for start-up incentives. On average, in the OECD countries, 0.14% of the GDP is spend for training programmes, which constitutes roughly one fourth of the expenses for active labour market programmes. Within the countries of the European Union, this share is slightly higher with training and education measures accounting for 0.19% of GDP and therefore constituting one of the largest spending blocs within the active labour market measures. While some countries spend no (in the cases of Slovak Republic and Mexico) or hardly any money (with Australia, Chile, Czech Republic, Hungary, Japan, Luxembourg, Poland and the United States spending not more than 0.05% of GDP for training measures for the unemployed) on labour market measures training and educating the unemployed, other countries like Denmark with a share of 0.5% of GDP invest substantial parts of their expenses for labour market policies in training measures to better prepare the unemployed for the labour market. In Austria (with 0.45% of GDP), Finland (0.51%), France (0.36%) and Portugal

(0.32%) training measures even constitute the largest bloc within the expenses for active labour market policies.

2.3 Recent developments and perspectives

In recent years, after the financial crisis, the degree and development of labour market policies and outcomes have varied substantially among the OECD member states. The international financial and economic crisis posed a great challenge to governments all over the world. On the one hand, the world's economic nosedive translated into a massive drop in employment levels and a rapid and significant rise in unemployment across the Western world. Many voices were being raised, calling for the state to step in and create employment opportunities in the so-called second labour market (Hörisch and Weishaupt 2012). On the other hand, the massive drop of GDP, the boost of governmental debt and the intervention of the so called "Troika" led to severe pressure to deregulate their labour market and to retrench social welfare schemes in many countries.

Analyses of these recent developments of labour market policies come to conflicting results. Comparing four rather small welfare states, Starke et al. (2011) challenge the view of major diffusion processes in labour market policies, by finding that social policy responses to financial crisis were "surprisingly diverse", ranging from almost no substantial social policy reaction in Sweden to significant social policy expansion in Australia. This finding resembles Chung and Thewissen (2011), who argue that national policy responses were diverse and largely driven by a path-dependency logic. Furthermore, Tosun et al. (2015) show that the absorption rates of structural and investment funds of the European Union by the member countries varies substantially between different countries. By contrast, analyzing a sample of six welfare states Vis et al. (2011) conclude that the social policy responses to the financial crisis hold many similarities, as many states reacted by applying at least temporary expansions of labour market policies and social programmes. This view is also upheld by Sacchi et al. (2011, p. 484), who find that Austria, Germany and Italy introduced remarkable innovations in the field of short-time work and that there was some convergence in the social policy programmes of their cases (see also Hörisch and Weber 2014).

Reacting to the slump in world trade and soaring unemployment, all OECD countries launched employment and social policy responses to cushion the impact of the economic crisis from 2008 to 2010 on their labour markets (OECD 2009: 2). During this intense recession, national economic strategies of handling human capital were a matter of prime importance in several regards (compare Hörisch and Weber 2014): Firstly, states introduced policies activating and improving the skills of the unemployed in order to downsize unemployment quotas. Notably, 23 OECD states chose such strategies of providing "training programmes for unemployment benefit recipients and other job losers" (OECD 2009: 10). Secondly, short-time work schemes – although they are non-activating – had a special human capital relevance. German companies, for instance, took up short-time work in order to save firm-specific human capital through the crisis instead of laying off skilled workers (Will and Brautzsch 2009: 203). Lastly, some countries "stepped up resources for training existing workers or apprentices to improve their labour market prospects" (OECD 2009: 2). It is eye-catching that the linkage of short-time work and training activities was an especially prominent strategy making up approximately one-third of all crisis-induced training policies (Eurofound 2011: 8–13).

While there is mixed evidence in the literature concerning both the effects and the effectiveness of different labour market policies, there are at least some hints that active labour market policies might have particularly positive effects on labour market outcomes like low unemployment rates or high levels of employment (compare for example Armingeon 2006; Baccaro and Rei 2007; Bradley and Stephens 2007; Kenworthy 2012, but see also Kittel 2006 and Kittel 2008 for the limits of this kind of macro-quantitative research). Yet, so far, little is known about the effects of active labour market schemes activating and supporting especially young unemployed by offering start-up incentives for example. The following chapter is aiming to start to fill this research gap and to investigate, whether, how, to what extent and under what conditions flexicurity policies that provide conditions and incentives to fight (youth) unemployment.

3 Literature review: Evaluating the Effects of Flexicurity Policies

As Denmark and the Netherlands have been forerunners of flexicurity policies since the mid1990s under social democratic and purple coalitions[1], most academic studies have unsurprisingly analysed the effects of flexicurity in these two countries extensively (see Viebrock & Clasen 2009 for an earlier review). After flexicurity policies diffused to other countries and became a sort of role model in the European social model (European Commission 2009), analyses of flexicurity policies and their effects in other countries and in comparative perspective have then been investigated. This review of the effects therefore starts with the experiences from the Danish and Dutch case, then assesses the experience from other countries, and finally puts the findings into comparative perspective and discusses the lessons learned and blind spots. We focus on those countries where flexicurity policies have been adopted and base our review on nation-specific and comparative assessments and existing reviews of their effectiveness from the mainly English-based literature. The assessment of the flexicurity policies will generally be based on whether they contributed to the decline of structural unemployment and more specifically whether they contributed to the reduction of youth or long-term unemployment and reduced existing insider-outsider gaps. We also briefly comment on the general economic climate and economic policy that marked the context for the introduction of the flexicurity measures in different countries.

3.1 Denmark and the Netherlands as forerunners in flexicurity

The Danish model combines flexible labour market policies (in particular low employment protection) with generous unemployment benefits (four years of unemployment benefits with a maximum replacement rate of 90 percent until a recent reform in 2011/12) and ALMPs. This was characterised as 'Golden Triangle' by Danish labour market experts (e.g. Andersen and Mailand 2005; Madsen 2004; Bredgaard et al. 2006) and international observers and organisations (Wilthagen and Tros 2004).

The background to the Golden Triangle has been three rounds of labour market reforms implemented under a social democratic-social liberal government, which were supported by various pacts between Danish employer associations and unions (see Andersen and Mailand 2005 for a historical overview). These contributed to bringing down unemployment rates in Denmark after 1993 and to reduce structural unemployment (Madsen 2004: 200-1). Structural unemployment was by the early 1990s one major problem Danish policy-makers faced, and the new social democratic-social liberal government stimulated the economy in 1993 by the so-called 'kickstart', a short-term deficit-financed tax package that preceded the active labour market policies to come.

The specific effects of the flexicurity policies that contributed to the employment miracle in Denmark are high job turnover and low average job tenure among wage-earners (e.g. Madsen 2004; Bredgaard et al. 2006). This is because wage-earners are less in fear of unemployment spells and changing job given the relatively generous (but voluntary) unemployment insurance system and the comprehensive ALMPs providing job-seekers with necessary (new) qualifications or education to

[1] Purple coalitions in the Netherlands were coalitions across the left-right divide and included the Social Democrats (PvdA), the social-liberal D'66 and the right-wing liberal VVD (1994-2002).

match a new employers job profile (see also Wilthagen 2007). This means that job security has been replaced by employment security (European Commission 2006). On the employers' side, the low employment protection makes firms less fear the potential future costs from hiring labour compared to countries with strict employment protection. Since these arrangements on flexicurity were implemented, the Danish system was characterised as effective employment system until the economic crisis of 2008/9 (Madsen 2004: 190-3; Viebrock and Clasen 2009).

The reforms were (among other economic, political and structural factors) regarded as having contributed to the decrease of unemployment in Denmark and the country reached unemployment rates close to full employment by 2007 (OECD 2013). So, at least before the Great Recession in 2008, Denmark was seen as role model that had adopted successful flexicurity policies with the intended outcomes such as good macro-economic performance, low unemployment, low youth unemployment, high growth level without high levels of wage inequality or inflation and relatively small working poor sector (Viebrock and Clasen 2009: 314).

The Dutch model of flexicurity follows a different strategy of combining the security and flexibility aspects. Here, non-standard employment such as temporary work has been fostered, and labour markets were deregulated on some elements (dismissal protection), while the security elements for the non-standard labour force has been strengthened to provide coverage against market forces (Visser 2002; Wilthagen 2007; De Groot and Elshorst 2010). In this respect, the Dutch flexicurity regime has focused on different types of standard and non-standard work (part-time work, temporary work agencies, flex workers) compared to Denmark. The ambition was to achieve flexible solutions for those wage-earners demanding a fairer balance of work, care and education during their life-course and for employers demanding flexible labour markets for the sake of competitiveness (Viebrock and Clasen 2009: 315). The means were reduced dismissal protection for the originally well-protected core labour force, liberalizing temporary work, but equalising the rights of non-full-time wage-earners to those of full time workers (van Oorschot 2004: 20). One important outcome was the growth of part-time work (especially among women), and the rise of temporary work and other non-standard forms of employment (Keman 2003). These reforms also fit recent debates on the retrenchment paradox as they combined retrenchment with target expansion of the welfare state (Jensen et al. 2014).

As in Denmark, flexicurity was seen as contribution to lower unemployment rates without high inflation or debt. This was labelled as Dutch miracle after the country was hurt by high unemployment rates and economic stagnation since the 1970s (Keman 2003; Visser & Hemerijck 1997). However, van Oorschot's (2004) analysis of Dutch flexicurity policies over two decades criticised some effects and side-effects. While the protection of part-time workers has increased through Dutch flexicurity policies, it has weakened for flex-workers (ibid: 21). Moreover, the ambition to increase the outflow probability of the unemployed has not been achieved. During the 1990s, when most reforms leading to Dutch flexicurity have been implemented, the outflow rates of unemployed and disability benefits claimants hardly changed (ibid: 22-23). This means that there were no systematic effects of bringing the unemployment back into work and the situation for some precarious labour market groups did not increase even though the unemployment rate declined to 2.5 per cent by 2000. Similarly various activation measures had low participation and take up-rates (van Oorschot 2004: 18-19). Rather, some of the measures just re-allocated Dutch labour supply a in different way. So van Oorschot (2004) concludes that while Dutch flexicurity policies (such as activation) have contributed to lower unemployment rates, some important target groups of flexicurity have not benefited from the Dutch miracle.

The Danish and Dutch experience was despite the shortcomings in the Netherlands seen as success and the EU and European Commission (2007) thus formulated flexicurity goals as desired labour market policy. Consequently, further countries adopted flexicurity policies within their institutional arrangements and scholars started to investigate their effects and effectiveness beyond the Danish and Dutch case.

3.2 Flexicurity effects in other countries

One particular case of nation-specific adoption of flexicurity were the German Hartz reforms implemented between 2003 and 2005. The economic context of the Hartz reforms resembled to a certain degree the economic situation in Denmark in the early 1990s as high structural unemployment and low growth rates had been a raging problem in Germany in the late Kohl and early Schröder years (around 5 million unemployed by 2001/2002). Similarly, the red-green Schröder government (SPD/Greens) that was to implement the Hartz reforms also shifted to supply-side economic policies and used short-term debt financing to stimulate the economy and promote economic growth around the turn of the millennium. This is to some degree comparable to the kickstart in Denmark around 1993. While there is a plethora of literature on the Hartz reforms (see for instance Streeck & Trampusch 2005; Kemmerling & Bruttel 2006; Fleckenstein 2008), Leschke et al (2006) have identified four elements that can be linked to and assessed in terms of the European Employment Strategy and the focus of this fifth work package. These are "first (1), a new self-employment grant for formerly unemployed, the so-called Ich-AG, second (2), the introduction of personnel service agencies (PSA), third (3), the reform of the Mini- and the introduction of the Midi-Jobs, and fourth (4), the wage insurance for elderly workers." The Ich-AG introduced by Schröder's red-green government wanted to support unemployment in setting-up their own business by introducing an allowance for business start-ups run by people on unemployment insurance or allowance. In this respect, the Ich-AG concept is related to the aspect of youth entrepreneurship and economic self-sufficiency. They had a security component since Ich-AG founders were still included in the social security schemes (in contrast to regular self-employed) and could return to unemployment benefits in case they closed down their business (ibid: 8). The Ich-AG also made the German labour market more flexible since the Ich-AG's usually consisted of one person and could be used for contract-work by larger business without any dismissal protection or employee contributions. The assessment of the Ich-AG as flexicurity component is mixed since at least two thirds of the subsidised businesses were still active four years after the introduction of the Ich-AG in 2003 (Caliendo et al. 2007). On the other hand, the allowance fostered part-time work among women that wanted to gain additional household income (Caliendo et al. 2007) as well as debt and free-rider effects among unemployment benefits recipients as the Ich-AG allowance did originally not require any business plan from the claimants (Leschke et al. 2006: 9-10). Accordingly the Ich-AG was in 2006 replaced by the Gründungszuschuss – a start-up allowance with tighter eligibility criteria – and then turned into a voluntary measure granted by the job centres in 2011 since the CDU/CSU-FDP coalition questioned the effectiveness of this flexicurity instrument.

A second instrument that was created as distinct flexicurity element in the Hartz reforms were personnel service agencies (PSA) where job centres had to contract at least one temporary work agency to ease labour market re-entry of unemployment with employment barriers (Leschke et al. 2006: 10). Mirroring some of the Dutch strategies towards a more flexible labour market through temporary work, the red-green government had deregulated temporary work in 2003 (Arbeitnehmerüberlassungsgesetz) and this was now linked to enhancing labour market re-entry through flexibility. As in the Dutch case, the success of this measure was balanced since the deregulation of temporary work contributed to employment growth in Germany (e.g. Profit & Liebenberg 2011), an increasing number of unemployed found employment through temporary work (e.g. Eichhorst et al. 2009) and special programs towards disadvantaged young unemployment received positive assessments (Ehlert et al. 2012). On the other hand, the outflow into regular employment was much lower than expected and not all target groups could efficiently by the placement through temporary work agencies (Leschke et al. 2006: 12-13).

A third instrument that was considered as flexicurity element in the Hartz reform was the novel regulation of mini- and midi-jobs. The goal was to create employment in the low wage sector as stepping stone for later regular employment and to crowd out illegal employment (Leschke et al. 2006: 13). As to security aspects, these mini- and midi-jobs are subject to social security contributions and therefore provide the employees concerned acquire claims for the social insurance benefits. The overall assessment was that they introduced more flexibility in the German labour market, but that they hardly contributed to the original ambition of flexicurity policies since they did not effectively enhanced outflow rates into regular employment, but remained attractive extra incomes for younger people such as students and mothers who wanted to reconcile their work-life balance through a limited number of working hours (Leschke et al. 2006: 13). A fourth measure concerned a special wage insurance scheme for elderly workers, but this had only limited effect and was cancelled in 2011.

Overall, the elements of the Hartz reforms that were linked to the European Employment Strategy and thus flexicurity were assessed as measures towards flexibility and innovation of the German labour market that around the turn of the millennium was characterised by the "Reformstau" debate. The Hartz reforms were in this respect regarded as important contribution for employment growth, decline of unemployment, and regained competitiveness in Germany (e.g. Eichhorst et al. 2009; Profit & Liebenberg 2011). Roughly speaking unemployment declined from 5 million unemployed around 2005 to 3 million around 2014[2] and youth unemployment in Germany is among the lowest rates in OECD countries (see Table 1). Regarding the security component, critics pointed out that they do not cover the risks associated with flexible labour markets, but instead reinforced the insider-outsider divide in Germany (Eichhorst and Marx 2011; Biegert 2014). This is because persons affected by the flexicurity aspects in the Hartz reforms do not enjoy the same protection and attachment to the social insurance schemes. This is also fits to recent analyses of reform designs since the Hartz reforms combined retrenchment of unemployment benefits with targeted expansion of family benefits for dependents of unemployed people, and can be thus regarded as a reform that "gives less, by doing more" (see Jensen et al. 2014). The public perception of the Hartz Reforms is therefore outright retrenchment, while their fiscal policy effects were expansionary (Sachverständigenrat 2005: 244ff). Another still debated aspect is whether and to which extent the Hartz reforms and their flexicurity elements have produced an increasing income gap between labour market insiders and outsiders, and to which extent they have reduced the living standard of wage-earners that were forced to accept non-standard forms of unemployment after a job loss (Eichhorst et al. 2009; Eichhorst and Marx 2011; Profit & Liebenberg 2011). The problems in Germany thus reflect some of the shortcomings identified in the Dutch case by van Oorschot (2004) even though there are generally positive effects on employment.

Another Christian democratic welfare state that adopted flexicurity policies since the 1990s was Austria (Eder 2008; Hinterseer 2012). The Austrian case is seen as a more successful adaption of flexicurity policies since some of the original ambitions of the European Employment Strategy matched the actual labour market outcomes achieved through flexicurity. Austria shifted – as Denmark – the focus from job security to employment security (Eder 2008; Viebrock & Clasen 2009: 316). The road was however considerably different since Austria has higher employment protection but less generous unemployment benefits and therefore different conditions for adapting flexicurity (ibid; Hinterseer 2012; Obinger et al. 2012). Already in the late 1980s and 1990s, Austria had engaged in some flexi-

[2] See the detailed figures on the Federal Statistics Office:
https://www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb110.html

bilisation of the labour market since temporary work and working hours were deregulated, while non-standard forms of employment were included in the social insurance schemes (Obinger et al. 2012: 181-182). The background to this change of policy paradigms were the steadily increasing unemployment rates in Austria since 1980 and thus the arrival of structural unemployment in Austria.

The centre-right government (2000-2006) initiated a shift to supply-side labour market policies which included activation and flexibility (Eder 2008; Hinterseer 2012; Obinger et al. 2012). As in Germany, a distinct ambition was to create a low-wage sector through deregulation, while some forms of minimum protection for atypical workers were introduced (severance payment and pensions). One important aspect in Austria was also the introduction of a severance pay in 2002 which was characterised as "a real Flexicurity measure" (Eder 2008; Hinterseer 2012) since employers can lay-off employees more easily, whereas employees can now also draw on income security in case of shorter employment tenure (Hinterseer 2012: 10-11). The measure was introduced and modified by the social partners in Austria.

The Grand Coalition that gained office in 2007 then introduced the "Flexicurity Package". As to the security aspect the package decreased the non-wage labour costs by decreasing unemployment insurance contributions, integrated free-lancers and self-employed in the unemployment insurance and other social insurance schemes (Hinterseer 2012: 9; Obinger et al. 2012: 183-185). With regard to flexibility, temporary employment and working hours were liberalised. Similar to the severance pay, the flexicurity package was implemented in close cooperation with the social partners. Whereas Obinger et al. (2012) assess the implementation of flexicurity as success since it paved the way towards "smoothed dualization" by incorporating atypical forms of employment in the Austrian social insurances schemes when deregulating the labour market, Hinterseer (2012) remained more sceptical. He concluded that "Flexicurity in Austria' is nothing more than the traditional bargaining of the Austrian social partnership under a new name and label […]" (Hinterseer 2012: 4). This might be an overstated critique since Austria at least managed to keep a low unemployment rate in general and a low youth unemployment rate in particular since 1995 (see OECD 2013 and Table 1). Furthermore, the side-effects of deregulation were not as negative as we saw in the German or Dutch case, where atypical forms of employment were not so systematically included in the security aspect of flexicurity. On the other hand the Austrian case shows that labour market policies through negotiation with the social partners might be a functional equivalent that reaches similar outcomes as in the notorious Danish benchmark case.

This is also supported by Obinger et al. (2012: 196-197) who on the one hand acknowledge in their comparative case study of Austria, New Zealand, and Sweden that flexicurity "is more of a catchword used by national policy actors […] than a model that is actually being implemented in a comprehensive way". On the other, their findings point to a more successful adaption of flexicurity ideas in Austria compared to New Zealand and Sweden. While the emergence of precarious labour market conditions and segments in New Zealand is no big surprise, the pro-insider approach of Swedish flexicurity policies and the respective labour market outcomes such a decreasing coverage of the ordinary unemployment insurance (Sjöberg 2011) suggest more positive effects of the Austrian adaption of flexicurity.

3.3 Comparative assessments of the effects of Flexicurity

This brings us to comparative studies of the effects of flexicurity policies which have appeared in the last years. To begin with, Bonoli and Emmenegger (2009) compare the effectiveness of flexicurity policies and their historical background in Italy and Sweden since WWII. While both countries have a tradition for stricter employment protection compared to Denmark or more recently the Netherlands, the authors take these two cases as typical cases for Northern and Southern Europe to exemplify why the adoption of successful flexicurity policies has so far failed in Southern Europe. Their argument is that social trust in Mediterranean countries is considerably lower which has resulted in strict job protection given the lack of mutual confidence of the social partners. Moreover, labour market policies have been part of social policies in Mediterranean countries in the sense of protecting the income of the head of household against economic change. This made any deregulation of labour market policies in Italy (and the other Southern countries) ineffective since the fear of misuse of flexibility is higher than the perceived chances of flexicurity and ALMPs as established forms and norms of employer-employee cooperation do not exist (ibid: 25).

In contrast, Sweden has through social trust established a tradition for social partnership which allows for negotiated rights and duties of unemployed as well adaption of flexicurity and ALMPs both at company and nation-wide level (see also Freitag and Kirchner 2011 for a similar effect of social trust on job placement effectiveness). Unions have accepted the need for employability and employment security rather than pure job security and the employers are willing to employ unemployed people since they do not have to fear extremely high and sometimes arbitrary dismissal costs as in Italy. Bonoli and Emmenegger (2009) provide thus a path-dependency argument on why countries such as Italy failed in adapting flexicurity policies in general and why the few existing instruments remain ineffective compared to Northern European countries. The Mediterranean countries lack the tradition of strong social partnership and high social trust that would allow a successful implementation of flexicurity through laws and/or binding agreements by the social partners.

This finding was confirmed in a recent study by Madsen et al. (2013) who compared the effect of flexicurity policies on labour market transitions of young workers during the crisis in the four Nordic countries with four Southern European countries (Greece, Italy, Portugal, and Spain). Their main argument is that flexicurity had only a limited effect on effectively mitigating the dualization of labour markets. Moreover, flexicurity policies in Southern European countries have even widened the existing insider-outsider gaps instead of closing them (as for instance in Denmark and Austria to some degree) and did not contribute to the solution of the unemployment problem during the crisis (see Freitag and Kirchner 2011 for similar points). Madsen et al. (2013) argue that there had been too much stress on the flexibility aspect in the Southern countries and not enough stress on the security aspect. In contrast, the Nordic nations had found a better balance between these two aspects and thus come closer to the original flexicurity concept and its desired outcomes. One important conclusion in this recent study was that “the extension and implementation of flexicurity policies in all EU countries, shows first of all that it has had an asymmetric impact on young workers. Thus age has had a significant effect on the probability of an individual becoming unemployed or finding a job in both the Nordic countries and southern Europe, though its influence was less strong in the former group” (Madsen et al. 2013: 341). Reflecting the path-dependency found by Bonoli and Emmenegger (2009), one might add that this difference is also caused by the logic of protection in the Mediterranean countries, where the older (predominantly) male work force is covered by the generous benefits and strict dismissal protection laws (the security element). In contrast, young people can hardly qualify for these security elements, but are the main target of the flexibility part.[3]

A further comparative study by Heyes (2013) has compared and analysed flexicurity policies as crisis response and austerity measures in four European countries (Czech Republic, Germany, Ireland, and the UK). The policy responses showed some similarities and differences with respect to the flexicurity paradigm. In Germany and the Czech Republic, flexible arrangements reached through tripartite negotiations helped to save jobs through various flexibility arrangements that included short-time work

[3] Some of these statements are preliminary given the ongoing reforms in some of the Southern European countries at the time of writing.

schemes (Germany) and retraining of the work force during the crisis (Czech Republic). The measures were also intended to save labour costs without producing dismissals (Heyes 2013: 81). In the UK and Ireland governments did not want or did not achieve to engage in social dialogue with unions and employers organisations and relied on more orthodox austerity and crisis management measures such as cutting unemployment benefits and reviewing employment protection. The authors' so far tentative conclusion is that austerity has in some countries been a threat for existing flexicurity policies, while those countries that maintained or even adapted their flexicurity policies were better able to cope with the crisis effects on their labour market (Hayes 2013: 82-83). On might nevertheless add that the Irish economy recovered faster than the Mediterranean economies even though Ireland engaged in similar austerity measures without emphasising flexicurity policies.

4 Conclusion

This review has surveyed the diffusion of flexicurity labour market policies and their effects in European and OECD countries in the last three decades. Even though a shorter review is necessarily based on selective evidence, we found that there is large variation with respect to the labour market policies adopted, whether the flexicurity paradigm was adopted and how, and which other measures to fight (youth) unemployment were adopted. Moreover, we found also considerable variation as to whether flexicurity policies can be considered a success and which side-effects they had.

As to the diffusion of flexicurity and other active labour market policies, we saw that the Danish and Dutch were the first to adopt such policies, but that their implementation in other countries varied from non-adaption to being regarded as role model to overcome a country's own labour market problems. The early cases where flexicurity policies had been adapted (Denmark, Netherlands, Germany, and Austria) saw their implementation as reaction to high structural unemployment (also youth unemployment) and in conjunction with a shift to supply-side economics and economic stimulation through short-run debt-financing in the Danish and German cases. In other cases, many countries adopted specific flexicurity measures such as short-time work during the Great Recession irrespective of their labour market regime or institutional set-up and often not related to a shift in the economic policy paradigm.[4]

In those countries where flexicurity policies have been adopted – even in the same country – we found also a considerable variation in their overall effectiveness and particular outcomes. This variation had at least one pattern that fits existing distinctions of welfare state regimes and corporatism (Esping-Andersen 1990; Obinger et al. 2012; Starke et al. 2011). Flexicurity models had overall success and the least adverse effects in countries where the institutional context was favourable for their effective implementation (weak job protection and well-established corporatist traditions as in DK or a broad coverage of all employees through the Arbeitnehmerkammer and long tradition for tripartite solutions in labour market policies as in Austria).

Corporatist Christian Democratic regimes such as Germany and the Netherlands saw overall positive effects as unemployment rates declined and labour market flexibility was fostered, but also saw side-effects such as the reinforcement of existing insider-outsider divides. This is because those groups that hitherto have been outsiders are now also overrepresented among those labour market groups that work in non-standard forms of employment with lower protection (usually related to the insurance-financed mode of welfare protection).

[4] This would be an issue for further empirical studies to see whether succesful adaption of flexicurity policies is anteceded by a change of a country's economic and fiscal policy paradigms (e.g. the transition from Keynesian demand economics to supply-side economics).

In the Southern European countries the combination of strong dismissal protection, tightly regulated labour market and lack of tradition for corporatist arrangements (caused by the lack of trust if we follow Bonoli & Emmenegger (2009) and Freitag and Kirchner (2011)) made adaption and implementation of flexicurity measures ineffective and front-loaded the flexibility part usually on younger unemployed and other labour market outsiders.

In this regard, the conclusions drawn by Bredgaard et al. (2006: 77ff) and Wilthagen (2005: 265) a decade ago that successful diffusion and transferability of flexicurity policies depend heavily on the political institutional capacity still apply. Factors such as labour market regulation, social trust, traditions for corporatist decision-making with mutual trust between the social partners, or the level of decision-making in labour market policy are important factors for the successful and effective implementation of flexicurity in a first but crucial step which then helps to mitigate the problems of the unemployed in general and young adults to enter the labour market in particular in a second step.

5 References

Andersen, Søren Kaj and Mikkel Mailand (2005): ‘Flexicurity og det danske arbejdsmarked – Et review med fokus på overenskomstsystemet’, in *Flexicurity – Udfordringer for den danske model*. Copenhagen: Beskæftigelsesministeriet. http://faos.ku.dk/pdf/forskningsnotater/forskningsnotater_2005/fnotat59.pdf

Armingeon, Klaus (2006): ‘Die Politische Ökonomie der Arbeitslosigkeit’, in Herbert Obinger, Uwe Wagschal and Bernhard Kittel (eds.) *Politische Ökonomie – Demokratie und wirtschaftliche Leistungsfähigkeit*. VS Verlag: Wiesbaden, 151-174.

Baccaro, Lucio and Diego Rei (2007): ‘Institutional Determinants of Unemployment in OECD Countries: Does the Deregulatory View Hold Water?’ *International Organization* 61, 527-569.

Barcevičius, Egidijus, Timo Weishaupt and Jonathan Zeitlin (eds.) (2014): *Assessing the Open Method of Coordination – Institutional Design and National Influence of EU Social Policy Coordination*. Basingstoke, UK: Palgrave Macmillan.

Bell, David N. F. and David G. Blanchflower (2011): ‘Young people and the Great Recession.’ *Oxford Review of Economic Policy* 27 (2), 241-267.

Biegert, Thomas (2014): ‘On the Outside Looking In? Transitions Out of Non-employment in the United Kingdom and Germany’. *Journal of Social Policy* 24(3), 3-18.

Bonoli, Guiliano and Patrick Emmenegger (2009): ‘Hvorfor er flexicurity mulig i Sverige, men ikke i Italien? Policy, stiafhængighed og social tillid.’ *Politica* 41(1), 24-45.

Bradley, David H. and John D. Stephens (2007): ‘Employment Performance in OECD Countries A Test of Neoliberal and Institutionalist Hypotheses’. *Comparative Political Studies* 40, 1486-1510.

Bredgaard, Thomas, Flemming Larsen and Per Kongshøj Madsen (2006): ‘Opportunities and Challenges for Flexicurity – The Danish Example’. *Transfer: European Review of Labour and Research* 12(1), 61-82.

Caliendo, Marco, Alexander Kritikos, Viktor Steiner and Frank Wießner (2007): ‘Existenz-gründungen – Unterm Strich ein Erfolg’. *IAB Kurzbericht* 10 / 10.4.

Chung, Heejung and Stefan Thewissen (2011): ‘Falling Back on Old Habits? A Comparison of the Social and Unemployment Crisis Reactive Policy Strategies in Germany, the UK and Sweden’. *Social Policy & Administration* 45, 354-370.

Damelang, Andreas and Georgi Kloß (2013): 'Poverty and the Social Participation of Young People: An Analysis of Poverty-Related Withdrawal Mechanisms'. *Journal for Labour Market Research* 46, 321-333.

De Groot, Ayolt J. and Paul J. Elshorst (2010): 'Labour Market Effects of Flexicurity from a Regional Perspective'. *Tijdschrift voor economische en sociale geografie* 101(4), 392-408.

Eder, Michael (2008): *Flexicurity: Verbindung von Flexibilität und Sozialer Sicherheit am Arbeitsmarkt. Befunde aus der Praxis*. Linz: Trauner Verlag.

Ehlert, Christoph, Jochen Kluve and Sandra Schaffner (2012): 'Temporary work as an active labor market policy: Evaluating an innovative program for disadvantaged youths'. *Discussion Paper series, Forschungsinstitut zur Zukunft der Arbeit*, No. 6670.

Eichhorst, W., P. Marx and E. Thode (2009): 'Arbeitsmarkt und Beschäftigung in Deutschland 2000-2009', in *Benchmarking Deutschland: Beschäftigungserfolge bei zunehmender Differenzierung*. Gütersloh: Bertelsmann Stiftung.

Eichhorst, Werner and Paul Marx (2011): 'Reforming German Labour Market Institutions: A Dual Path to Flexibility'. *Journal of European Social Policy* 21(1), 73-87.

EMCO Report (Employment Committee) (2009): *Monitoring and Analysis of Flexicurity Policies*. Report endorsed by EMCO on 24 June 2009 (Online: ec.europa.eu/social/BlobServlet?docId=3642&langId=en, last access: 15 July 2014).

Esping-Andersen, Gøsta (1990): *The Three Worlds of Welfare Capitalism*. Cambridge: Polity Press and Princeton, NJ: Princeton University Press.

Eurofound (2011): 'Preparing for the Upswing: Training and Qualification During the Crisis' (Online: http://www.eurofound.europa.eu/ewco/studies/tn1010023s/tn1010023s.htm, last access: 29 July 2014).

European Commission (2006): *Employment in Europe 2006*. Luxembourg: Office for Official Publications of the European Communities.

European Commission (2007): Towards Common Principles of Flexicurity: More and Better Jobs Through Flexibility and Security. *COM(2007) 359*, 27 July.

European Commission (2009): *The Employment Crisis. Trends, Policy Responses and Key Actions: European Commission Background Paper to the EPSCO Council*. Brussels: European Commission.

Fleckenstein, Timo (2008): 'Restructuring welfare for the unemployed: the Hartz legislation in Germany'. *Journal of European Social Policy* 18(2), 177-188.

Freitag, Markus (2000): 'Soziales Kapital und Arbeitslosigkeit: Eine empirische Analyse zu den Schweizer Kantonen', *Zeitschrift für Soziologie* 29(3), 186-201.

Freitag, Markus and Antje Kirchner (2011): 'Social capital and unemployment: a macro-quantitative analysis of the European regions'. *Political Studies* 59 (2), 389-410.

Heyes, Jason (2013): 'Flexicurity in Crisis: European Labour Market Policies in a Time of Austerity'. *European Journal of Industrial Relations* 19(1), 71-86.

Hinterseer, Tobias (2012): 'Flexicurity in Austria: Social Partnership just Renamed'. Paper presented at the ECPR Graduate Conference in Bremen, 3-6 July.

Holzinger, Katharina, Christoph Knill and Bas Arts (eds.) (2008): *Environmental Policy Convergence in Europe - The Impact of International Institutions and Trade.* Cambridge: Cambridge University Press.

Hörisch, Felix and Timo Weishaupt (2012): 'It's the Youth, Stupid! Explaining Labour Market Policy Reactions to the Crisis'. *Zeitschrift für Vergleichende Politikwissenschaft* 6(2), 233-253.

Hörisch, Felix and Jakob Weber (2014): 'Capitalizing the Crisis? Explanatory Factors for the Design of Short Time Work across OECD-countries'. *Social Policy & Administration* 48(7), 799-825.

Hörisch, Felix, Jennifer Shore, Jale Tosun and Claudius Werner (2014): 'Labour market policies and youth unemployment.' Policy Brief No. 1 of the project Cultural Pathways to Economic Self-Sufficiency and Entrepreneurship (CUPESSE). Mannheim.

Jensen, Carsten, Christoph Knill, Kai Schulze und Jale Tosun (2014): 'Giving less by doing more: Solving the paradox of retrenchment'. *Journal of European Public Policy* 21(4), 528-548.

Keman, Hans (2003): 'Explaining Miracles: Third Ways and Work and Welfare'. *West European Politics*

26(2), 115-135.
Kemmerling, Achim and Oliver Bruttel (2006): '"New Politics" in German Labour Market Policy? The Implications of the Recent Hartz Reforms for the German Welfare State'. *West European Politics* 29(1), 90-112.
Kenworthy, Lane (2012): 'Labour Market Activation', in Francis G. Castles, Jane Lewis, Herbert Obinger and Christopher Pierson (eds.) *The Oxford Handbook of the Welfare State*, 435-446.
Kittel, Bernhard (2006): 'A Crazy Methodology? On the Limits of Macro-quantitative Social Science Research'. International Sociology 21 (5), 647-677.
Kittel, Bernhard (2008): 'Statistical Narratives and the Properties of Macro-level Variables: Labor Market Institutions and Employment Performance in Macrocomparative Research', in Alexander Hicks and Lane Kenworthy (eds.) Method and Substance in Macrocomparative Analysis, 29-66.
Kittel, Bernhard, Monika Mühlböck, Nadia Steiber and Julia Rita Warmuth (2014): 'Research Designs. Deliverable 1.3'. *Working Paper*, University of Vienna.
Knill, Christoph and Jale Tosun (2015): *Einführung in die Policy-Analyse.* Opladen & Toronto: UTB Budrich.
Knill, Christoph, Jale Tosun and Michael W. Bauer (2009): 'Neglected Faces of Europeanization: The Differential Impact of the EU on the Dismantling and Expansion of Domestic Policies'. *Public Administration* 87(3), 519-537.
König, Thomas and Lars Mäder (2008): 'Das Regieren jenseits des Nationalstaates und der Mythos einer 80-Prozent-Europäisierung in Deutschland'. *Politische Vierteljahresschrift* 49(3), 438-463.
König, Thomas and Lars Mäder (2009): 'The Myth of 80% and the Impact of Europeanisation on German Legislation'. *MZES Working Paper No. 112*. University of Mannheim.
Ladi, Stella and Paolo Graziano (2014): 'Fast-Forward' Europeanization: Welfare State Reform in Light of the Eurozone Crisis', in Ramona Coman, Thomas Kostera and Luca Tomini (eds.) *Europeanization and EU Integration: From Incremental to Structural Change?* Basingstoke: Palgrave, 108-126.
Leschke, Janine, Günther Schmid and Dorit Griga (2006): 'On the Marriage of Flexibility and Security: Lessons from the Hartz-reforms in Germany'. *WZB Discussion Paper, No. SP I 2006-108*.
Mailand, Mikkel (2010): 'The Common European Flexicurity Principles: How a Fragile Consensus Was Reached'. *European Journal of Industrial Relations* 16(3), 241-257.
Madsen, Per Kongshøj (2004): 'The Danish Model of "Flexicurity": Experiences and Lessons'. Transfer: *European Review of Labour and Research* 10(2), 187-207.
Madsen, Per Kongshøj, Oscar Molina, Jesper Møller and Mariona Lozano (2013): 'Labour Market Transitions of Young Workers in Nordic and Southern European Countries: the Role of Flexicurity'. *Transfer: European Review of Labour and Research* 19(3), 325-343.
Meseguer, Covadonga and Fabrizio Gilardi (2009): 'What is new in the study of policy diffusion?' *Review of International Political Economy* 16 (3), 527-543.
Obinger, Herbert, Carina Schmitt and Peter Starke (2013): 'Policy Diffusion and Policy Transfer in Comparative Welfare State Research'. *Social Policy & Administration* 47(1), 111-129.
Obinger, Herbert, Peter Starke and Alexandra Kaasch (2012): 'Reponses to Labor Market Divides in Small States since the 1990s', in Patrick Emmenegger, Silja Häusermann, Bruno Palier and Martin Seeleib-Kaiser (eds.) *The Age of Dualization: the Changing Face of Inequality in Deindustrializing Societies*. Oxford: Oxford University Press, 176-200.
OECD (2009): 'Addressing the Labour Market Challenges of Economic Downturn: A Summary of Country Responses to the OECD-EC Questionnaire' (Online: http://www.oecd.org/els/emp/43732441.pdf, last access 29 July 29 2014).
OECD (2013): 'Employment and Labour Markets: Youth Unemployment rate % of youth labour force (15-24)' (Online: http://www.oecd-ilibrary.org/employment/youth-unemployment-

rate_20752342-table2, last access: 29 May 29 2014).
OECD (2013): *OECD Employment Outlook 2013*. OECD Publishing.
OECD (2014): 'OECD.StatExtracts' (Online: http://stats.oecd.org/, last access 29 May 2014).
Profit, Stefan and Stefan Liebenberg (2011): 'Beschäftigungswachstum durch effizientere Allokation auf dem Arbeitsmarkt'. *Wirtschaftsdienst* 91(11), 778-783.
Sacchi, Stefano, Federico Pancaldi and Claudia Arisi (2011): 'The Economic Crisis as a Trigger of Convergence? Short-time Work in Italy, Germany and Austria'. *Social Policy Administration* 45(4), 465-487.
Sachverständigenrat (2005): Die Chance Nutzen – Reformen Mutig Voranbringen. Jahresgutachten 2005/06. Sachverständigenrat zur Begutachtung der gesamtwirtschaftlichen Entwicklung Statistisches Bundesamt, Wiesbaden.
Schmitt, Carina and Peter Starke (2011): 'Explaining Convergence of OECD Welfare State: A Conditional Approach'. *Journal of European Social Policy* 21(2), 120-135.
Sjöberg, O. (2011): 'Sweden: Ambivalent Adjustment', in J. Clasen and D. Clegg (eds.) *Regulating the Risk of Unemployment. National Adaptions to Post-industrial Labour Markets in Europe*. Oxford: Oxford University Press, 208-231.
Starke, Peter, Alexandra Kaasch and Franca van Hooren (2011): 'Explaining the Variety of Social Policy Responses to Economic Crisis: How Parties and Welfare State Structures Interact'. *TranState Working Papers Nr. 154*. Bremen: Universität Bremen.
Streeck, Wolfgang and Christine Trampusch (2005): 'Economic Reform and the Political Economy of the German Welfare State'. *German Politics* 14(2), 174-195.
Tosun, Jale (2013): *Environmental Policy Change in Emerging Market Democracies – Central and Eastern Europe and Latin America Compared.* Toronto: University of Toronto Press.
Tosun, Jale, Anne Wetzel and Galina Zapryanova (eds.) (2014a): 'Coping with Crisis: Europe's Challenges and Strategies'. *Special issue of the Journal of European Integration* 36(3), 195-337.
Tosun, Jale, Anne Wetzel and Galina Zapryanova (2014b): *'The EU in Crisis: Advancing the Debate.' Journal of European Integration* 36(3), 195-211.
Tosun, Jale, Carsten Jensen, Stefan Speckesser and Jacqueline O'Reilly (2015): 'The absorption of structural and investment funds and youth unemployment: An empirical test.' *Paper presented at "Challenges for the New Cohesion Policy 2014-2020: 2nd joint EU Cohesion Policy Conference"*, Riga, 4-6 February 2015.
Tsarouhas, Dimitris and Stella Ladi (2013): 'Globalization and/or Europeanization? The Case of Flexicurity'. *New Political Economy* 18 (4), 480-502.
Van Oorschot, Wim (2004): 'Balancing Work and Welfare: Activation and Flexicurity Policies in The Netherlands, 1980-2000'. *International Journal of Social Welfare* 13(1), 15-27.
Viebrock, Elke and Jochen Clasen (2009). 'Flexicurity and Welfare Reform: A Review'. *Socio-Economic Review* 7, 305-331.
Vis, Barbara, Kees van Keesbergen and Tom Hylands (2011): 'To What Extent Did the Financial Crisis Intensify the Pressure to Reform the Welfare State?' *Social Policy & Administration* 45, 338-353.
Visser, Jelle and A. Hemerijck (1997): 'A Dutch Miracle': Job Growth, Welfare Reform and Corporatism in the Netherlands. Amsterdam: Amsterdam University Press.
Visser, Jelle (2002): 'The First Part-time Economy in the World: a Model to be Followed?' *Journal of European Social Policy* 12(1), 23-42.
Will, Karl H. and Hans-Ulrich Brautzsch (2009): 'Im Fokus: Kurzarbeit – Retter in der Not?' *Wirtschaft im Wandel*, 5, Halle: Institut für Wirtschaftsforschung, 200-203.
Wilthagen, T. and F. Tros (2004): 'The Concept of "Flexicurity": A New Approach to Regulating Employment and Labour Markets'. *Transfer: European Review of Labour and Research* 10(2), 166-187.

Wilthagen, T. (2005). 'Striking a Balance? Flexibility and Security in European Labour Markets', in T. Bredgaard and F. Larsen (eds.) *Employment Policy from Different Angles*. Copenhagen: DJØF Publishing, 253-269.

Wilthagen T. (2007). *Flexicurity Practices*. Brussels: European Commission.

Executive Summary of the CUPESSE Project

The CUPESSE project is dedicated to the comparative analysis of youth unemployment in Europe. By taking issues related both to the demand and supply sides into consideration, the project aims to obtain an comprehensive picture of the causes and consequences of unemployment among young people as well as formulate strategies and recommendations for addressing this ever-growing issue. Eight EU Member States and two Associated Countries (Austria, Czech Republic, Denmark, Germany, Hungary, Italy, Spain, Switzerland, Turkey and the United Kingdom) represent the primary empirical focus of the project; however, attempts will be made to include all European states whenever possible. Kicking off in early 2014, the project brings together a broad network of researchers and practitioners from the fields of economics, political science, psychology, and sociology.

In examining young adults' pathways to economic self-sufficiency and entrepreneurship, CUPESSE pursues the following main objectives:

- Obtaining a comprehensive understanding of the supply side of youth unemployment by focussing on the intergenerational transmission of social capital and its influences on economic self-sufficiency and entrepreneurial behaviour
- Investigating how both supply and demand side factors affect unemployment among young adults and the extent to which young people's attitudes and skills align with employer demands
- Analysing the long-term consequences of youth unemployment, both with regard to the unemployed as well as for society as a whole
- Studying the effects of labour market policies (such as flexicurity, measures to promote business start-ups and entrepreneurship) and how they have been embraced by European states to combat youth unemployment
- Formulating policy ideas and strategies for addressing unemployment among young people in Europe

Relevance and background information

Scholars and the media alike have noted an increase in the amount of time today's young people need to successfully transition to adulthood; in other words, to become economically self-sufficient. More specifically, unemployment, especially among young adults (persons age 18 to 35), is a particularly vexing and persistent problem within Europe, despite the numerous efforts that have been made by national governments and the EU to encourage young people's labour market participation. At the same time, we are confronted by the reality that youth unemployment is by no means equally severe across Europe. In some countries young people encounter higher barriers to entering the labour market or may face different hurdles despite having attained a university degree. Entrepreneurship, moreover, is an equally important yet oft-overlooked component of youth employment and aids job creation and the overall economic climate. And although the European Commission has highlighted entrepreneurship as an indispensible tool for economic growth, we know very little about what drives or impedes entrepreneurship, particularly among young people

In analysing the complex and interrelated socio-economic challenges associated with youth unemployment, five complementary research objectives are pursued within the CUPESSE project. These objectives can be assigned to two dimensions: First, the causes and effects of youth unemployment are investigated. The second research dimension seeks to employ these insights to assess the effects and effectiveness of existing policy measures; that is, to sort out the factors and measures that make the greatest difference in order to improve existing programmes and to propose more effective policy responses to help overcoming youth unemployment in Europe.

The first dimension encompasses three objectives. First, the supply-side of youth unemployment, with an eye to the ways in which the values and norms that shape young people's economic self-sufficiency and entrepreneurship are handed down through the generations. Comprehensive surveys, completed by in-depth interviews of families will probe the question of intergenerational transmission, thereby examining the ways in which attitudes towards economic self-sufficiency and entrepreneurship are formed and transmitted as well as their overall impact on employability. The second objective brings together the supply and demand side of unemployment among young adults. More specifically, this objective examines the interaction between what employers are looking for when hiring young people and young people's awareness of employer expectations. Taking a broader view, the third objective seeks to uncover the consequences of youth unemployment over the long-term, looking both to the implications for individuals and for society as a whole.

Zooming out from more individual-centred perspectives, the fourth objective aims to assess the impact of labour market policies on young people's employment situation as well as the extent to which EU member states have embraced such measures. Flexicurity policies, policies supporting business starts-ups and self-employment as well as policies promoting education and training platforms are examined with regard to their effects as well as effectiveness in achieving economic self-sufficiency and entrepreneurship among young people. Closely related is the fifth and final objective, which will draw on the insights from the other objectives to propose recommendations for new policy measures and strategies to encourage the labour market integration of young people in Europe.

CUPESSE, as an innovative project connecting a diverse group of actors and institutions from all over the globe, will make a substantive contribution to understanding the complex processes regarding the employment situation of youth in Europe. With its multi-method, multidisciplinary and encompassing perspective, CUPESSE stands to make a significant impact not only in terms of the ways in which we comprehend the multifaceted concepts of economic self-sufficiency and entrepreneurship, but the project will also be able to draw on these findings to draft policy recommendations which will be relevant for meeting the goals of the Europe 2020 strategy.

CUPESSE Beneficiaries and Team Leaders

- UNIVERSITY OF HEIDELBERG – Professor Dr. Jale Tosun (coordinator), Germany
- UNIVERSITY OF VIENNA – Professor Dr. Bernhard Kittel, Austria
- UNIVERSITY OF ECONOMICS, Prague - VSE – Dr. Barbora Rydlova, Czech Republic
- AARHUS UNIVERSITY – Professor Dr. Carsten Jensen, Denmark
- CENTRAL EUROPEAN UNIVERSITY – Dr. Levente Littvay, Hungary
- UNIVERSITY OF CATANIA – Professor Dr. Maurizio Caserta, Italy
- UNIVERSITY OF GRANADA – Professor Dr. José L. Arco, Spain
- POMPEU FABRA UNIVERSITY OF BARCELONA - Dr. Mihaela Vancea, Spain
- UNIVERSITY OF BERN – Professor Dr. Markus Freitag, Switzerland
- KOÇ UNIVERSITY OF ISTANBUL – Dr. Zeynep Cemalcılar, Turkey
- UNIVERSITY OF NEWCASTLE UPON TYNE – Professor William Maloney, United Kingdom
- EUROPEAN RESEARCH AND PROJECT OFFICE GMBH, Germany
- UNIVERISTY OF MANNHEIM – Mannheim Centre for European Social Research – Professor Dr. Jan van Deth, Germany