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# Drifting into labour market insecurity? Labour market reforms in Europe after 2010

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## **Abstract**

This working paper explores whether, and if so how, the patterns of change of labour market policies in EU member states have altered since the emergence in 2010 of reinforced pressures on public spending ('fiscal austerity'). Using evidence from – among other things – 11 national case studies it reports insights on the following questions. First, whether retrenchment or expansion have taken place in unemployment benefits (insurance and assistance), employment protection legislation and activation policies and how they have been distributed across these different domains and instruments. Second, how expansion and retrenchment have affected different workers, most notably those who were better protected and those less well protected. And third, whether the logic of activation policies has shifted and if so how, between policies that enable the unemployed to find good jobs and those that merely enforce incentives to actively seek and accept jobs.

Overall, it appears that the welfare readjustment (that is, expansion in favour of those less well protected at the expense of those better protected) and flexicurity agendas are still the most common direction aimed for at least on paper within the group of countries examined, while there have also been country cases in which labour market policies changed in the direction of welfare protectionism – that is, expansion in favour of those better protected at the expense of those less well protected – and of overall retrenchment. Welfare readjustment and flexicurity have, however, resulted in more flexibility and activation and less security or protection overall. The trend towards activation has been strengthened, although activation has been pursued more by means of incentive reinforcement than by more expensive enabling programmes. These changes are mirrored in increased labour market insecurity since 2007.

# 1. Introduction

Following a coordinated fiscal expansion during the economic downturn that was triggered by the global financial crisis in 2008–2009, fiscal policies in one EU country after another and in particular in the euro-area member states shifted towards austerity. Recovery, whose first weak signs appeared in 2010, was thereby thwarted and the EU experienced its biggest recession ever. Unemployment rose to unprecedented levels.

This working paper explores whether, and if so how, the patterns of change of labour market policies in EU member states have altered since the emergence in 2010 of reinforced pressures on public spending ('fiscal austerity'). It draws on evidence gathered in the context of an ETUI international network project. Using insights from – among other things – 11 national case studies, the paper looks into the following questions. First, whether retrenchment or expansion in specific labour market policy domains and instruments have taken place. We have investigated changes in government policy interventions in unemployment benefit systems (insurance and assistance), employment protection legislation (EPL), and active labour market policies (ALMPs) since 2009–2010 and compared them with the trajectory changes prior to that. We have also looked into whether there has been a shift in the logic of activation policies (for example, away from policies enabling job seekers to be more productive, have easier access to the labour market and be more attractive for employers and in favour of measures that demand that job seekers actively seek and accept jobs, whether attractive or not, lest they lose access to related income support); and how retrenchment and expansion of protection have been distributed across the well-protected and the less well-protected labour market groups (often referred to as 'insiders' and 'outsiders', respectively). Looking at the big European picture, do we see a convergence or a divergence in labour market policy trends and outputs? Can we identify different patterns of change across member states? Last but not least, we ask whether there has been a divergence or convergence in labour market insecurity, as measured by the OECD.

We have sought to provide a detailed mapping of developments in labour market policies in the context of EU fiscal austerity by comparing – in each country case study and covering a wide geographic area within the EU – developments in the field after 2010 with the earlier pattern of change (since the 1990s). The labour market policies examined here are considered as a domain of social policy or the welfare state insofar as they tackle labour market risks. Therefore, the question explored in this paper is a special instance of the broader question of how welfare states have changed during the period of reinforced fiscal austerity in Europe.

To organise the mapping of changes, our point of departure is the observation that the patterns of welfare state change in response to pressures prior to the crisis were multi-dimensional, going beyond the axis of retrenchment/expansion (Bonoli and Natali 2012a). Instead, what has been often observed are mixed strategies in which retrenchment in some policy domains or types of instruments and expansion in others are combined. Examples of such ‘mixed’ strategies include flexicurity, whereby retrenchment in employment protection legislation, especially for regular contracts, is combined with strengthening income support and activation policies for the unemployed, with the stated purpose of protecting workers rather than jobs; and what Häusermann (2012) calls welfare readjustment and welfare protectionism. The latter two strategies can be encountered in the case of dualised labour markets, whereby there is differentiation in the rules and entitlements applied to different groups of workers, often referred to as ‘insiders’ and ‘outsiders’.<sup>1</sup> Whereas welfare readjustment involves retrenchment on policy instruments benefiting insiders and expansion of policy instruments benefiting outsiders (for example, reducing the protectiveness of employment legislation for regular contracts and possibly increasing the protectiveness of legislation for atypical employment contracts or reducing the generosity of unemployment benefits for well-protected beneficiaries and expanding generosity or entitlement to groups of unemployed not previously [equally] covered), welfare protectionism involves expanding policies that benefit insiders at the expense of outsiders (Häusermann 2012). Welfare readjustment and flexicurity are thus recalibration strategies as opposed to pure expansion or retrenchment strategies, whereby the policy mix is adapted to meet new needs (or what are called ‘risks’) in the labour market and in other domains that pertain to the welfare state. Given the increasing dualisation of labour markets, recalibration agendas have gained ground in Europe (Clasen *et al.* 2012) at least as an intention.

Overall, it appears that the welfare readjustment/flexicurity agendas are still the most common direction aimed for at least on paper within the group of countries examined in the project, while there have also been country cases in which labour market policies changed in the direction of welfare protectionism and of overall retrenchment. Welfare readjustment and flexicurity have, however, resulted in more flexibility and activation and less security/protection overall. The trend towards activation has been strengthened, although the cuts in public spending per person wanting to work in that domain have meant that activation has been pursued more by means of incentive reinforcement than by means of more expensive enabling programmes aimed at activation. In that sense, changes in the imbalance of protection between insiders and outsiders have been achieved more by reducing the protection of insiders than by increasing commensurably the protection of outsiders. Budget pressures have been evident in most of the examined cases, although they have varied in severity. These changes are mirrored in increased labour market insecurity since 2007.

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1. Jessoula and colleagues (2010) in a study of the Italian labour market distinguish an additional group, the so-called ‘mid-siders’.

## 2. Previous literature and rationale of the analysis

Welfare states in general and labour market policies in particular have been under pressure to adapt in the face of several challenges since the 1980s. The literature on the comparative politics of welfare states has identified two such challenges, broadly labelled ‘permanent austerity’ and the emergence of ‘new’ social risks. ‘Permanent austerity’, a term coined to describe the long-term fiscal pressures on welfare states, has been the outcome of changes in – among other things – the global economy, the significant slowdown in productivity growth from the 1980s onward, the maturation of welfare states and the ageing of populations (Pierson 2001a: 411). Bonoli (2006: 5-6) defines new social risks as ‘situations in which individuals experience welfare losses and which have arisen as a result of the socio-economic transformations that have taken place over the past three to four decades and are generally subsumed under the heading of post-industrialisation’. According to him the decline of industry, the rise of the service sector as the main source of employment creation and the massive entry of women into the labour force have resulted in more unstable family structures and the emergence of atypical forms of employment. However, Crouch and Keune (2012: 5) argue that new social risks may also be the outcome of state policy, conflict, collective bargaining, corporatist practices and transnational regulations, among other things.

The effects of these pressures have been studied extensively since the 1990s and the key changes identified, as well as questioned, include retrenchment in various forms, but also the development of new functions and policies to address ‘new’ social risks (see Pierson 1994, 1996; Clayton and Pontusson 1998; Esping-Andersen 1999; Pierson 2001b; Esping-Andersen *et al.* 2002; Korpi and Palme 2003; Allan and Scruggs 2004; Hacker 2004; Armingeon and Bonoli 2006; Starke 2006; Häusermann 2010; Clasen and Clegg 2011a; Bonoli and Natali 2012b; Vis and Hemerijck 2014 for a sample of an extensive list). Thus, the adjustment of welfare states has consisted not only of retrenchment but also of recalibration; that is, of shifts of resources from one policy domain/instrument to another and/or from one group of labour market risk bearers to another. Adjustment trajectories have been influenced by, among other things, institutional legacies and are consistent with the so-called ‘welfare’ or ‘labour market regimes’ (Esping-Andersen *et al.* 2002; Bonoli 2006, 2013).

However, at least in Europe, pressures for change on national welfare states have not only originated in permanent austerity and new social risks. The EU has also been having an influence (Leibfried and Pierson 1995; Kvist and Saari 2007; Jacquot 2008; Leibfried 2010; Graziano *et al.* 2011). The identified

mechanisms of influence include a process of ‘mutual learning’ through the Open Method of Coordination, but also indirect pressures from the EU’s fiscal rules and broader economic integration processes in response to which national policies have adapted (Leibfried 2010).

As far as labour market policies are concerned, prior to the crisis an agenda of recalibration – dubbed ‘flexicurity’ – had gained prominence at the EU level as a means of reconciling the flexibility that was considered necessary for good performance in the advanced European economies with protection and social inclusion in an environment of increased market volatility due to globalisation and structural change (Viebrock and Clasen 2009). The general principles of flexicurity were a shift of emphasis away from protecting jobs through strict employment protection legislation to protecting individual workers by supporting their incomes when unemployed and increasing their opportunities and capacity for finding gainful employment. Thus, activation became an important principle of the EU’s approach to employment and social inclusion.

The aforementioned extensive literature on welfare and labour market changes notwithstanding, developments in Europe since 2010 provide two reasons for embarking on a mapping exercise of labour market reforms at this point in time. The first is the unprecedented – by post-war standards – extent of fiscal austerity pressures. Radical changes in welfare states and labour market policies are not easy to enact unless there is a critical juncture (Pierson 1996). This then begs the question of whether the current circumstances present a critical juncture, a ‘window of opportunity’ for radical changes in the trajectory of labour market policies. The second reason for undertaking this mapping exercise now is that fiscal pressures largely originate at the EU level, whether it be the fiscal rules or the constraints on output and employment recovery that participation in the single currency impose on different member states.

The recent wave of coordinated fiscal austerity in Europe not only exerted direct pressures for cuts in public budgets. Prominent economists (e.g. DeLong and Summers 2012; Wren-Lewis 2015) have convincingly argued that fiscal austerity was responsible for turning the initial sharp economic downturn from the financial crisis into the Great Recession and for the very weak and fragile recovery so far. Moreover, it has been suggested that the combination of the current EU fiscal rules with the incomplete banking union and the reduced capacity of the ECB’s monetary policy to stimulate demand in the euro area has loaded national fiscal policies with a larger burden of policy functions than the one originally intended by the EU fiscal rules (Mabbett and Schelkle 2016). The current context of fiscal austerity in Europe thus exhibits a self-perpetuating quality.

It would not be an overstatement to argue that, under the current circumstances of all the welfare state domains, labour market and unemployment policies are those facing the greatest challenges in the context of EU austerity. In the absence of national monetary policies to stabilise the member states’ economies, and in view of the strict rules on fiscal policies, effective

insurance against the risk of unemployment is more necessary than ever for stabilisation. Persistently high unemployment, and its unevenly distributed increase across sectors in those member states that were most affected, mean, however, that labour market policies will also be crucial for helping the long-term, low-skilled and young unemployed to return to the labour market once these economies start recovering. Retrenchment and cost-cutting in social and labour market policies have been widely expected (Armingeon 2013), although the ways in which such pressures would be distributed across policy areas, policy instruments and risk-bearers were not a priori clear.

On the other hand, recent economic governance reforms have strengthened the hand of EU institutions in dictating tight fiscal policies to member states, while financial rescue operations have opened new channels of EU influence on national fiscal and labour market policies (compare Theodoropoulou 2015). The increased importance of the EU level in turn suggests that there may have been a 'structural break' in the way domestic and EU levels have been interacting so far in shaping national policies.

While explanations of the reasons behind the patterns of reform have been beyond the scope of this project, in order to select cases to maximise the coverage of patterns of change, we used as criteria some of the factors that the literature has pointed out as important drivers of welfare state change: institutional legacies (Pierson 2004) and EU pressures. We thus made our case selection to include member states from different labour market/welfare regimes or varieties of capitalism, facing high/low austerity pressures. Country cases were selected from each type of labour market/welfare regime currently encountered in Europe, namely the Anglo-Saxon (Ireland, United Kingdom), the Nordic/Hybrid (Sweden, the Netherlands), the Continental European (Germany, France), the Southern European (Greece, Italy) and the CEE regime (Czechia, Slovakia, Slovenia). In fact, within the CEE group we distinguish further, using the Bohle and Greskovits (2007) scheme, into Embedded Neo-Liberal Market Economies (Czechia, Slovakia) and a Neo-Corporatist Market Economy (Slovenia).



### 3. Changes in labour market policies

This section summarises the patterns of change in labour market policy observed since 2009–2010 and compares them with earlier patterns of labour market reform. Several sources of evidence are used, namely the LABREF database of the European Commission, as well as information collected in the context of 11 national case studies selected as mentioned above.

#### 3.1 A broad-brush picture of labour market reforms since 2000

We first look at the number of reforms undertaken in each of the countries examined in this project, based on data collected by the European Commission in its LABREF database. The policy areas we look into are active labour market policies, that is, public employment services, training, direct job creation schemes, employment subsidies, special schemes for the disabled and for the young; unemployment benefits, with reported reforms covering the net replacement rate, the duration of unemployment benefit, its coverage and eligibility conditions, and the search and job availability requirements; other welfare-related benefits, from social assistance to in-work benefits; and job protection for permanent and temporary contracts and for collective dismissals (for more details on the database, see European Commission 2014).

More specifically, we calculate an indicator of ‘reform effort’, that is, the number of reforms undertaken in a particular policy domain during a certain period (European Commission 2014). Given that the information in the database starts from 2000 and runs up until 2014, we have divided the information into three periods: 2000–2007 (before the crisis), 2008–2009 (the first period of the crisis when there was a fiscal stimulus), and 2010–2014 (the second period of the crisis when fiscal austerity began). As these periods are different in length, we have divided the number of reforms undertaken in each period by the number of years to obtain a more comparable ‘reform effort per year’ indicator.<sup>2</sup>

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2. The reform effort per year is arguably a crude indicator, as the effects of labour market reforms have been shown to depend on the context in which they are undertaken and often the interactions among them.

Table 1 Reform effort per year in selected EU member states, 2000–2014

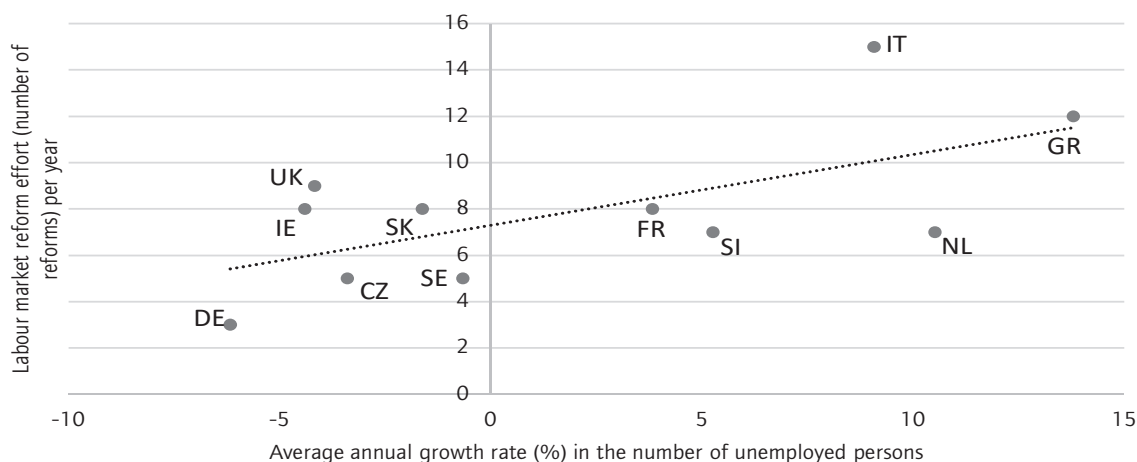
Domain	Reform effort per year=Number of reforms / number of years in period														
	ALMPs			EPL			Unemployment benefits			Other welfare benefits			Total reform effort per year		
	2000-07	2008-09	2010-14	2000-07	2008-09	2010-14	2000-07	2008-09	2010-14	2000-07	2008-09	2010-14	2000-07	2008-09	2010-14
<b>GR</b>	1	5.5	5.8	0.75	0.5	4	0.25	1.5	1.4	0.25	2	0.8	2.3	9.5	12.0
<b>IT</b>	0.875	0.5	5.4	1	3	7.4	1.25	1	1.6	0.25	3	0.2	3.4	7.5	14.6
<b>FR</b>	2.625	4.5	3.4	0.625	1.5	2.6	0.875	4	1.2	0.625	1.5	0.4	4.8	11.5	7.6
<b>DE</b>	3.625	4	1.8	0.625	0	0.2	1.4	0	0	0.375	4	1.4	6.0	8.0	3.4
<b>NL</b>	1.875	2	2.2	0.125	0.5	2.8	1.125	0	0.6	1	1.5	1.6	4.1	4.0	7.2
<b>SE</b>	3.25	3	3.6	0.5	0	0.4	1.125	1	0.2	0.625	1	1	5.5	5.0	5.2
<b>IE</b>	1.5	6	3	0.5	0	0.6	0.25	1	1	0.75	0.5	3	3.0	7.5	7.6
<b>UK</b>	2	9.5	4.2	0.625	1	2.2	0	1	0.4	1.25	1.5	2.2	3.9	13.0	9.0
<b>CZ</b>	1.625	0.5	0.8	1.4	0	1.6	0.5	2	1.2	1.5	0.5	1.2	5.0	3.0	4.8
<b>SK</b>	0.625	1	2.6	1.125	0	2.8	0.75	0	0.4	0.25	2	1.8	2.8	3.0	7.6
<b>SI</b>	0.875	2.5	2	0.625	0	2.4	0	0	1.2	0	1.5	1	1.5	4.0	6.6

Source: Author's calculations using data from the European Commission LABREF database, (Theodoropoulou 2018: 340).

The indicators calculated as above suggest that, in most of countries examined in the project, the reform effort per year accelerated once the crisis began and in particular from 2010 onwards. Exceptions to this are Germany and Sweden, both of which demonstrated higher research effort per year in 2000–2007. Moreover, with the exception of Italy and the Netherlands in 2010–2014, the number of reforms was the highest in the domain of ALMP, often by far, than in other labour market policy domains.

The labour market problem load defined here as the average annual growth rate in the numbers of unemployed persons in 2010–2014 is more strongly and positively associated with labour market reform effort per year than the extent to which the countries examined here pursued fiscal austerity during that period. The bivariate linear correlation between the average annual growth rate of unemployed persons and the reform effort per year in the period 2010–2014 is strong (correlation coefficient: 0.6) and fairly robust, with the exclusion of Greece (correlation coefficient: 0.5). There is also a positive association between the extent of fiscal austerity pursued between 2010 and 2014 (not shown here), measured as the cumulative improvement in the structural fiscal balance of a government, excluding interest payments,<sup>3</sup> and labour market reform effort per year during that period, with a positive linear correlation coefficient of 0.5. However, this is driven by the presence of Greece in the sample, as the association becomes much weaker (0.3) once Greece is excluded.

Figure 1 Labour market reform effort per year and average annual growth of the unemployed, selected EU member states, 2010–2014



Source: Author's calculations using data from the Eurostat LFS database (lfsa\_ugan series) and the European Commission LABREF database (Theodoropoulou 2018: 341).

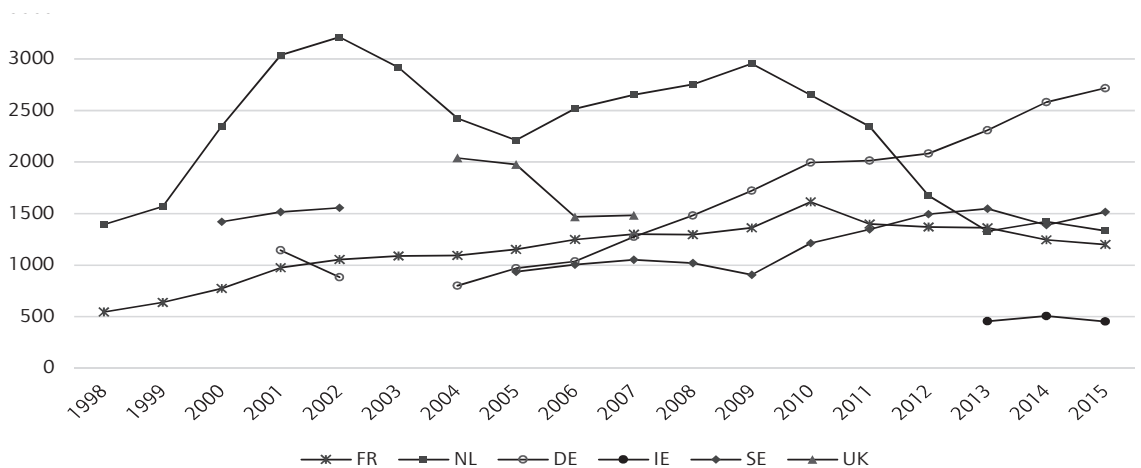
3. Positive cumulative change in the structural balance indicates stronger effort for consolidation, that is, reduction of deficits. Under conditions of recession, this entails more fiscal austerity.

We also provide data on public expenditure in labour market interventions, more specifically labour market services,<sup>4</sup> labour market policy measures (that is, active labour market policies) and labour market support (that is, financial support) per person wanting to work (Figures 2–4, respectively) for the period 1998–2015. Public expenditure on ALMP per person wanting to work had clearly declined by 2015, in several of the countries where it was relatively high in the early 2000s, most notably, the Netherlands, Sweden and Germany but also in Italy, where it has traditionally not been high. This is a striking development insofar as by 2015 the share of long-term unemployment in total unemployment had increased in all these countries bar Germany and the United Kingdom (see Figure 5, p. 15).

Although declining trends have also been evident in public expenditure per person wanting to work for labour market financial support policies, there was invariably an increase in all examined countries during 2008–2009, reflecting the expansionary fiscal efforts of governments across Europe to counter the effects of the global financial shock on their economies. However, starting in 2010, this common trend was reversed to various extents.

The Netherlands and Ireland registered some of the steepest declines in public expenditure per person wanting to work in financial support measures, as did Slovenia. On the other hand, public expenditure on labour market policies as a share of GDP expanded in France, fully reversing the reductions of the years prior to the crisis.

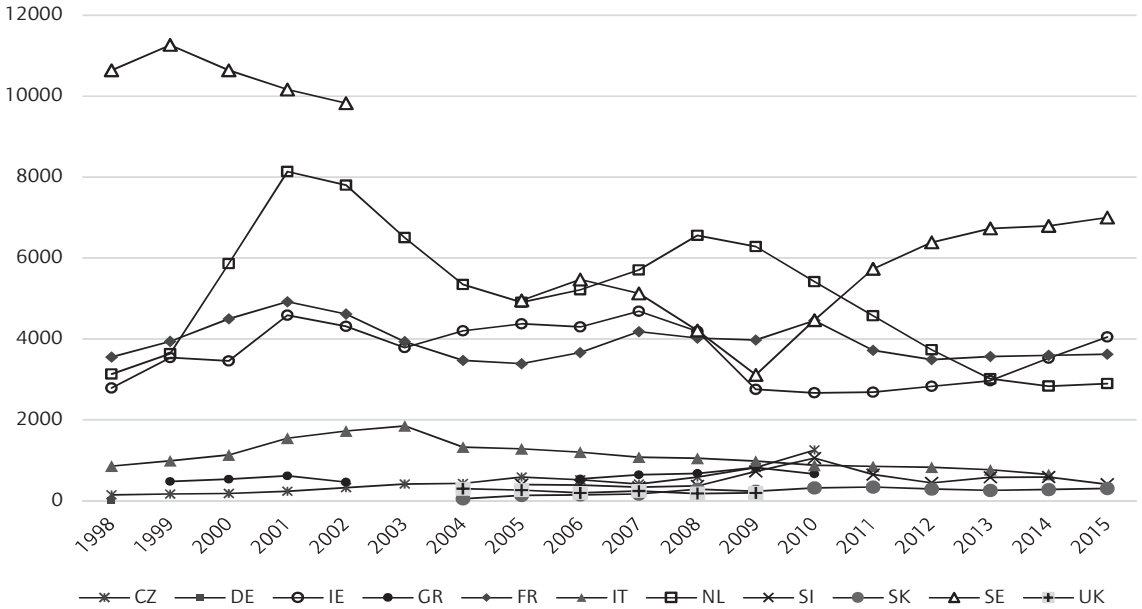
Figure 2 Public expenditure in labour market services per person wanting to work, selected member states, 1998–2015



Source: Author's calculations using European Commission (DG Empl) data (Imp\_expsumm, Imp\_partsumm and Imp\_ind\_actsup series) (Theodoropoulou 2018: 342).

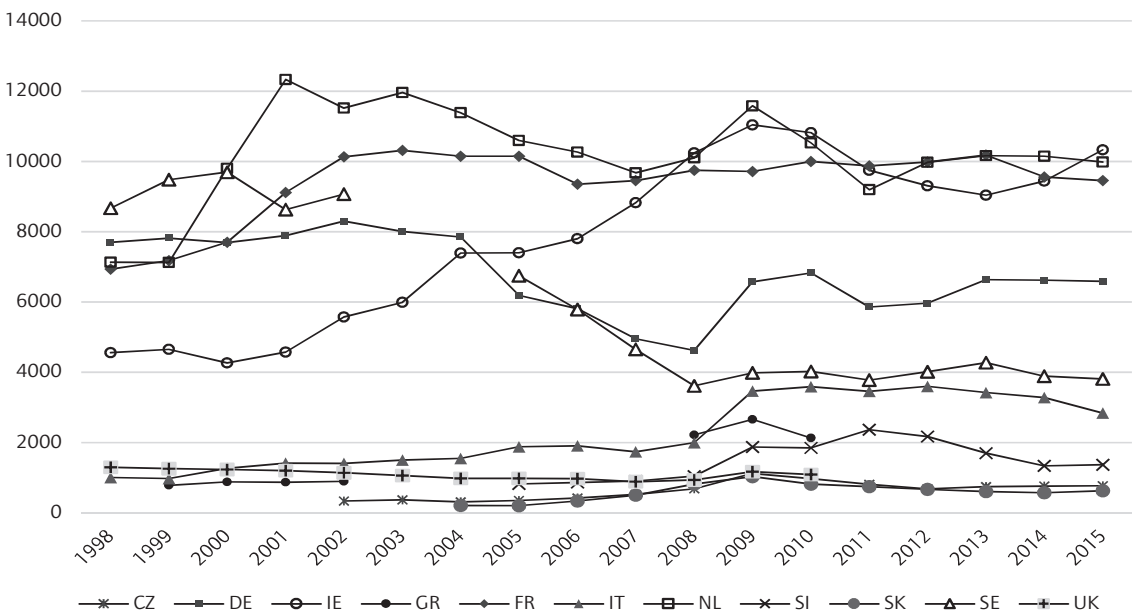
4. Public expenditure in labour market services per person wanting to work could be calculated for only a very limited number of countries due mainly to lack of data on the number of participants and participation rates per 100 persons wanting to work in these programmes, from which the persons wanting to work could be deduced.

Figure 3 Public expenditure on labour market policy measures (ALMP) per person wanting to work, selected EU member states, 1998–2015



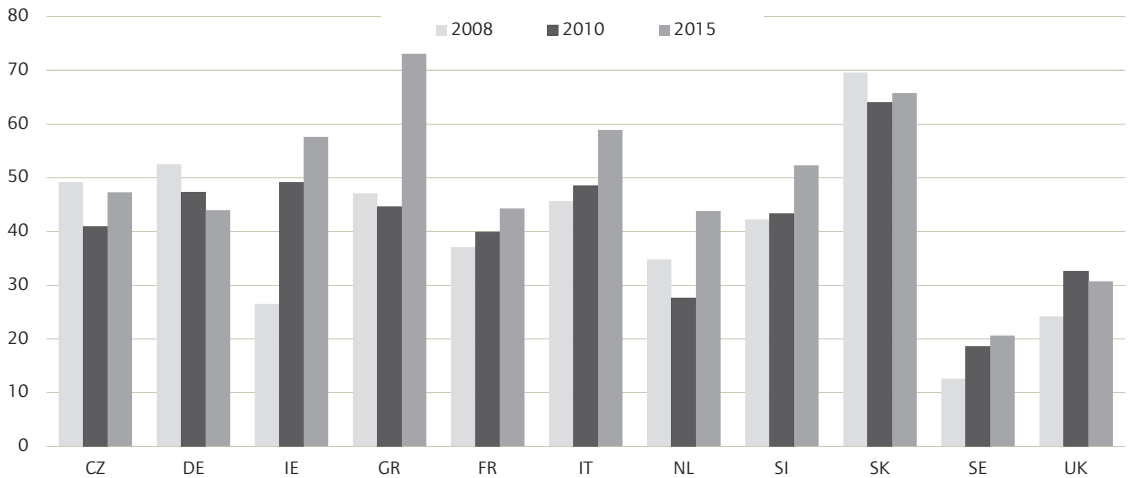
Source: Author's calculations using European Commission (DG Empl) data (Imp\_expsumm, Imp\_partsumm and Imp\_ind\_actsup series) (Theodoropoulou 2018: 342).

Figure 4 Public expenditure on labour market (financial) support policies per person wanting to work, selected member states, 1998–2015



Source: Author's calculations using European Commission (DG Empl) data (Imp\_expsumm, Imp\_partsumm and Imp\_ind\_actsup series) (Theodoropoulou 2018: 343).

Figure 5 Long-term unemployment as a share of total unemployment, selected member states, 2008, 2010, 2016



Source: Eurostat LFS database (lfsa\_upgan series) (Theodoropoulou 2018: 344).

As far as the balance of public spending across different types of labour market policies is concerned, financial support (unemployment benefits) seems to still absorb a higher share of spending than ALMPs or public services. Interestingly, the trends in public spending as a share of GDP have, in several cases, been declining, especially in countries that spent relatively high amounts in the late 1990s and early 2000s.

However, neither the number of labour market reforms per se nor the amount of spending on labour market policies can give us a good enough picture of the patterns of change in labour market policy before and after the onset of fiscal austerity. For one thing, the direction of reforms could go either way (that is, for more or less protection/regulation) and for another, spending can be devoted to very different uses (for example, different types of active labour market policies or different groups of beneficiaries).

### 3.2 Evidence on labour market policy reforms from 11 national case studies

To understand more about the direction of change, we now turn to some of the findings of the country case studies. The empirical evidence provided thereby confirms the diverse pattern of change both within and across labour market regimes with retrenchment but also expansion taking place and allocated in different ways across functions and labour force groups. An exception to this has been the pair of the United Kingdom and Ireland (the countries of the 'liberal' economic regime), where on balance it appears that retrenchment has taken place, despite the marked shift of emphasis from passive to active instruments in Ireland. Overall, three of the broad patterns described in Section 1 have been observed: retrenchment, 'welfare readjustment' and 'welfare protectionism' (compare Häusermann 2012).

As far as activation policies are concerned, incentive reinforcement has been common in many of the examined countries. The targeting of active labour market policies towards those at higher risk of long-term unemployment has also intensified, under budget pressures. Another common trend has been the replacement of social assistance schemes (that is, ‘needs-based’ income support) covering the long-term unemployed but also the young, single parents and the disabled, by mandatory participation in activation programmes. Heins and Bennett (2018) have characterised this trend as a shift of focus from tackling unemployment to tackling ‘worklessness’ and it is consistent with what Clasen and Clegg (2011b) identify as the activation dimension in their ‘triple integration’ concept of policies regulating the risk of unemployment. While enabling instruments of activation have remained in place wherever they were previously available, the considerable reinforcement of incentives that has taken place, coupled with the tightening of budgets for active labour market policies suggests that, on balance, changes in ALMPs after 2009–2010 leaned towards ‘punitive’ measures rather than towards ‘enabling’ ones, let alone those akin to social investment.

### 3.2.1 Greece

In Greece, a country with a highly segmented labour market and a relatively low labour market ‘reform effort’ prior to the crisis, retrenchment was the dominant trend despite the unprecedented loss in GDP and massive increase in unemployment since 2008. Eligibility for unemployment benefits, both insurance-related and assistance, was extended to groups not previously covered, namely the self-employed and those aged 20–44, while it was restricted for groups that were better covered beforehand. The income threshold for assistance benefits was raised. These changes aimed at extending eligibility to people previously excluded from unemployment benefits. On the other hand, the income thresholds below which benefits could be claimed were not adequately adjusted, spending ceilings were established and, more generally, eligibility rules in many instances were not adapted to the deteriorating circumstances and rising numbers of unemployed workers, in particular of the long-term unemployed. Thus, the number of unemployment benefit recipients as a share of the unemployed – that is, the coverage rate of unemployment benefits (insurance and assistance) – fell from 36.2 per cent in 2010 to 12.8 per cent in 2016 despite the stellar increase in unemployment (Matsaganis 2018).

Retrenchment in the form of ‘drift’, whereby policy parameters were not adjusted adequately to meet increased needs, was also evident in the levels of unemployment benefits (insurance and assistance). The monthly unemployment insurance benefit fell from €454 to €360 in 2012 due to cuts in the minimum wage rate, on the basis of which the benefit is calculated. The monthly unemployment assistance benefit declined to 24 per cent of the minimum wage in 2012, down from 38 per cent in 2003, due to lack of indexation (Matsaganis 2018).

Changes in employment protection legislation affected many of those with regular (permanent) and those with atypical/flexible contracts. Collective dismissal thresholds were increased from four to six for companies employing 50–150 employees in 2010, while the length of notice period was shortened for white-collar workers and the severance payment was reduced for all. Restrictions on the use of temporary contracts were loosened, as were the rules governing the use of temporary work agencies. Active labour market policies, of questionable effectiveness in Greece prior to the crisis, did not go far beyond planning during the period of economic adjustment programmes and focused mostly on the Youth Guarantee and a public works programme for the long-term unemployed in jobless households. Overall, flexibility increased in the Greek labour market, thanks to deregulation but clearly at the expense of security.

Greek labour market policies patently failed to rise to the challenges raised by the crisis and the massive increase in unemployment it brought. The magnitude of adjustment that Greece would have to undergo given its current account and budget deficits in 2010 could not have been anything other than painful since the financial flows that funded them dried up suddenly. These circumstances were further aggravated, however, by the legacy of backwardness, neglect and lack of sophistication in Greek labour market policies while Greek domestic actors failed to constructively engage and puzzle for genuine and effective solutions (Matsaganis 2018: 60).

### 3.2.2 Italy

Since 2010, Italy has experienced a substantial shift in the direction of reforms of employment protection legislation and unemployment benefits. Starting in 2012, the definition of unfair dismissal was revised and its consequences lightened (Law 92/2012). There was substantial retrenchment in employment protection legislation for open-ended contracts, marking a break with the pre-crisis period when EPL liberalisation took place ‘at the margin’. More specifically, protection in case of illegitimate dismissals shifted from compulsory reinstatement to previous job and the payment of lost wage and social contributions) to the provision of economic compensation with no severance payment benefits foreseen (Vesan and Pavolini 2018: 82). This reform was accompanied by incentives to employers to hire new employees under the ‘new’ open-ended contracts introduced by the reform.

Important reforms took place in the domain of unemployment benefits during the crisis in contrast with only incremental reforms since the mid-1990s. The aim of these reforms was to increase the coverage and generosity of unemployment benefits, as well as to reduce inequalities in the treatment of the unemployed as recipients. The old mobility allowance (*indennità di mobilità*), which functioned as an unemployment benefit for people losing their jobs in collective dismissals, and short-time working schemes were abolished or their use limited substantially in favour of financing new unemployment insurance and assistance benefits and active inclusion schemes. Following the



introduction of the new schemes, the replacement rate of the unemployment benefit increased to 75 per cent of the average wage in the past four years prior to receiving the benefit (up from 60 per cent in 2011) and a cap on its maximum value for wages above average. The duration of unemployment benefits increased from six months to up to two years, while the threshold of necessary contributions for establishing the right to the new unemployment insurance benefit (NASPI) was reduced from two years' insurance seniority and 52 full weekly contributory requirements in the past two years in 2011 to 13 weeks of contributions in the past four years preceding the termination of employment and 30 working days in the past 12 months in 2015 (Vesan and Pavolini 2018).

Italy followed, at least in normative terms, the trend towards activation. Nevertheless, expenditure on active labour market policies and social investment remained limited (compare with Beramendi *et al.* 2015). Up until 2015 there were cuts and a shift of resources from ALMPs to passive benefits. After 2015, the National Agency for Active Labour Market Policy tightened conditionality for participating in active labour market programmes, leading overall to incomplete adjustment and the lack of an element that could increase security as a counterbalance to higher flexibility (Vesan and Pavolini 2018: 82).

These changes have taken place in a context of chronically low growth in Italy, which preceded the crisis. Italy found itself in the shadow of the public debt crisis not so much because its budget deficits grew more than in other member states in the early years of the crisis but rather due to its persistently high public debt/GDP ratio and doubts over the health of several Italian banks. In that respect, the direction of reforms seems to be informed by a logic that perceived the crisis as a 'structural challenge' (Clasen *et al.* 2012). At the same time, welfare readjustment has not been complete, with the investment part clearly lagging, suggesting that there may be limits to how far this logic can drive reforms.

### 3.2.3 France

The French labour market has typically been considered a dual labour market; that is, one divided into insiders and outsiders. Pressures for reform prior to the financial crisis focused on restricting eligibility conditions and limiting the generosity of unemployment benefits (replacement rate and duration), while also increasing conditionality for benefit receipt; a mixture of punitive and enabling instruments in activation policies, notably subsidised employment and job creation schemes in the public sector; and finally, increasing the flexibility of employment protection legislation for atypical contracts. Characteristic of reforms in all these domains was that the burden of adjustment predominantly fell upon outsiders.

In France, policy changes from 2009 onwards continued along the path followed since the early 2000s, namely, the pursuit of *'flexicurité à la*

*française*: while nominally aiming at increasing flexibility and improving security, the balance has clearly been in favour of flexibility, both internal and external. Retrenchment in the form of drift has taken place in public expenditure for income support for the unemployed and for active labour market policies, but also in employment protection legislation.

Unemployment benefits expanded in the wake of the crisis, especially for those who found themselves without or with few entitlements (for example, the young and the long-term unemployed), with the creation of, among other things, the *'aide exceptionnelle pour l'emploi'* (at 15.14 euros per day for a maximum of six months). Reforms in 2009 also targeted the segmentation of access to unemployment benefits. After 2010, 'rechargeable rights' to unemployment benefits were introduced, allowing workers to carry forward unused benefit entitlements when returning to work earlier. The balance of change in active labour market policies has been on incentive enforcement, while subsidised contracts also increased. Reforms in unemployment income support and active labour market policies also attempted to blur the distinction in rights between insiders and outsiders. However, this did not happen by improving the position of the outsiders but rather by reducing the protection of insiders, thus presenting elements of 'subtractive recalibration' (Ferrera 2012 as cited in Ascoli *et al.* 2016).

In 2013, the Socialist government adopted an important reform, the Secure Employment Law. The law developed employers' flexibility with regard to redundancy, but also strengthened the capacity of the administration to ensure that employers engaged properly in consultation and negotiation. At the same time, the 2013 law limited the use of part-time employment contracts (which cannot exceed 24 hours a week, except in case of an explicit agreement from the employees, which in the context of the crisis might be detrimental to them). Employers' unemployment insurance contributions were also increased when they use short-time employment contracts. In 2016, the 'El Khomri law' was introduced. One of its original aims was to make employment legislation more flexible and to introduce a financial ceiling for unjust dismissals. However, because of the strong social movement raised against the Labour Code, this disposition set up only indicative rather than compulsory ceilings. All in all, the central objective was to reform that part of the Labour Code dedicated to working time and to dismissals, as well as to develop a new articulation of collective norms. Beyond that, the law embraced various heterogeneous provisions. While it was aimed at 'simplifying' the Labour Code, in fact it made it more complex (Caune and Theodoropoulou 2018).

### 3.2.4 Germany

Following the extensive Hartz I–IV reforms in the early 2000s, which went in the direction of 'welfare readjustment', labour market reforms in Germany since the shift of fiscal policy trends in Europe have not been as dramatic as elsewhere. Germany's fiscal effort to consolidate its public finances was below the EU and euro-zone average; that is, it imposed less fiscal austerity

than other countries. Nevertheless, the federal budget was rebalanced in line with the ‘black zero’ constitutional rule. Public expenditure in labour market services per person wanting to work increased quite steeply between 2010 and 2015, whereas it fell commensurably for other active labour market policies (see Figures 2 and 3). Public expenditure on labour market (financial) support measures per person wanting to work fluctuated somewhat after 2010, but remained at the higher levels it reached following the fiscal stimulus of 2008–2009.

Policy changes since then have been aimed mainly at stabilising ‘regular’ employment by reducing competition from the more flexible forms of employment introduced in the 2000s through the Hartz I–IV reforms (Eichhorst and Hassel 2018). Thus, temporary agency employment was re-regulated: temporary agency workers became entitled to equal pay with regularly employed workers after nine months of employment (15 months in case of sectoral agreements); maximum contract duration was capped to 18 months (again with exceptions in the case of sectoral agreements); while loopholes for contractors of temporary work agency employees were closed through the clearer definition of contract types and works council information rights (Eichhorst and Hassel 2018: 123). A statutory minimum wage of 8.50 euros per hour was introduced in 2015 (raised to 8.94 euros in 2017). Moreover, the generosity of unemployment assistance benefits was increased by linking their growth to prices and wages for adults, while special in-kind education contributions for the children of Hartz IV recipients were established (*ibid.*). At the same time, early retirement was re-introduced. As Eichhorst and Hassel argue, German policies since the beginning of the crisis have been aimed at stimulating growth and expansion. Their point resonates with that of Clasen and colleagues (Clasen *et al.* 2012) who attribute the motivation behind the German labour market policy responses in the early stages of the crisis to a logic of countering a ‘demand shock’.

### 3.2.5 The Netherlands

The Netherlands has been a pioneer of the ‘flexicurity’ approach in Europe since the 1990s. In that decade, eligibility for unemployment insurance benefits was increasingly extended to those in ‘atypical’ forms of employment (for example, part-time or fixed-term contracts), whose numbers had grown following concurrent law labour reforms that facilitated the use of such contracts. Moreover, spending on active labour market policies had grown substantially since the 1990s in order to facilitate mobility across jobs, as compensation for the increased flexibility. As Hoogenboom (2018) argues, however, the evaluation of the effectiveness of ALMPs in the Netherlands prior to the 2008 crisis had been rather disappointing, initiating a debate on how to reform the paradigm followed hitherto.

From 2008 onwards, pressures for fiscal adjustment eventually touched upon assistance benefits, a retrenchment that had been planned before the financial crisis, and the active labour market policy budgets for the recipients

of unemployment benefits (both insurance and assistance). Active labour market policy spending per recipient declined from 3,600 euros in 2010 to 1,600 in 2014. Average spending on social assistance benefits per recipient continued its steep decline (from 5,000 euros in 2009 to 1,600 in 2014). Average spending on unemployment insurance per recipient was cut by two-thirds (from 1,000 euros in 2011 to just under 400 euros in 2012) and have fluctuated around that value ever since. Employment protection legislation was left intact, if not slightly reinforced against the creation of new and continued use of some types of flexible contracts (for example, zero-hours). In 2015, the Participation Act (*Participatiewet*) was implemented, providing for a merger of social assistance (WWB) with benefit schemes for unemployed young people and persons with physical disabilities and/or learning difficulties and disabilities at the minimum level. Moreover, a new active labour market paradigm seems to be emerging in the Netherlands. As Hoogenboom (2018) argues, there has been a shift from remedying skills deficiencies through education and training to accepting them and financially compensating them while getting people into jobs.

### 3.2.6 Sweden

Sweden is a special case in the group of countries examined in the project, as it was the only country largely untouched by the crisis. Along with Estonia, it was the only country not to have been subjected to an excessive deficit procedure after 2008. The pattern of reforms that has been followed since the 1990s has decisively moved the country away from its former universalist model towards a more dualised one. Davidsson (2018) attributes this shift to fiscal austerity pressures that Sweden faced at the time and an ideational change that followed. Retrenchment in unemployment benefits, active labour market policies and employment protection legislation took place well before the current crisis and its greatest burden fell invariably on those in a weaker position, which over time turned out to be so-called outsiders. During the period under consideration in this volume, Sweden was one of the very few countries in which public expenditure on labour market policy interventions per person wanting to work rose, while its reform effort was rather low.

The measures introduced after 2008 have been marginal. They include primarily extra funding for active labour market policies and cutting of individual unemployment insurance contributions, as well as abolition of the work requirement for joining unemployment funds (however, qualification for benefits still depended on 12 months' membership of the fund and six months' work within the past 12 months). No short-term work schemes were introduced in Sweden, as they were in many other continental countries. Rather, unions agreed to temporary layoffs, reductions of working time or wage cuts to save jobs without support from the government. As Davidsson (2018) argued these developments were not sufficient to reverse the labour market policy trends since the 1990s.

### 3.2.7 United Kingdom

In the period since 2010, which was also the year when Conservative or Conservative-led governments resumed power, there have been significant efforts to reduce the government's structural budget balance. The UK economy was among the first to be hit by the international financial crisis in 2007 and suffered a deep downturn between 2007 and 2009. However, it has been recovering ever since and unlike euro-zone member states, the United Kingdom has not faced any problems financing its public debt, although, like the vast majority of EU member states, the United Kingdom has been subject to an excessive deficit procedure. The main driver of fiscal austerity in Britain, however, has been the small-state agenda of the Conservative party which has been in power since 2010. Until the June 2017 elections, fiscal austerity was espoused by all three government parties as the 'responsible' course of action, against the views of most British academic economists (Wren-Lewis 2015).

The UK labour market is generally considered to be flexible and lightly regulated. Income support policies for the unemployed are aimed more at poverty alleviation than income replacement. Unemployment benefit and active labour market policies have been closely intertwined since the late 1990s around a 'work-first' principle. Reforms since 2010 have shifted the pattern of labour market policies further towards more flexibility and less protection. As Heins and Bennett argue (2018), since 2010 there has been a clear tendency for employment growth to take precedence over rather than complement social protection. Although British active labour market, training and human capital policies have incorporated some enabling elements, such as training, wage subsidy and job creation options, since 2010 they have been redefined as either work tests or as an opportunity for employers to undercut existing employment protection legislation and the minimum wage. Earlier tentative attempts to establish social investment policies have been curtailed in a drive to reduce the public deficit. Another notable example of retrenchment in the domain of employment protection legislation has been the introduction of zero-hour contracts; that is, contracts that do not state working hours. In 2008, there were approximately 143,000 zero-hour contract workers in the UK and by 2014 they had reached a staggering 700,000 or 2.3 per cent of total employment (Heins and Bennett 2018: 232). Overall, the evolution of UK labour market policies since 2010 point clearly to retrenchment.

### 3.2.8 Ireland

Ireland was one of the two countries examined in the project that received financial support by the EU and the IMF. Like the United Kingdom, it was the impact of the global financial crisis on the Irish banking sector that pulled down the Irish economy early. Unlike the United Kingdom, however, Ireland did not have its own central bank to guarantee the continued servicing of its public debt, once the Irish government started shoring up the banks operating in Irish territory, while the absence of a banking union in the EU/euro zone

made that burden very heavy. Employment declined continuously between 2008 and 2012, while outward migration re-emerged.

Prior to the crisis, Ireland's labour market policies were considered to be overly focused on passively subsidising non-employment, as well as taking a passive approach to activation, making Ireland a relative 'laggard' in pro-employment policies. In the course of the crisis, under both national and EU pressures and tight budget constraints there was retrenchment in income protection benefits for the unemployed (Dukelow 2018). In active labour market policies, entitlements were reduced and eligibility conditions tightened. More generally, 'passive' protection was rolled back in favour of 'activation', with tougher sanctions for the unemployed, in particular the long-term unemployed, the young and single parents. The focus of active labour market policies shifted from occupational to labour market integration and a mutual obligation model of employment services.

Overall, changes in Ireland have led to a substantial shift towards activation into a labour market with low protection. The Irish labour market policy model has not 'settled' yet as changes are ongoing and it is still possible that growth in the Irish economy and an improvement in public finances may ease financing constraints. As Dukelow (2018) points out, however, there is cause for concern that recent developments, rather than leading towards flexicurity, promote a model of cost containment and labour precarity as part of a strategy for economic competitiveness.

### 3.2.9 Czechia

In Czechia, the emphasis of labour market policies since 2009 has been on public expenditure cuts, restricting access to benefits, increased conditionality and activation (Sirovátka 2018). The burden of retrenchment has been borne mainly by outsiders, as eligibility criteria for unemployment benefits have been tightened, while benefit rates for the first two months have been raised. The already low by EU standards spending on active labour market policies has been cut further, thus restricting the participation of unemployed workers. The share of the unemployed participating in active labour market policy programmes fell from 22.5 per cent in 2010 to 9.6 per cent in 2012 and rose again to 25 per cent in 2013 and 22.8 per cent in 2014. Spending on ALMPs has also fluctuated similarly, but over time the share of funding from the European Social Fund rose from 67.6 per cent in 2010 to 89.5 per cent in 2014.

Moreover, minimum income/social assistance schemes started differentiating between 'deserving' and 'undeserving'/inactive recipients, restricting the entitlements of the latter. Activation policies for the recipients of minimum income shifted towards workfare. A bonus for those receiving social assistance for participating in some form of public works was cancelled in 2011, while a new obligation for all those unemployed for two months to participate in a public service programme up to 20 hours per week was established in 2011.

Refusal to do so would lead to exclusion from unemployment benefit rights or reduction of social assistance benefit rights. This obligation was later cancelled by the Constitutional Court and upheld only for social assistance recipients. Last but not least, changes in employment protection legislation have somewhat improved the position of those employed under temporary and work agency contracts.

### 3.2.10 Slovakia

In Slovakia, the pattern of labour market reforms was not substantially different before and since 2010. As Domonkos (2018) explained, public funds for financing a more generous welfare state, including labour market policies, were heavily constrained even before 2010 due to the difficulties of post-socialist economic transition, the adoption of the euro and the decision to partially privatise public pensions. The Slovak economy, after enjoying expansion during pre-accession and early post EU accession, was negatively affected by the crisis, with economic growth stalling and unemployment rising until 2013. It has recovered since 2014 and enjoyed record low unemployment in 2017.

Income protection for the unemployed expanded after 2010, initially modestly, with an extension of eligibility criteria and after 2012 through an expansion of coverage to workers in non-standard, more precarious employment. Employment protection legislation has not been particularly restrictive in Slovakia and changes since the 2000s have been frequent and changing in direction according to the partisan colour of the party in government. Active labour market policies have increasingly targeted the more disadvantaged among the unemployed, including young job seekers. In fact, changes since 2010 have continued the trend established in 2004, which essentially replaced social assistance benefits with direct job creation schemes in which benefit recipients had to participate. Thus, the emphasis of poverty relief policies for people of working age has increasingly been on their activation with uncertain effects for their long-term integration into the labour market, while the level of social assistance benefits for working-age people has fallen steadily since the mid-1990s (Domonkos 2018).

### 3.2.11 Slovenia

Slovenia's labour market policies since 2010 have had the nominal objective of implementing and enhancing flexicurity, following pressures in the years prior to that for more activation and labour flexibility. However, as Ignjatović and Filipovič Hrast (2018) showed, with significant fiscal constraints due to the excessive deficit procedure, there have been budget limitations in implementing this approach. These limitations have taken the form of policy drift in areas such as income support for the unemployed and active labour market policies. The replacement rate of unemployment insurance benefit was

reduced after the first three months from 70 to 60 per cent and a cap was put on the maximum benefit in 2012. Retrenchment, especially in unemployment insurance, has fallen mostly on the shoulders of insiders, while eligibility has been expanded for those working on atypical contracts. As in other member states, the conditionality of social assistance benefits on participation in active labour market policies has increased, with a parallel reduction of benefit rates. **While some enabling measures have also been implemented, overall the coverage of social assistance benefit has fallen since 2014.** Budget constraints have also imposed constraints on the effective functioning of employment services.

### **3.3 Convergence or divergence in labour market policies?**

Overall, there seems to have been diversity in the patterns of labour market policies across groups (regimes) of countries but also within them. It is thus not accurate to talk of convergence in labour market regimes. Pressures on public budgets, whether EU-imposed or self-inflicted, seem ubiquitous, although again there is variation depending on how deeply member states have been drawn into the multiple economic crises that have affected especially the euro zone. Activation has remained a common priority of reform or labour market policy configurations, but budgetary pressures mean that incentive reinforcement activation mechanisms have gained in importance.

Even where one can speak of similar trends of labour market policy change across countries with the same regime, the pressures under which reforms are undertaken may originate from different sources, thus allowing different degrees of freedom or implying different degrees of EU integration in labour market policy-making (de la Porte and Heins 2015). This is not surprising: the increasing ‘indirect’ EU pressures on national welfare states through the process of fiscal policy coordination and in some cases through the conditionality attached to financial rescues have varied for reasons related to economic developments (for example, membership or not of the euro, variable reliance on external financing of domestic demand) prior to the crisis.

Overall, although diversity across regimes has been maintained, labour market reforms after 2009–2010 have led to or preserved the ‘leaner and meaner’ labour market policies established prior to the crisis in the group of countries considered here. Even in countries such as Germany and Sweden, where reforms since 2010 have been limited, there has been no substantial reversal of reforms implemented in 2000–2007 or earlier.



Table 2 Summary of labour market policy developments, selected EU member states, 2010–2016

Country	Summary of labour market policy changes and direction of change											Overall balance in direction of change
	Unemployment benefits		Needs-based benefits		EPL		ALMPs			Enabling		
	Expansion/Retractment	Increase in activation conditions attached	Expansion/Retractment	Increase in activation conditions	Regular	Atypical	Expansion/Retractment	Punitive				
	Punitive	Enabling	Punitive	Enabling								
GR	- for insiders + for self-employed		+ but subject to too tight rules and budget cap → very limited take-up		-	-		+	- until 2015; some + after 2015		√ (targeted to the young and the long-term unemployed in jobless households)	Retracting
IT	-		+		-	-						Welfare readjustment
FR	+ (establishment of 'portability' of unused entitlement)	√			- (by more than for atypical)	+		+	+		+ especially for the young	Welfare readjustment/ Flexibility
DE	+ (reintroduction of early retirement)		+			+					+	Protectionism/ Welfare
NL			-	√		+					-	Welfare readjustment?
SE*	- for all but by more for outsiders	√	-			-						Welfare
IE	-	√	+			-						Protectionism
UK	-		-	√							√ (workfare through placements in community work and work experience programmes)	Retracting
CZ	+ for the shorter-term unemployed - for the unemployed for longer	√	-	√		-	+					Welfare
SK	- for insiders + for outsiders		-	√		+/- (alternating)					√ (several new ALMPs targeted at young job seekers)	Welfare readjustment
SI	- for the better protected	√	+			+						Welfare readjustment/ Flexibility

\* 1990s-2000s

Source: Theodoropoulou 2018: 352-3.

## 4. Drifting into labour market insecurity?

Labour market outcomes such as employment, unemployment and wage inequality depend on both demand- and supply-side factors in an economy; among other things, current labour market policies and institutions. In contrast to arguments that labour market rigidities and generous social models lie behind unemployment increases, Dølvik and Martin (2015) provide a detailed discussion of the ways in which both demand- and supply-side forces can account for developments in these labour market outcomes since the financial crisis began. We focus instead on another labour market outcome, namely labour market insecurity. The OECD measures labour market insecurity as a dimension of quality of work, as the expected income loss associated with unemployment (OECD 2014: 87). This is particularly pertinent in the case of Europe, where the principle of flexicurity has informed policy recommendations since the mid-2000s (Viebrock and Clasen 2009). In the OECD's framework for measuring job quality, labour market insecurity is the one of three dimensions influenced by the labour market policy domains examined in this project. In practice, labour market insecurity is measured as 'the uninsured average expected earnings loss associated with unemployment as a share of previous earnings' (OECD 2014: 103).

The indicator consists of two sub-indicators, namely the risk of becoming unemployed and its expected cost in terms of previous income measured by 'effective unemployment insurance'. In turn, the risk of becoming unemployed depends on the monthly probability of becoming unemployed and the expected average duration of unemployment. The strictness of employment protection legislation can affect both the risk of becoming unemployed and the expected average duration of unemployment: the stricter the employment protection legislation, the lower the flows into and out of unemployment, resulting in an ambiguous overall effect on the unemployment risk. At the same time, effective activation policies are more likely to reduce expected average duration for a given labour market slack.

Effective unemployment insurance combines the coverage and net replacement rates of unemployment insurance and assistance recipients and benefits. To calculate net replacement rates, family, social assistance and housing benefits are taken into account. In that respect, the generosity of unemployment benefit systems in terms of benefit level, duration of entitlement and, ultimately, the coverage of unemployed workers they achieve, mitigate, other things being equal, labour market insecurity as measured by the OECD. In terms of the 'flexicurity' agenda, increases in labour market insecurity suggest

that increases in flexibility through EPL reforms have not been balanced sufficiently by income and activation support, given also the labour demand conditions.

Examining OECD data for 2007, 2010 and 2013<sup>5</sup> for our countries (see Figures 6–8), it is evident that there have been large *cross-country* variations in labour market insecurity, reflecting the different configurations of labour market policies and the different unemployment performances. Labour market insecurity was higher in 2013 compared with 2007 in all the countries examined in the project except Germany. In most cases, the largest increases in labour market insecurity took place between 2007 and 2010 and then stabilised in many countries between 2010 and 2013, while it also fell in Ireland, Slovakia and the United Kingdom. Dispersion of labour market insecurity within our group increased even between 2010 and 2013, although its increase was considerably smaller if Greece – arguably an outlier – is excluded from the calculation. During the austerity period, labour market insecurity increased most in Greece (by 77 per cent), Italy (by 72 per cent) and the Netherlands (where it doubled). Labour market insecurity increased by 4 per cent in Sweden and by 31 per cent in Czechia, driven mainly by the cuts in unemployment insurance benefits rather than increases in unemployment risk.

Looking at the components of labour market insecurity, the risk of unemployment was also higher in 2013 than in 2007 in all countries except Germany. Between 2010 and 2013, the unemployment risk fell in several countries, namely Czechia, Slovakia, Ireland, Sweden and the United Kingdom. Disparities in unemployment risk increased from 2007, but if Greece is excluded from the calculation, disparity within the group fell, although on average unemployment risk remained as high as in 2010.

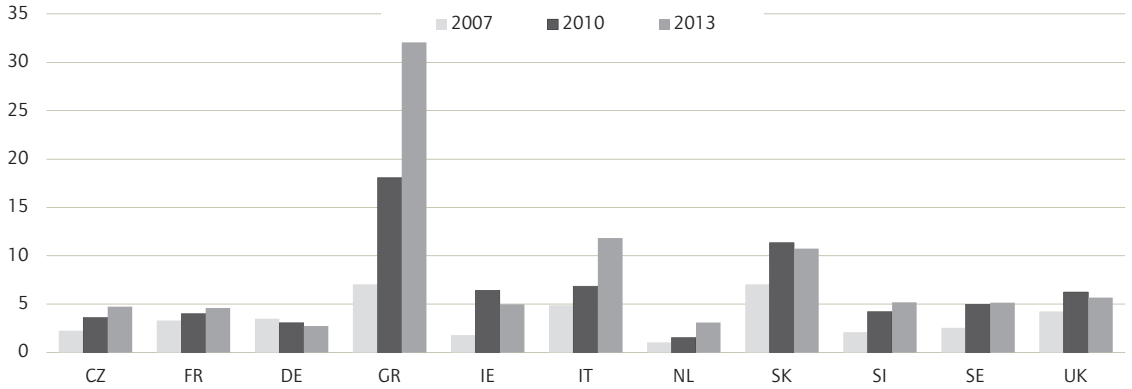
Effective unemployment insurance declined between 2010 and 2013 rather than between 2007 and 2010 when, on average, it remained virtually stable in our group. Interestingly, the decline in the group's average effective insurance is larger if Greece is excluded from the calculation. On the other hand, disparity across the countries examined was reduced both between 2007 and 2010 and between 2010 and 2013, suggesting that the countries in our group converged towards lower effective unemployment insurance. The only member state in which effective unemployment insurance rose between 2010 and 2013 was the United Kingdom, whereas it remained stable in France.

Overall, we can say that policies have failed to reverse the increase in labour market insecurity since the beginning of the crisis, given the rise in unemployment. After 2010, there was a decline in the average effective unemployment insurance while the unemployment risk has remained, on average, stable. Disparities in labour market insecurity have risen throughout this period.

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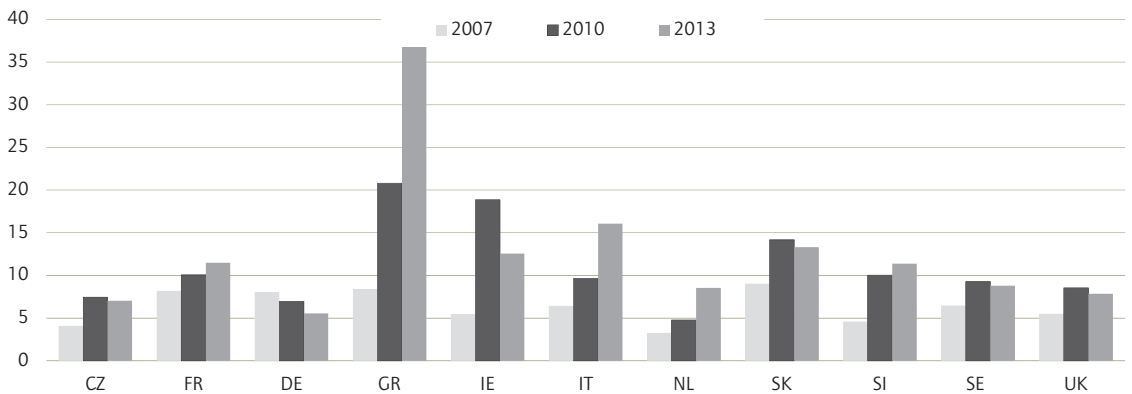
5. Data from the OECD Job Quality Database.

Figure 6 Evolution of the OECD labour market insecurity indicator, selected member states, 2007, 2010, 2013



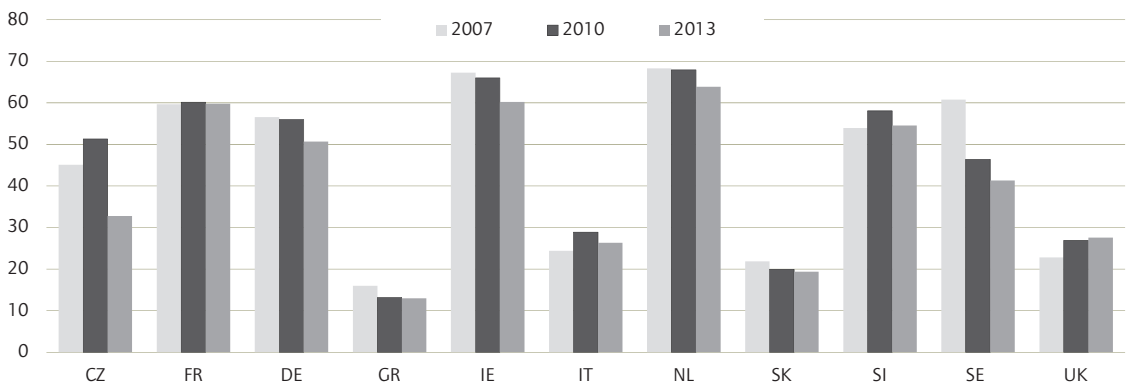
Source: OECD Job Quality statistics; author's calculations (Theodoropoulou 2018: 356).

Figure 7 Evolution of unemployment risk, selected member states, 2007, 2010, 2013



Source: OECD Job Quality statistics; author's calculations (Theodoropoulou 2018: 357).

Figure 8 Evolution of effective unemployment insurance, selected member states, 2007, 2010, 2013



Source: OECD Job Quality statistics; author's calculations (Theodoropoulou 2018: 358).

## 5. Concluding remarks

Overall, evidence presented in this paper suggests that the broad directions of labour market policy observed in Europe in the era of ‘permanent austerity’ prior to the recent crisis have not fundamentally altered since the shift of fiscal policies towards austerity in 2010. Common principles such as activation, welfare readjustment and flexicurity still seem to be guiding labour market reforms – to varying extents – in several member states. Dualisation and welfare protectionism trends have also been evident and reinforced in certain member states. Fiscal austerity seems to have borne particularly heavily on certain countries that either had to seek international financial support for their public debt and banks (Greece and Ireland) or were led by governments with an unwavering ‘small-state’ agenda (United Kingdom), leading to retrenchment in their labour market policies. Diversity across and within labour market regimes has been observed rather than convergence.

The empirical analysis of the project also suggests that even in those countries where we can observe change guided by flexicurity or ‘welfare readjustment’ intentions, reforms have been taking place under tight budgetary constraints and cheaper approaches to implementing these directions have been privileged. Reforms in employment protection legislation have in general led to lower overall protection, even if the gap between insiders and outsiders has been narrowed. Even in countries where pressures for cost containment have not been high, previous changes towards ‘leaner and meaner’ labour market policies have not been significantly reversed (for example, Germany and Sweden). Although further research is required in order to identify the precise effects of labour market policies (and combinations thereof) on labour market insecurity and its components, the evidence presented in this paper suggests that labour market policies between 2010 and 2013 largely failed to reverse the increase in labour market insecurity since 2007. This has been in the context of the deepest post-war recession and a very prolonged recovery, which has increased the risk of unemployment, while effective insurance against unemployment has declined in all but two countries. Not only has labour market insecurity risen, on average, but also disparities in its incidence have grown across member states (as have disparities in employment and unemployment).

At the time of writing fiscal policies in Europe have become less restrictive, overall, although by no means stimulatory, despite calls from international organisations such as the OECD and the IMF for a more expansionary stance, and recovery in output growth is gaining strength. While employment creation

has been gaining strength, there are concerns about the quality of jobs being created (ECB 2016). They tend to be insecure and provide fewer hours of employment than generally desired, resulting overall in 'hidden unemployment' even though employment has been rising. At the same time, public debt-to-GDP ratios are still too high for comfort and declining only slowly. What this means is that the pressures identified in the introduction of the book on the demand for and supply of labour market policies are still in place, if somewhat weaker. On the other hand, the proclamation of the European Pillar of Social Rights by the European Commission, the Council of the EU and the European Parliament, although not legally binding, may under certain conditions create a dynamic for rebalancing the quality of labour market policies as against fiscal concerns. The debate on how to make EMU more resilient may also contribute in that direction insofar as it has been acknowledged that the current state of effective and encompassing unemployment insurance systems in the member states is a matter of common concern.

Several risks lie ahead. For one thing, given the 'bad equilibrium' of low growth, high unemployment, zero interest rates and overly restrictive overall fiscal policy that the EU and in particular large parts of the euro area find themselves in, reducing public debt to levels that would allow some latitude in fiscal policy will probably take a long time. For another thing, it is not clear whether the observed trends towards more labour market flexibility, activation by means of incentive reinforcement and less security are circumstantial or will be locked in as part of 'low-road' growth strategies of member states that cannot afford to spend to enhance labour market security, thus further reinforcing observed divergence in labour market outcomes. This is an ominous prospect for the EU and particularly EMU, given the recent rise of Eurosceptic parties across Europe and of labour market insecurity (Halikiopoulou and Vlandas 2015). EU policy-makers, among others, seem to have changed their discourse from the promotion of 'flexicurity' to the pursuit of flexibility and resilience (Canton *et al.* 2014), the latter being essentially a variant of flexibility. While labour market policies remain a national competence, the indirect pressures from the EU and especially EMU have increased substantially, not only through budget constraints but also through greater adjustment pressures on labour markets. The ways in which the two policy levels interact in shaping labour market policy changes will also have to be further researched, given the observed disparities across member states.

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