Anti-crisis Labour Market Measures and their Effectiveness between Flexibility and Security[*]

1. Introduction

Following the GDP decrease resulting from the economic crisis, the EU Member States experienced a higher level of unemployment and a decline in terms of employment rates. However, the implementation of so-called anti-crisis measures limited such increase – in some cases not to be as high as expected – in the majority of the EU Member States.
With the view to minimise the impact of the downturn in social terms and support both companies and employees, the European Union took a number of actions to drive the economic recovery and coordinate EU Member States public interventions,[1] with Member States adjusting existing labour market policies and/or introducing new ones. In this connection, the majority of Member States launched *ad-hoc* and comprehensive "anti-crisis packages" consisting of a variety of measures to cope with the recession and resulting in a wide range of public policy tools aiming at reducing the impact of the crisis on the labour market.
The aim of this paper is to analyse the relation between different labour market policy combinations issued by Member States and their social protection systems and employment protection legislation, also considered as a

---

[*] *The present contribution has been produced in collaboration with Silvia Spattini and was previously published in Davulis, T., and D. Petrylaite. 2012*. Labour Regulation in the 21st Century: In Search of Flexibility and Security, *Cambridge Scholars Publishing, ADAPT Labour Studies Book Series No. 2, 163.*

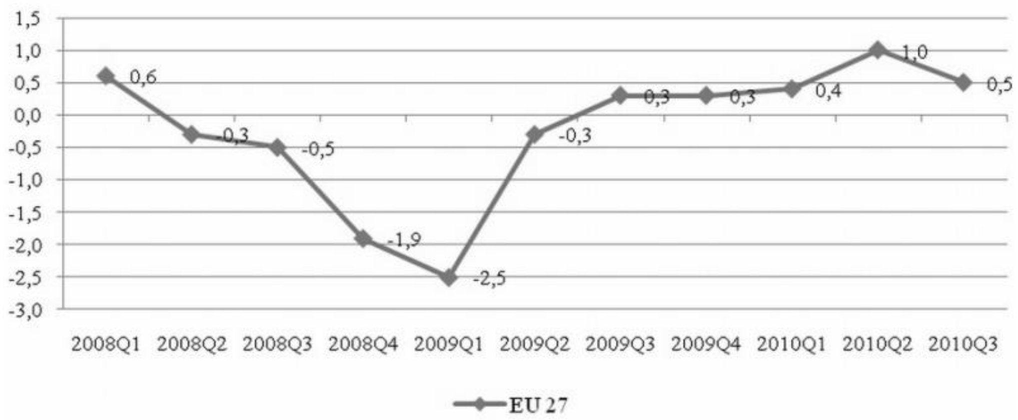
[1] European Commission. 2008. *A European Economic Recovery Plan*, COM (2008)800. Brussels: European Commission.

combination of flexibility and security tools, and to try to assess their effectiveness in tackling the crisis. The results could be useful when considering possible changes of social protection systems or social models with the purpose of balancing flexibility and security.

2. The Crisis in Figures

The starting point of the analysis is the set of figures describing the changes in the European labour market during the crisis.
Between the second quarter of 2008 and the second quarter of 2009, the real GDP in the EU (27 Member States) fell by almost 5%.

Fig. 1. GDP – Percentage Change on Previous Period

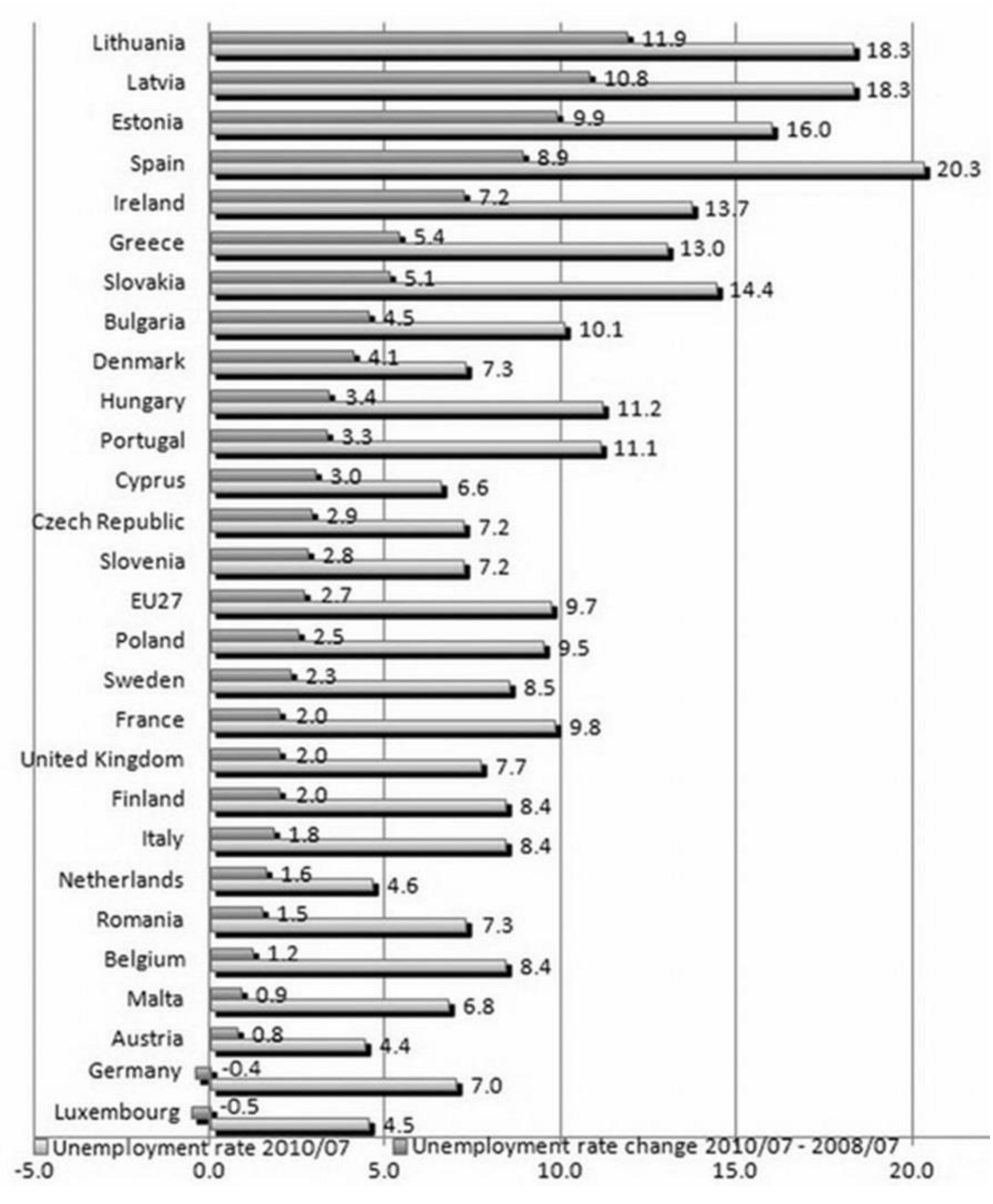


Source: Eurostat, seasonally adjusted and adjusted data by working days

- The fall in GDP caused a reduction of labour demand and, accordingly, an increase in unemployment and a decrease in employment.
- The figures show a considerable difference in the impact of the crisis on the 27 EU Member States, particularly if one compares unemployment rates in July 2008 – that is before the crisis – and July 2010.
- Although regarded as emerging economies before the downturn, countries such as Spain and Ireland reported a significant increase in unemployment. More specifically, the levels of unemployment almost doubled in a two-year span, with this issue becoming a serious concern.

The same happened to the Baltic States (Estonia, Lithuania and Latvia), which experienced the highest rates of unemployment in Europe (Fig. 2).

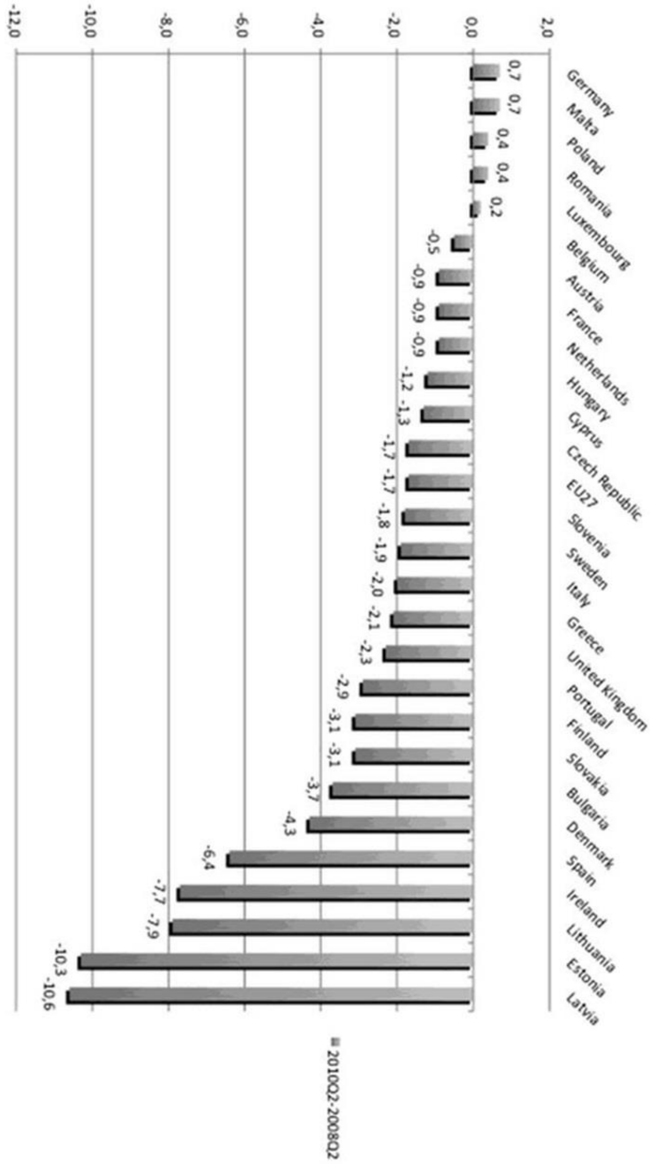
Fig. 2. Unemployment Rate Change and Unemployment Rate 2010/07



Source: Own Elaboration on Eurostat data

Looking at the trends in Fig. 3, Latvia, Estonia, Lithuania, Ireland and Spain also recorded the highest decrease in terms of employment rates. A case in point was Denmark, which, before the crisis, had a low level of unemployment, and during the economic downturn experienced a worsening of labour market situation. Here, despite the unemployment levels (7.3% in July 2010) were not very high and lower than the EU average (9.6%), such levels experienced a critical increase and doubled in a two-year period. At the same time, the employment rate dropped by 2%, which was more than the EU average.

Fig. 3. Change in Employment Rate 2010Q2-2008Q2



Source: Own Elaboration on Eurostat data

The situation of the labour market is less worrying in countries like Germany, Austria, Belgium, the Netherlands and Italy, where the rise in unemployment rates was in no case higher than 1.7%, with the decrease in employment rates not being as significant as in the countries mentioned above.

Indeed, Germany represents a unique case: after a very limited increase in unemployment (0.4% in July 2009 compared to July 2008), an unexpected reduction was reported in 2010, with concurrent growth in the levels of employment.

Such variability among European countries, and the little impact of the recession on some of them, is not coincidental.

Although it is "too early to draw final conclusions",[2] there is evidence that the different performance levels within national labour markets result from the diversified nature of labour regulation and existing labour market policies, along with new measures taken by governments to combat the crisis.

3. Anti-crisis Measures across Europe

The combination of several factors at a national level actually produced 27 different ways in which the economic downturn hit the EU Member States. In addition, there were 27 different responses to the crisis. Each country has adopted a set of measures – therefore not a single initiative among which it is possible to identify the most frequently implemented ones.[3]

In order to assess the effectiveness of these policies, it is necessary to review existing legislation and classify measures implemented by every European country, in accordance with a simple scheme.

Moreover, it is necessary to take into consideration that labour market policies adopted by national governments vary considerably especially in terms of issues concerning the role played by social partners in each country.

Their participation in the development and implementation of anti-crisis measures and to the adjustment of existing labour market tools differs across Europe also if one considers the level and the extent of their involvement in public policy design. This depends on the diversity of functions performed by

---

[2] European Commission. 2010a. "Short Time Working Arrangements as Response to Cyclical Fluctuation", European Economy, Occasional Papers No. 64. Luxembourg: European Commission.

[3] European Commission. 2009. *Recovering from the Crisis – 27 Ways of Tackling the Employment Challenge*. Luxembourg: European Commission.

social dialogue over the time, and the power of each government to operate in the present situation.

In Austria, Belgium, Italy, Germany and the Netherlands – countries with a well-established social partnership – agreements among social partners significantly contributed to the drawing up of stimulus packages.

As regards collective bargaining, opening clauses allow company-level agreements to derogate from sectoral collective agreements in order to cut costs and safeguard employment (i.e. derogation to the general framework). These agreements usually envisage the extension of working time without full compensation in pay or cuts in working time, cuts in benefits or delays in agreed pay increases.

The classification of policy measures is a preliminary step to verify whether – at least intuitively and while waiting for empirical evidence – there is a relation between patterns of labour market policies adopted by Member States and the trends of the national labour market during the crisis.

To date, key reports from the European Commission, OECD and EU institutions have analysed public interventions in the labour market. In particular the European Foundation for the Improvement of Living and Working Conditions (from now on Eurofound) has provided a useful classification of crisis-related measures implemented in the EU Member States.[4] This classification is based on three different types of interventions: 1) measures to create employment or to promote re-insertion, 2) measures to maintain employment, 3) income support measures for the unemployed.

3.1. Measures to Create Employment and to Promote Re-insertion

Measures to create employment aim at promoting the hiring of employees by means of economic incentives, mainly consisting in a reduction of non-wage labour costs and wage subsidies, or public sector job creation. In some countries (France, Germany, Italy, Portugal, Slovenia, Sweden), economic incentives for companies are provided to hire special target groups. Support measures for self-employment, based on the provision of consultancy and training (Bulgaria, the UK) or the reduction/defer of social security payments

[4] Mandl, I., and L. Salvatore. 2009. *Tackling the Recession: Employment-related Public Initiatives in the EU Member States and Norway*. Dublin: European Foundation for the Improvement of Living and Working Conditions. Hurley, J., I. Mandl, D. Storrie, and T. Ward. 2009. "Restructuring in Recession", ERM Report 2009. Dublin: European Foundation for the Improvement of Living and Working Conditions.

also fall within this category. Several Member States (Austria, Italy, Lithuania, Portugal, the UK) have introduced or extended subsidies for start-ups.

Measures to promote reintegration into employment, put into action by employment services, try to enhance the transition from unemployment to employment by addressing job mismatch, supporting job matching by means of counselling, career guidance, job-search assistance, activation measures and by increasing employability through training. Efforts have been made to improve and adapt public employment services in order to manage the higher number of "clients" (for example hiring additional staff, as in Germany, Norway, Spain, and the UK) and to financially support private employment agencies through economic and/or normative incentives (the Netherlands, Italy). In the same vein, and with the view to make workers more willing to accept a new job, mobility grants are envisaged (the Czech Republic, Lithuania, Slovakia). In Belgium, for instance, employees that agree to move their residence in order to accept a job offer obtain tax benefits.

3.2. Income Support for Unemployed People

Income support for unemployed people mainly comprises unemployment benefits, provided to reduce the socio-economic consequences of job loss.

Unemployment benefit schemes exist in every EU Member State, even though amendments (in some cases temporary) have been made at a national level to their regulation in order to respond to the increased number of unemployed people resulting from the crisis. Relevant changes concerned the following aspects: eligibility criteria, amount, duration of entitlement, and beneficiaries. More specifically, some countries relaxed the rules for entitlement to unemployment benefits (Finland, France, Sweden), while others extended their duration: Romania has envisaged an extension of 3 months, Latvia extended such period to 9 months and in Poland it passed from 12 to 18 months. In the Czech Republic, the Government has opted for an increase in the amount of funds, while Italy introduced special benefits for quasi-subordinate workers, yet to be provided on a temporary basis.

3.3. Measures to Maintain Employment

Measures to maintain employment have the purpose to prevent dismissals and preserve existing jobs. Among them, mention should be made of short-time work arrangements and compensation.

4. Short-Time Work Schemes

Short-time work may take the form of a temporary reduction in working time or a temporary lay-off. In both cases, the employment relationship between employers and employees persists and the arrangements have a limited duration.[5]

Compensation for income loss is usually envisaged in case of short-time work, in the form of social security payments, to be either state-funded – by means of taxes – or based on social security contributions.

Nevertheless, short-time work compensation systems across Europe differ considerably from one another in terms of: procedures, involvement of trade unions, "back-to-normal" plans, coverage, compensation, eligibility criteria. Moreover, it is possible to distinguish between well-established systems and innovative schemes introduced to face the crisis.

In the first case (which includes Germany, Austria, Belgium, France, and Italy), the compensation system is part of the unemployment benefit system, in that employers and employees pay social contributions to a fund or to the unemployment insurance system so that in the event of short-time working or temporary lay-off, employees are covered by these funds for the lost income as a consequence of the working hours reduction.

Conversely, in Member States (e.g. The Netherlands, Poland, Hungary, Slovakia) that introduced, whether temporary or not, short-time work compensation as a new measure during the crisis, such new arrangements are not part of the unemployment insurance system and therefore they are funded by the State through taxes.

Short-time work compensation can be classified also on the basis of its function. In some national systems, it takes the form of part-time

[5] European Commission. 2010a. "Short Time Working Arrangements as Response to Cyclical Fluctuation", European Economy, Occasional Papers No. 64. Luxembourg: European Commission.

unemployment benefits.[6] This means that employees in working hours reduction or in temporary lay-off are regarded as people working on a part-time basis seeking full-time employment and, in some cases, they have to be available for a new job despite the employment contract with their employer is still in force.

In the majority of EU Member States, even if short-time work schemes envisage lost income compensation within the unemployment insurance system, they represent a form of job protection against dismissal.

With reference to this measure, it is possible to point out that it might be of benefit to different actors involved in the national economic arena. Needless to say, employees benefit from short-time work schemes since measures of this kind avoid dismissal and help maintaining existing jobs, at the same time ensuring income support by compensating lost income.

However, short-time work schemes have many pros for employers. First of all, these arrangements allow companies to preserve human capital and skills that will be necessary in the recovery phase. This also translates into saving potential costs related to personnel turnover, dismissal, recruitment process, and training.

Short-time work compensation is a convenient measure also from the viewpoint of governments, as it helps to maintain social peace and cohesion in that employers and employees share the impact of the downturn. Finally, such arrangements represent a flexible tool for governments that are able to somehow control the adjustment of the labour market.

5. Policies Mix Adapted or Adopted by the EU Member States

In order to analyse the relation between different combinations of labour market measures implemented by Member States and their social models, it is necessary to consider *in toto* the set of labour market policies – both new or amended ones – that the EU Member States put into action to face the crisis.

Table 1 represents the measures adopted or adapted (if already existing) by each EU Member State against this background. The EU countries have been singled out by increasing unemployment rate growth (considering the difference between July 2010 and July 2008), ranked from the best to the worst performer.

[6] European Commission. 2010a. "Short Time Working Arrangements as Response to Cyclical Fluctuation", European Economy, Occasional Papers 64. Luxembourg: European Commission.

Although at the early stages of the analysis, it is possible to point out that the countries with the most significant increase in unemployment rates did not envisage or did not amend existing short-time work schemes.

On the contrary, EU Member States with good labour market performances, such as Austria, Belgium, Germany, Italy, and Luxembourg, had already issued measures of this kind in their system, yet making them more flexible in the last years, in consideration of the needs of the moment, and improved or adapted by combining them to training and/or to activation measures. Other countries, such as the Netherlands and Romania, have introduced (even on a temporary basis like the Netherlands) short-time work schemes to face the recession.

The next step is to contextualise such different combinations of policies in the wider regulatory framework of the national labour markets, taking into consideration the relevant social model.

There are two main social models in Europe: the new welfare system model and the flexicurity model.

The first one is characterised by rigid employment protection legislation (particularly in the event of dismissal), an ungenerous unemployment benefit system, a minimum level of implementation of active labour market policies and activation policies through public employment services. We decided to term this model "new" welfare system, as a way to distinguish it from the traditional one, in which active labour market policies and activation policies were usually in a very limited manner.

On the other hand, the flexicurity model is based on a generous unemployment benefit system, high levels of implementation of active labour market policies and activation policies, and efficient public employment services.

Examples of the first model can be found in countries like Germany, Austria, Belgium, and Italy, while Denmark has always been the model of flexicurity, together with Finland, Sweden, Norway and the Netherlands.

Even in this case, by looking at the labour market performance of these countries, and also by considering their social model, it clearly emerges that countries resorting to the new welfare system model had a lower increase in unemployment rates, while flexicurity countries, especially Denmark, experienced a more significant rise.

Table 1. Measures Adopted by EU Member States

	STW Compen-sations	**Training activities during the time off/ Training Support for Employees**	**Reduction/ deferral of non-wage labor costs**	**Public Expen-diture**	**Income tax cut**	**Incentives to employ additional workers**	**Direct Enterprise support** (loan guarantees, low interest loans)	**Mobility Grants**	**(Re-) Training of unemployed people**	**Improving employment services**	**Unemployment benefits** (amendments)
Germany	+	+	+			+	+			+	
Luxembourg	+	+							+		
Malta		+									
Austria	+	+							+		
Romania	new		+				+			+	+
Belgium	+	+	+					+			
Netherlands	new	compulsory	+			+	+		+	+	
Italy	+	+							+		
Finland									+	+	+

United Kingdom		+				+				+	+
France	+	+		+		+	+		+		+
Sweden			+			+				+	+
Poland	new				+		+		+		+
EU 27											
Czech Republic	new	compulsory	+					+			+
Portugal	+	+	+			+					
Slovenia	new	compulsory				+	+				
Hungary	new	compulsory	+			+	+				
Cyprus		+									
Denmark											+
Bulgaria	new		+			+				+	
Greece		+				+					
Slovakia			+					+			

Ireland		+							+		+
Spain				+					+	+	
Estonia					+		+		+		+
Lithuania		+			+		+	+			
Latvia		+			+		+		+		+

Source: Own Elaboration

6. The Effectiveness of Labour Market Measures

This analysis tries to identify which system and policies seem to provide a higher level of effectiveness in tackling the crisis and to collect information that could be useful on a general basis while deciding which labour market policies to implement.

It is generally acknowledged that it takes time to evaluate the effectiveness of the labour market measures. Indeed, and with specific reference to the crisis-related measures, the European Commission itself points out that it is too early to draw final conclusion or to provide an overall assessment.[7]

However, the European Commission and the Employment Committee tried to provide in a joint paper some evidence on the effectiveness of the main labour market policies adopted and implemented by EU Member States during the crisis and, more generally, they review evaluations of the effectiveness of similar measures implemented in the past.[8] The OECD, on the other hand, gives evidence of the effectiveness particularly of short-time work schemes applied during the recession.[9]

Considering the three different types of labour market policies taken into consideration in this paper (measures to create employment or to promote re-insertion; measures to maintain employment and income support for the unemployed), measures to maintain employment in the form of short-time working arrangements, wage subsidies, and non-wage cost reductions are deemed to have successfully limited the decrease in employment rates[10] and the rise of unemployment, by preventing lay-offs.

Among measures of this kind implemented by the Member States, some of them – particularly short-time work schemes – have been crucial in preserving jobs[11] proving more effective than others.[12]

---

[7] European Commission. 2010a. "Short Time Working Arrangements as Response to Cyclical Fluctuation", European Economy, Occasional Papers No. 64. Luxembourg: European Commission, 6.

[8] Employment Committee, European Commission. 2010. *The Choice of Effective Employment Policies Measures to Mitigate Jobless Recovery in Times of Fiscal Austerity*. Brussels: European Commission.

[9] OECD. 2010. *Employment Outlook, Moving Beyond The Jobs Crisis.* Paris: OECD, 11, 56 ff.

[10] European Commission. 2010b. *Employment in Europe 2010.* Brussels: European Commission, 11.

[11] OECD. 2010. *Employment Outlook, Moving Beyond The Jobs Crisis.* Paris: OECD.

[12] Employment Committee, European Commission. 2010. *The Choice of Effective Employment Policies Measures to Mitigate Jobless Recovery in Times of Fiscal Austerity*. Brussels: European Commission.

Nevertheless, commentators point out the most critical issues related to short-time work arrangements, that is the fact that they may artificially maintain employment in declining industries instead of allowing an efficient reallocation of employment. There is agreement about the negative impact associated with the deadweight, substitution and displacement.[13] In order to face these distortions, some countermeasures can be taken, in particular short-time work schemes need to be provided for a shorter period and arranged on the basis of more precise criteria, notably eligibility conditions and limited duration of the scheme.

With reference to measures to create employment, job subsidies consisting in hiring incentives or reduction of non-wage labor costs are effective in terms of job creation, but they are costly measures and can lead to negative consequences in terms of deadweight effects. At the same time, public sector job creation is less likely than other policies to provide a positive impact.[14]

As regards measures to promote re-insertion, training has a little impact on employment and it is more likely to be associated with times of high unemployment. In general, then, positive training effects become evident in the long run.[15]

On the contrary, job search assistance and activation measures have a positive impact on employment and are effective in the short run, but they need an economic context characterised by growing or stable labour demand. Only if there is labour demand, is it possible to support job search and matching and help workers' re-insertion in the labour market. For this reason, such measures are mainly adopted in the recovery phase.

Generally speaking, income support for the unemployed has a negative effect on unemployment, since it discourages job search and re-insertion in the labour market. In order to reduce the negative effects in terms of efficiency, some adjustments can be made, such as decreasing the amount of benefits and reducing the period through which such support is provided. Besides, unemployment benefits are linked to activation policies, which require active job search from jobseekers, and sanctions are applied in case of refusal to actively search for work and to accept suitable job offers.

[13] OECD. 2010. *Employment Outlook, Moving Beyond The Jobs Crisis.* Paris: OECD.

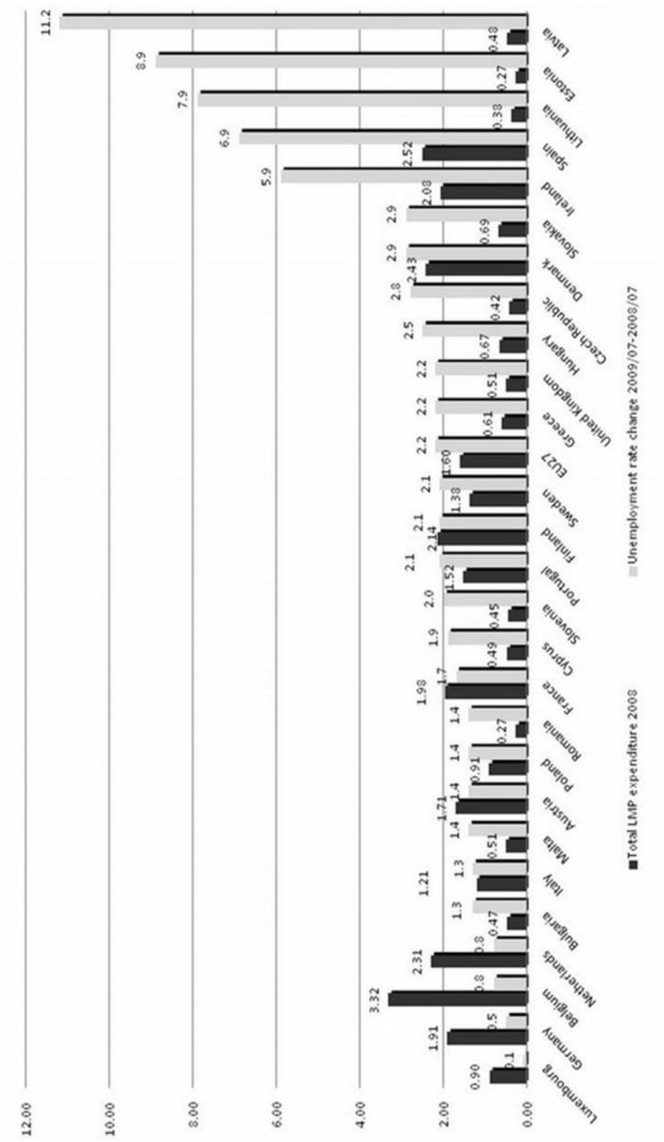
[14] Kluve, J. 2007. *The Effectiveness of European Active Labor Market Policy*. Bonn: IZA.

[15] Ibid.

6.1. Public Expenditure on Labour Market Policies

The question of effectiveness of labour market policies is fundamental not only with reference to crisis-related measures, but also for EU Member States following an increase in budgetary constraints.

Fig. 4. Total LMP Expenditure 2008 and Unemployment Rate Growth 2009/07-2008/07



Source: Own Elaboration on Eurostat data

In 2009 (and most likely even in 2010), the European Commission reported that EU countries increased their expenditure on labour market interventions and income support by 0.7% of annual GDP, while before the crisis, public expenditure on labour market policies experienced a decline. In fact, in 2008, public expenditure on labour market policies in the European Union amounted to just 1.6% of total EU-27 GDP, though there were considerable variations between the Member States (Fig. 4).

For this reason, EU governments need to be aware of the most effective policy mix in order to direct public expenditure.

It seems interesting to compare data on labour market policies expenditure and the trends of the unemployment rate during the crisis. The data on public expenditure for all countries are available only 18-20 months after the reference period, thus at the moment Eurostat only provides data for the year 2008.

In any case, considering that the labour market policies impact on the labour market itself is not immediate, but requires a period of time to become evident, it seems reasonable to compare data on public expenditure for 2008 and the unemployment rate growth over the last two years.

Member States with the lowest increase in the unemployment rates in 2009 compared to 2008, were the same that in 2008 reported considerable high labour market policies expenditure, notably Belgium, Germany, the Netherlands, and Austria with more than 1.8% of their GDP.

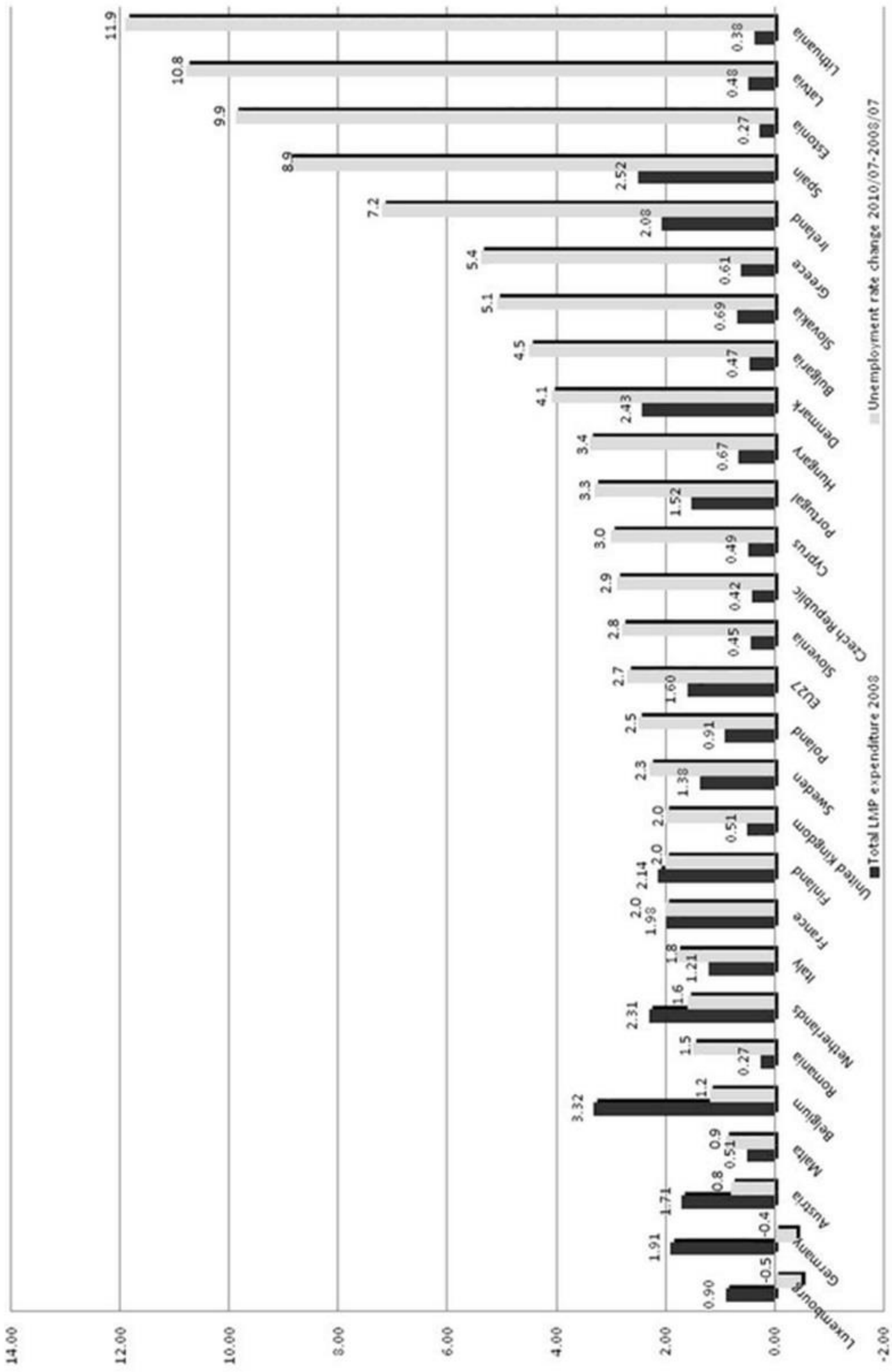
This trend is confirmed even if one compares the growth in the unemployment rates between 2008 and 2010 and the labour market policies expenditure for 2008.

6.2. The Effectiveness of the Social Model

These figures give the opportunity for further observations and remarks. In Denmark, total public expenditure on labour market policies in 2008 was quite high (as it traditionally is). It was the third highest spending country among those surveyed. Nevertheless, the rise in the unemployment rates was high. This situation suggests looking at the types of policies implemented and at the social model adopted in Denmark.

Indeed, this country has been and still is an interesting case with reference to the performance of the labour market during the crisis. It is regarded as a role model of flexicurity (see below), characterised by: non-restrictive dismissal protection legislation, generous unemployment benefits, consistent adoption of active labour market policies, and efficient public employment services.

Fig. 5. Total LMP expenditure 2008 and Unemployment Rate Growth 2010/07-2008/07



Source: Own Elaboration on Eurostat data

Before the crisis, this system ensured low unemployment rates and a quick re-insertion of jobseekers in the labour market. During the crisis, however, this system proved to have some shortcomings, and Denmark had doubled the levels of unemployment: from 3.2% in July 2008 to 6.5% in September 2009 (the highest level was reached in April 2010: 7.4%).
The aim of this system is not to prevent dismissal but rather to support a quick transition between jobs and re-insertion in the labour market. Nevertheless, if labour demand is low, workers' reinsertion is not possible or is very difficult.
In addition, Denmark does not envisage a "real" short-time work compensation system, even though companies may use short-time work arrangements and employees involved are eligible for part-time unemployment benefits. They must fulfil the contributory requirements for eligibility to total unemployment benefits and have to be available for a new occupation despite the employment contract with the same employer is still in force. In practice, it seems that this provision is not strictly applied, if the employee has the possibility to stay in the company.
Looking at the labour market performances of the EU Member States, taking into consideration the two different social models adopted in Europe, some interesting remarks are possible.

Table 2. Comparison between the New Welfare System and the Flexicurity Model

Systems	**Employment protection legislation**	**Unemployment benefit**	**STW compensations**	**Effective in the crisis**
New welfare	Stringent dismissal protection legislation	Non generous: • Short duration • Low replacement rate	Yes	More effective (Germany, Austria Belgium, Italy)
Flexicurity	Non-restrictive dismissal protection legislation	Generous: • Long duration • High replacement rate	No or very limited as partial unemployment benefit	Less effective (mainly Denmark, Finland, Sweden, the Netherlands)

Source: Own Elaboration

As regards the growth of the unemployment rates during the crisis, Austria, Belgium, Germany, and to some extent Italy, are regarded as countries with the lowest increase. The social model of all these EU Member States can be classified as a new welfare system.
On the contrary, as mentioned, Denmark, which is the reference model for flexicurity, experienced a high increase in unemployment.
Also Finland, Sweden, and the Netherlands (and Norway, though not a Member State) are considered as countries adopting the flexicurity system, but they had better labour market performances than Denmark during recession, even if they reported an increase of the unemployment rates amounting to more than two percent.
Actually, there is an important variation factor between Denmark and the other flexicurity countries, due to employment protection legislation. In fact, Denmark adopts liberally-oriented employment protection legislation, while the other countries have more stringent rules.

Table 3. OECD EPL Index

Countries	**OECD EPL index**
Germany	2.63
Luxembourg	3.39
Malta	-
Austria	2.41
Romania	-
Belgium	2.61
Netherlands	**2.23**
Italy	2.58
Finland	**2.29**
United Kingdom	1.09
France	2.90
Sweden	**2.06**
Poland	2.41
European Union	2.41
Czech Republic	2.32
Portugal	2.84

Slovenia	2.76
Hungary	2.11
Cyprus	-
Denmark	**1.91**
Bulgaria	-
Greece	2.97
Slovakia	2.13
Ireland	1.39
Spain	3.11
Lithuania	-
Latvia	-
Estonia	2.39

Source: OECD

Among flexicurity countries, the Netherlands is the only country characterised by a lower rise in the unemployment rate. In this case, it is worth pointing out that the Netherlands introduced short-time work compensation of a temporary nature, while Finland has a system similar to the Danish one and Sweden does not envisage any.

On the basis of these observations and considering evidence from labour market policies effectiveness, the new welfare system model appears to be more adequate in facing the crisis, while the flexicurity system, as seen, had and still has difficulty in this connection, and turns out to be less effective in controlling the increase in unemployment.

It is not completely clear whether this is due to short-time working arrangements or to the presence in the new welfare system model of a stringent regulation against individual or collective dismissal. It might probably depend on both aspects, also because they are related.

Now, in considering social models and labour market policy combinations applied by the EU Member States, there is not a unique "best solution" to tackle "different variety" of economic recessions. It is also important to understand the context and the legal framework in which any possible solution has to be implemented.

7. Active and Passive Labour Market Policies between Flexibility and Security

Over the last two decades, and with reference to labour market policies to be implemented by countries, the international institutions (OECD and the European Commission, among others) put emphasis on active labour market policies rather than passive ones, therefore addressing public interventions mainly towards active measures.

Looking from this standpoint at the policies packages applied by the EU Member States, at the beginning of the crisis there was a critical approach towards short-time work arrangements. Observers and commentators constantly pointed out the labour market distortions and limitations associated with these schemes. A reason for that, since they are income support measures, could be the passive nature of labour market policy.

But recently, and perhaps thanks to the effectiveness in tackling the crisis, it seems that authors look at these schemes in a different way. Indeed, a recent report of Eurofound,[16] describing the effectiveness of short-time work schemes, tries to link these measures to the flexicurity principles, by stressing how they serve the implementation of flexicurity.

In examining the functioning of short-time work schemes, it is easy to see them as a tool for flexicurity, combining internal flexibility and job and income security. In fact, the scope for a reduction of working hours (till zero hours) allows internal flexibility for employers (based exactly on flexible working time arrangements). At the same time, this provision prevents dismissals and helps employees to stay in their current position, enhancing job security. Moreover, wage compensation linked to short-time work arrangement ensures income security for the employees, thanks to the continuity of income, granted through either remuneration or unemployment benefits.

Among the other types of labour market policy measures mentioned above concerning flexicurity, those which promote re-insertion and create employment are fundamental resources for guaranteeing employment security, that is continuity of employment, not necessarily within the same employer.

On the other hand, income support for unemployed people has the obvious purpose of ensuring income security in case of dismissal and can be seen as complementing external flexibility.

[16] Mandl, I., J. Hurley, M. Mascherini, and D. Storriel. 2010. *Extending Flexicurity – The Potential of Short-time Working Schemes*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

8. Concluding Remarks

While wondering if and which changes may be necessary in the national system – intended as a combination of the social security system – employment protection legislation, the public employment services system and labour market policies applied, it can be probably useful to take into consideration the different aspects highlighted.
The crisis has created a sort of *laboratory* in which it was somehow possible to conduct experiments on the functioning of different national system.
Before the crisis, European and international institutions took in great consideration the flexicurity principles dominated by external flexibility and employment security based on non- or low-restrictive employment protection legislation (and dismissal rules), supported by a generous unemployment benefit system, efficient public employment services, and high level of active labour market policies. From this point of view, the prevailing measures should be those aiming at creating employment or, to be more precise, at promoting workers' re-insertion, giving momentum to transition between jobs. By launching the EU flexicurity strategy, the European Union promoted internal and external flexicurity "accompanied by secure transition from job to job".[17]
Before the crisis, the shift of the old model towards the flexicurity one became a matter of urgency. However, the economic downturn raised awareness on the fact that this formulation was suitable for a period of economic growth and to face structural unemployment, which need in particular measures to support workers' re-insertion by addressing job mismatch, and to promote job matching by means of counselling, career guidance, job search assistance, activation measures and employability through training.
Indeed, a flexicurity strategy based on external flexibility and employment security, as described above, was not able to stand the impact of the recession. In such a situation, and in order to limit the related socio-economic consequences, policy measures to maintain employment and keep employees at work proved to be indispensable.
Therefore, in an attempt to plan an appropriate combination of the above mentioned elements, it is necessary to balance the different kinds of flexibility and security and to bear in mind that measures and tools should be put into place both in a period of economic growth and recession.

[17] European Commission. 2007. *Towards Common Principles of Flexicurity: More and Better Jobs Through Flexibility and Security*, COM(2007) 359. Brussels: European Commission.

References

Employment Committee, European Commission. 2010. *The Choice of Effective Employment Policies Measures to Mitigate Jobless Recovery in Times of Fiscal Austerity*. Brussels: European Commission.

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

– – – .2008. *A European Economic Recovery Plan*, COM (2008) 800.

– – – .2009. *Recovering from the Crisis – 27 Ways of Tackling the Employment Challenge*. Luxembourg: European Commission.

– – – .2010a. "Short Time Working Arrangements as Response to Cyclical Fluctuation" European Economy, Occasional Papers 64.

– – – .2010b. *Employment in Europe 2010.*

Hurley, J., I. Mandl, D. Storrie, and T. Ward. 2009. "Restructuring in Recession", ERM Report 2009. Dublin: European Foundation for the Improvement of Living and Working Conditions.

Kluve, J. 2007. *The Effectiveness of European Active Labor Market Policy*. Bonn: IZA.

Mandl, I., and L. Salvatore. 2009. *Tackling the Recession: Employment-related Public Initiatives in the EU Member States and Norway*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

Mandl, I., J. Hurley, M. Mascherini, and D. Storriel. 2010. *Extending Flexicurity – The Potential of Short-time Working Schemes*. Dublin: European Foundation for the Improvement of Living and Working Conditions.

OECD. 2010. *Employment Outlook, Moving Beyond the Jobs Crisis.* Paris: OECD.