

# Labour market policies

## De-regulation, inclusion, and dualisation

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### 9.1 Introduction

The labour policy frameworks of Western countries had to deal with unprecedented and complex challenges generated by the crisis of the Fordist model, urging governments to introduce significant reforms in the regulation of national labour markets. Driven by technological automation, the extensive changes in the organisation of production, together with the de-industrialisation processes at work in developed Western countries, led to a considerable decline in employment in the manufacturing sector, where the weight of the trade unions had facilitated access to social citizenship rights also for the least qualified sectors of the workforce.

The growth dynamic generated by tertiarisation, propagating at specific times and in specific ways from country to country, partly managed to offset the decline in industrial employment. However, the new jobs in the service sector, both in low value-added jobs (consumer services) and in more skilled activities (business services, education, research, and personal services such as health and training), were not sufficient to reabsorb a manufacturing workforce with individual characteristics and professional qualifications different to those required by the tertiary sector. Thus, unemployment re-emerged as a structural problem in many advanced Western economies. The effects of the process of tertiarisation exacerbated the employment issue, triggering in many countries an increase in the number of people working in low value-added services, in addition to skilled and well-paid jobs. Given the nature of these occupations, characterised by low productivity growth, labour policies in many instances focused on reducing labour costs and introducing greater flexibility in the hours and length of contracts.

In terms of underlying logic and institutional arrangements, three labour policy models can be outlined according to a typological approach with which the different countries confronted the crisis of the 1980s:

1. The countries of continental Europe, represented in our analysis by Germany and France and corresponding to the dual inclusive growth

model, adopted measures similar to the countries of southern Europe, such as Italy and Spain, belonging to the non-inclusive low growth model. These chiefly intervened on passive policy instruments for income protection and dismissal procedures, as well as implementing labour supply reduction measures through early retirement and focusing on hourly flexibility.

2. The Scandinavian countries, exemplified by Denmark and Sweden and characterised by an inclusive egalitarian growth model, stood out not only for the income support measures (managed in close cooperation between government and trade unions), but also for the ample space given to active policies, in particular through training programmes to extend the possibilities of occupational reintegration of categories affected by the economic crisis;
3. the United States and the United Kingdom, belonging to the non-inclusive growth model, endorsed labour policies with a low level of regulation (in particular regarding protection from dismissal) and limited compensation, subject to means testing. The implementation of active policies was also low.

In the following pages, we analyse in more detail the most relevant developments in the labour policies of the countries under review, to better understand the similarities and differences. Finally, we will illustrate how the three labour policy regimes studied have risen to four since the 2000s, as the model shared by the continental and southern European countries forked with Italy and Spain developing their own configuration.

## **9.2 Changes in the 1980s and 1990s**

### **9.2.1 *The continental and Mediterranean European model***

In the early 1980s the conditions that had evolved induced the continental European states to choose to broaden the range of contractual forms available. It became a common trend to introduce “atypical” employment relationships to curtail the rigidity of industrial labour market regulation. As the variability of demand escalated quantitatively and qualitatively, with the consequent tendency towards expansion of the ensuing “flexible specialisation” (Piore & Sabel, 1984) that superseded Fordism, companies were in need of tools to manage this upswing with more efficiency. The introduction of new employment relationships – such as part-time, fixed-term, and home-based forms of work – was also spurred by the expansion of the service sector, in particular of low-skilled services requiring a more flexible and low-cost workforce.

### 9.2.1.1 France

The country's government was taken over in 1981 by the Socialist Party under Mitterand. The most commonly implemented forms of contract in this period as "social shock absorber" for unemployment were solidarity contracts that envisaged a reduction in working hours agreed between companies, trade unions, and local authorities, with the dual aim of avoiding redundancies and promoting new employment opportunities. Solidarity contracts were also adopted for the early retirement of workers aged 55 and over, where companies undertook to maintain the same level of manpower. In the same vein, in 1983 (Auroux Law), the legal retirement age was reduced from 65 years to 60. Nonetheless a certain austerity on public accounts characterised the socialist government, which opted to increase social contribution rates to cope with the deficit of the social security system (Palier, 2010).

Also, passive policies were affected by attempts at reform. In 1982 the institution of unemployment benefits was modified: the period during which job losers received benefits was reduced and these were more closely bound to the previous contribution period. Two years later, an important dividing line between insurance and welfare benefits was introduced: access to insurance benefits was even further tied to claimants' contribution payments and financed only through social contributions; a support allowance (*Allocation de solidarité spécifique – ASS*) was instead reserved for unemployed people who had exhausted the possibility to access insurance benefits.

The prolonged economic crisis and the lack of an adequate social protection system generated conditions of vulnerability and exclusion, leading to the emerging of a new class of poor that prompted further changes as it irrupted forcefully during the 1988 presidential campaign.

The introduction of a national social assistance scheme formed the most significant response at this stage. Under the second Mitterrand presidency the *Revenu Minimum d'Insertion (RMI)* was launched, a measure providing access to a minimum income following a means test. A mutual commitment pact was also contemplated, with the objective of professionally and socially reintegrating applicants.

In the mid-1990s the unemployment rate reached 12.5%. In the wake of the economic crisis of the early 1990s, concern for public finances led to a reorganisation of both insurance and welfare benefits. The *Allocation Unique Dégressive* offered a new single insurance-type scheme but with cuts in coverage and duration. Unemployed people without insurance cover were progressively diverted to other social protection schemes. The unemployment insurance system remained comparatively generous for those with a long and stable contributory history, while those who had accumulated low levels of contributions due to low wages and fragmented careers were forced to rely on the social assistance. Thus, a real dualisation of access to benefits took shape.

In this period, some active labour policy measures were also introduced, such as access to training opportunities for those without a job, but they remained substantially marginal compared to an overall system in which rather traditional features, centred on passive policies, continued to prevail.

### 9.2.1.2 *Germany*

Similarities can be drawn between the dynamics unfolding in France in the 1980s and those in the case of Germany. From 1983, with the end of the social democrat-liberal coalition and the beginning of the long collaboration between Christian democrats and liberals under the leadership of Helmut Kohl, Federal Germany adopted the strategy of early retirement for workers aged 58 and over, with the intention of pursuing a generational turnover and supporting employment. At the same time, the possibility of using atypical forms of work was extended. The maximum duration of temporary contracts was extended from 6 to 18 months, and two different forms of part-time work were introduced: “on-demand” work, aimed at rescheduling working hours according to flexible tasks and objectives, and “shared” work, in which the tasks of a single job were divided between two or more workers. Some constraints slackened in labour relations regulation, increasing the share of redundancies needed to make the formulation of a social plan mandatory and exempting new firms from doing so.

In the early 1990s the high level of spending on passive policies represented a determining trait in Germany, where the main challenge was the reunification of the country following the annexation of the former German Democratic Republic. Unemployment in the eastern territories was twice as high as in the west. This consequently led to a surge in spending on passive policies leaving a reduced budget for active policies, mostly concentrated in public job creation schemes that were specifically aimed at unemployed people from the East. It was also necessary to step up the employment services and in 1994 the employment system was reformed by allowing private intermediary agencies.

### 9.2.1.3 *Italy*

Large-scale recourse to early retirement was also implemented in Italy during the 1980s, with distortions in social security contributions and a burden on public finances that would come to a head in the following years. An agreement between the government and the social partners then extended atypical contracts, such as training and work experience contracts – a temporary employment relationship of a maximum of two years remunerated with a variable wage. Solidarity contracts were also fairly successful. Two variants can be distinguished: in cases where solidarity was externally oriented, the reduction in working time targeted new recruitment while in the case of internally oriented solidarity it was aimed at curbing redundancies.

This measure was financed through state contributions and tax rebates for companies.

Afflicted by a deep economic and political crisis, the country had to weather a very particular phase in the 1990s. The collapse of the old party system created the political space for launching a broad wave of de-regulation, in which concertation became a necessary strategy for consensus in technically led government coalitions. The agreements signed by the governments of Amato (1992) and Ciampi (1993) introduced more flexibility in income policy, primarily by reducing the wage indexation mechanism.

These agreements also laid the groundwork for reforming other labour market institutions, which were considered responsible for creating too much rigidity. The first step in the employment reform was the abolition of the so-called “numerical call”, i.e. the obligation for companies to recruit in a predetermined order from the employment lists, based on seniority.

In 1996, for the first time a centre-left coalition came to power, which made its mark by approving a series of measures that delineated a de-regulatory approach. The so-called “Treu Package” of 1997 introduced the institution of temporary work, opening up to temporary agencies and thus marking the definitive abolition of the public employment monopoly. This reform also removed some constraints on fixed-term employment relationships, in particular by relaxing the criteria concerning the repetition of the same contracts over time.

#### *9.2.1.4 Spain*

The 1982 elections in Spain saw the victory of the Socialist Party. In an attempt to respond to the consequences of the economic crisis brought about by the oil shocks, the government led by Felipe Gonzales brought into play a weighty agenda of reforms that targeted de-regulation of the labour market. Unemployment reached 20% in the early 1980s and the new government was called upon to satisfy a growing expectation of new jobs. A massive injection of flexibility was implemented under negotiation with the social partners, together with some initially modest forms of active policy. Restrictions on temporary work were lifted, with dramatic consequences in terms of labour market dualisation (temporary workers in the early 1990s accounted for 30% of the employed workforce). In addition, there were job creation schemes, training programmes for the long-term unemployed, incentives for self-employment and insertion programmes for young unemployed people.

The intention to increase employment levels also featured significantly in the nineties. In 1993–1994, the main focus was on tax and social security reductions for particular groups, such as young people, the long-term unemployed, or the elderly. At the same time, subsidised employment measures linked to particular forms of contract, such as insertion contracts

and part-time work, were promoted. Mid-decade, in 1995, the public employment monopoly was abolished.

### **9.2.2 The North European model**

#### *9.2.2.1 Sweden*

In response to the economic crisis of the 1970s the Scandinavian countries provoked an initial discontinuity in the development trajectory of their labour policies, albeit a modest one. In particular Sweden, under pressure from the trade unions, first fortified employment protection and then pursued support for employment levels, extensively implementing the active policy system set up after World War II. This was also possible thanks to the presence of a large area of public employment, with a particular role played by part-time employment (accounting for about a quarter of the working population). As such, strong passive and active labour market policy regimes were maintained in Sweden until the 1990s, the beginning of a phase that marked a sharp downturn in the peculiar features of the country, which until then had boasted the lowest unemployment rates in Europe. In the context of a fiscal crisis that forced the governments to cut public spending, the number of unemployed people rose significantly, from 1.6% in 1989 to 10.1% in 1997. The cuts chiefly entailed reducing the coverage and generosity of unemployment benefits, containing public employment schemes and reconfiguring active policies more efficiently.

The time window established for accrual of contributory requirements was reduced and compensation, from 1993 onwards, was cut to 80% of the previous wage instead of 90%. As for the active policies, in this period Sweden opened up to influences from the workfare approach, moving away from a tradition that was more focused on increasing employability. In this sense, the mechanisms determining the conditions of the benefits were toughened, requiring likewise greater control by the employment services. Nevertheless, these changes were achieved while maintaining a tradition of industrial relations that allowed these decisions to be negotiated with the social partners, thus ensuring that wages were contained.

#### *9.2.2.2 Denmark*

The case of Denmark confirms the special role of active policies in the Nordic model, becoming a benchmark for Europe in the late 1990s. During this period the country attracted international interest and succeeded in developing strategies that slashed unemployment figures from 9.6% in 1993 to 4.3% in 2001, while at the same time setting a record employment rate of 76.2%. Between 1994 and 1999, with a minority government the Social Democrats introduced significant “recalibrating” measures in the area of labour policies. On the one

hand, the duration of unemployment benefits was markedly reduced (from a maximum period of four years in 1994 to one year in 1999). On the other hand, assistance was accompanied by some activation measures. As a result of these interventions, recipients were obliged to accept any job offer that fitted the criteria, including mobility. Failure to find a job after one year of unemployment (six months for under 30s), led to the so-called activation phase, during which the unemployed worker had the right/duty to take part in more exacting education or training programmes. The regionalisation of active policies comprised a further element of reform. Regional tripartite labour councils were set up to design policy solutions that were more responsive to the needs of local labour markets.

More generally, the so-called “flexicurity model” was implemented in this period (Wilthagen & Tros, 2004), in which the generosity and duration of subsidies, together with active policy interventions designed to increase professional profiles in the light of job reintegration, led income security to replace job security. In addition, the wide variety of vocational training programmes was managed with a strong focus on inclusion of the unemployed and young people. In fact, the Danish school-to-work transition system can be considered very similar to the German model in terms of the high level of participation of the state and enterprises. In Denmark however, in contrast with what happened in Germany, the role of the state was decisive in averting the risk of dualisation between skilled and well-paid workers and low-skilled and marginal workers. In this regard, two peculiarities of the Danish context were determining. One was the close relationship between high school and technical-professional education. The second involved the consolidated tradition of continuous training, based on a virtuous competition between the trade unions of skilled and unskilled workers, both of which were concerned with providing adequate opportunities for their members to update and develop their professional profiles and thus making the system inclusive and opening up also to outsiders.

### **9.2.3 The model of the Anglo-Saxon countries**

#### *9.2.3.1 The United States*

The paradigm shift that in the field of labour policies singularised the ingress to the eighties can be understood through the emblematic experiences of the United Kingdom and the United States. In the case of the latter, promoting a clean break with the past, the Reagan administration had the explicit intention of countering the rigidities of the labour market and removing obstacles to the accumulation of capital necessary for fuelling employment-oriented economic growth. With regard to labour policy, these economic policy strategies comprised a series of reforms that were designed to reduce passive policies, both in terms of coverage and generosity and duration, besides



promoting activation measures strongly based on work incentives, especially negative ones. On the first front, the minimum wage introduced by the social legislation of the 1930s was cut by ten percentage points (from 50% to 40% of average earnings). Generally speaking, in the area of passive policies, a logic of intervention was attempted that aimed to re-organise benefits as far as possible on an insurance basis. Unemployment benefits were cut and included in the minimum income calculation of the beneficiaries. Similarly, the entitlement criteria for extended benefits, i.e. welfare-type benefits for those without access to insurance schemes or who had exhausted the possibilities of having recourse to them, were tightened. The welfare-type scheme established in 1962 against the risk of unemployment due to cyclical fluctuations in the private sector (Trade Adjustment Assistance) was permanently abrogated. The same fate befell the first activation strategies pursued under the Carter administration (Public Service Employment), intended chiefly for the most disadvantaged.

Alongside the drastic downsizing of passive policies, the Reagan administration introduced a workfare approach, adopting active policies based on benefit conditionality mechanisms and extensive use of incentives for active job searching. In particular, a federal assistance and work programme (Family Support Act) was established, amending the Social Security Act by linking the granting of benefits to the acceptance of a suitable job or participation in training programmes. While succeeding in lowering unemployment, these reforms also contributed to increasing poverty, low-wage employment and inequality. During the 1990s, the United States recorded an increase in the employment rate (from 70% in the late 1980s to 74% in the mid-1990s), but in the public debate the nature of the new jobs was called into question, to the point of coining a neologism, the “McJobs” (with reference to the well-known McDonald’s fast-food chain), to indicate the large number of low-skilled jobs in the service sector, low-paying and less stable than the higher-skilled service sector jobs and the higher-productivity industrial sector jobs (Kalleberg, 2011).

Some timid signs of a turnaround materialised in both passive and active policies with the return to power of the Democrats under Clinton’s leadership. The budget’s purse strings were loosened for unemployment benefits, new measures were introduced to encourage business start-ups, and the vocational training system was reorganised (School to Work Opportunities Act, Apprenticeship for Young People, Cooperative Training), to facilitate the transition from school to work for young people.

### 9.2.3.2 *The United Kingdom*

Measures very similar to those of the Reagan presidency were taken by the governments led by Margaret Thatcher, in pursuit of a markedly neo-liberal economic policy strategy. This triggered a spill-over effect in the



labour market reforms designed to diminish passive policies and strengthen active policies in terms of workfare. With regard to unemployment benefits, the automatic indexation mechanism was abolished in 1982. The British system continued to provide two types of benefits, insurance and welfare, but with much stricter eligibility requirements, both in terms of willingness to work and active search, and in terms of demonstrating the involuntary nature of unemployment and implementing new rules for means testing. An active policy scheme for young people (Youth Training Scheme) was approved in 1983, aimed at getting early school-leavers into work and training activities.

Thatcher's strategy in reforming labour policies was ambivalent: on the one hand, resources were increased, but on the other, the trade union component was ousted from management. The measures implemented in this period were inspired by a workfare approach: refusal to participate in training programmes led to loss of benefit, while non-attendance in the case of training courses gave rise to a curtailment of the same. By way of accomplishing the reorganisation of the labour policy model, the possibility for firms to use atypical forms of contract was extended. Two significant reforms characterised this front: the Job Splitting Scheme, offering incentives to employers who transformed one full-time job into two part-time jobs; and the Part Time Job Release Scheme, granting incentives to increase part-time work. Broadly speaking, the overall picture of the reforms developed in the UK during the 1980s delineated an approach oriented towards employment rather than to employability. The neo-liberal recipes launched in the 1980s would by and large continue throughout the following decade. The trajectory outlined featured the containment of unemployment benefits and activation strategies based chiefly on work incentives, in a framework where unemployment remained at low levels. The most significant innovation of this period was the introduction by the Conservative government of the Jobseeker's Allowance, a single unemployment benefit that replaced all previous schemes and entailed a means test for recipients after six months.

### **9.3 The 2000s**

The manifold labour policy regimes continue throughout the 2000s to follow different paths in the wake of their historical heritage and previous institutional setups. The three models illustrated – continental Europe, the Nordic countries, and the United Kingdom and the United States (Anglo-Saxon) – change and persist in differing from each other in a perpetual game of continuity and transformation. In the case of the continental European model, the peculiar path of the two Mediterranean countries – Italy and Spain – should be noted, which justifies the identification of a fourth labour policy regime, the traits of which will be highlighted later.

### **9.3.1 Sectoral dualisation in continental Europe**

As illustrated above, for Germany and France the response to the economic crisis of the 1970s and 1980s entailed the safeguarding of the manufacturing sector, the strategic nucleus of the two countries' economic competitiveness and the priority area around which their social model was built (Palier & Thelen, 2010). This strategy generated a side-effect in the form of a secondary labour market, with non-standard employment relationships on a large scale, particularly in services. At the same time, labour policies were developed that involved an increasing dualisation of forms of protection: an insurance pillar on the one hand (for those paying contributions), and welfare schemes on the other (for the long-term unemployed and "atypical" workers).

#### **9.3.1.1 Germany**

In Germany, employment protection legislation for permanent employment maintained its safeguarding capacity. In addition, temporary supports were widely implemented in response to cyclical crises (short-time work) for workers employed on permanent contracts in core industrial sectors (Thelen, 2014).

Furthermore, in the 2000s a bifurcation developed and became more pronounced: while the majority of blue-collar workers in industry were employed in full-time, permanent jobs (74%), among low-skilled service workers only 37% could rely on standard contracts, the remainder being engaged in atypical occupations (Eichhorst & Marx, 2012). Also the distribution of part-time work in different sectors differed in Germany and France, with a much higher level of part-time work in services. In the 2000s in Germany, the "Hartz reforms"<sup>1</sup> revised unemployment benefits with the reshaping of the two pillars: the insurance pillar, calibrated on the amount of the last wage received before dismissal, called "Arbeitslosengeld I" (unemployment benefit I), and the programme "Arbeitslosengeld II" (unemployment benefit II), calibrated on the means test with very reduced amounts.

Between 2004 and 2005, the proportion of unemployed people receiving insurance benefits linked to previous earnings dropped from 58% to 25%. This was a major change in German passive labour policies, shifting from the principle of safeguarding of status and income maintenance to a basic income for the long-term unemployed. The expansion of the welfare pillar led to a dualisation of the social protection system, dividing the conditions of those assisted according to whether they were supported by insurance or assistance schemes. The restriction of short-time work (Kurzarbeit) to industrial workers made the sectoral dualisation of labour policies even more tangible. The expansion of low-wage work was one of the outcomes of this impetus towards dualisation (Grabka & Schröder, 2019).

Using ECHP and EU-SILC data for European countries, and the Luxembourg Income Study (LIS) for the US, an in-depth analysis of the

Table 9.1 Expenditure on active and passive labour market policies as a percentage of GDP

	2004	2005	2006	2007	2008	2009	2010	2011
<b>Passive policies</b>								
Continental	1.9	1.7	1.5	1.2	1.1	1.4	1.3	1.1
Nordic	1.9	1.7	1.4	1.1	0.8	1.2	1.2	1.1
Anglo-Saxon	0.2	0.2	0.2	0.2	0.5	0.7	0.5	0.4
Mediterranean	1.0	1.1	1.1	1.0	1.3	2.1	2.2	2.0
<b>Active policies</b>								
Continental	1.0	0.9	0.9	0.9	0.8	0.9	1.0	0.8
Nordic	1.3	1.3	1.3	1.1	1.0	1.2	1.5	1.5
Anglo-Saxon	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Mediterranean	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6

Source: Elaboration on OECD data.

Note: Passive labour policies included insurance and income support to the unemployed and those at risk of losing their jobs. Active policies included expenditure on training, incentives for companies to hire specific categories of unemployed, direct job creation with publicly supported programmes, incentives for start-ups.

dynamics of inequality in gross monthly earnings of workers aged 18–64 who had worked for at least 7 months in the reference year illustrates that wage dispersion increased more in Germany than in all the other countries considered (Table 9.1).

Generally speaking, wage inequality as measured by the Gini index is higher in the Anglo-Saxon countries than in the others, but looking at the dynamics, the greatest increase occurred in Germany, where the ratio of the 50th to the 10th percentile ( $p_{50}/p_{10}$ ) is the highest among the eight countries analysed, while the increases were smaller in the Anglo-Saxon countries.

In the 2000s, the German service union (Ver.Di) – in competition with low-skilled service workers – tried to react to this situation and pressed the government to reduce or abolish occupations exempt from contributions and benefits, and lower the threshold for paying contributions. Given that it was convenient for workers to earn less than €800 as higher earnings would push them into a fully contributory scheme, thus reducing their net earnings, the service union's demand was based on the fear that Mini- and Midi-Jobs<sup>2</sup> would lower wages even further.

This position was not fully supported by the most representative unions in the industrial sector, first and foremost because their members were not competing with Mini and Midi-Jobbers. On the contrary, in many cases male industrial workers had a partner employed in Mini and Midi-Jobs, profiting from the additional tax-free income brought into the family. Rather, the fear of industry unions was that an increase in Mini-Jobs, chosen by companies to

Table 9.2 Inequality indices calculated on gross monthly wages

Country	Year				Year		
<i>Germany</i>	1997	2007	2015	<i>France</i>	1997	2007	2015
Gini	0.315	0.355	0.356		0.298	0.289	0.285
P90/P50	1.833	1.900	1.970		1.943	1.907	1.841
P50/P10	3.399	4.962	4.067		2.078	2.064	2.005
<i>Denmark</i>	1997	2007	2015	<i>Sweden</i>	1995	2007	2015
Gini	0.24	0.232	0.233		0.256	0.296	0.274
P90/P50	1.556	1.569	1.617		1.617	1.680	1.696
P50/P10	2.213	1.816	1.694		2.164	3.058	2.330
<i>Italy</i>	1997	2007	2015	<i>Spain</i>	1997	2007	2015
Gini	0.212	0.252	0.247		0.335	0.291	0.363
P90/P50	1.522	1.644	1.656		2.232	1.983	2.132
P50/P10	1.643	1.832	1.935		2.344	1.978	3.089
<i>United Kingdom</i>	1997	2007	2015	<i>United States</i>	1997	2007	2016
Gini	0.359	0.359	0.379		0.368	0.373	0.389
P90/P50	2.142	2.188	2.289		2.341	2.343	2.410
P50/P10	3.488	2.797	2.813		2.800	2.748	2.767

Source: Elaboration on ECHP, EU-SILC and LIS data.

avoid paying social security contributions, could undermine the financial stability of insurance funds, given that the number of Mini and Midi-Jobs, even as a form of second job, grew during the 2000s to about 7.5 million.

From a political standpoint, the trade unions initially supported the then ruling coalition of Social Democrats and Greens in Germany, especially with regard to the first acts of the Hartz reforms. However, the second wave of reforms (2002–2005), based on a strong retrenchment of passive insurance-type labour policies (Table 9.2), endorsed a rift between the red–green coalition and the industry unions, parallel to the emergence of a new party, the Linke, to the left of the SPD (Schwander & Manow, 2017).

The Agenda 2000 programme was pursued at a significant political cost for the German Social Democrats, with a shift of votes from the SPD to the Linke. As reconstructed by Carlin et al. (2015), they were forced into a corner as a consequence of a severe financial crisis suffered by municipal governments and Länder, which were forced to increase expenditures in the face of decreasing revenues. Indeed, since 2000, local governments have had to bear rising welfare costs due to rising unemployment. In addition, they have had to cope with declining revenues due to cuts in corporate taxes – the main source of their resources – as a result of a tax reform that took effect in 2000. The only possible choice was therefore the reorganisation of unemployment benefits along with the activation of the unemployed prescribed by the supply-side approach that the Hartz Commission had developed.

### 9.3.1.2 France

The trend towards dualisation escalated in France, too, as a result of the metamorphosis fuelled by the labour policy reforms in the 2000s (Palier & Thelen, 2010; Clegg, 2011), contributing to a significant increase in flexibility within firms as well as in the labour market. Changes in the taxation system lowered the payroll taxes paid by employers, while the Contribution Sociale Généralisée (CSG), initially envisaged as a policy to support families, was later extended to various forms of income support (minimum pensions, disability assistance). Also these adjustments had an impact on dualism, inaugurating a shift from traditional insurance policies towards interventions supported by general taxation. Moreover, the CSG, levied on the basis of a fixed percentage of income and initially conceived as a progressive tax, became regressive when the right-wing government capped individual taxes at 60% of income in 2005. In 2007, the right-wing government went even further with the TEPA package (Travail, emploi, pouvoir d'achat), abolishing all forms of taxation of overtime, which sparked the perverse effect of incentivising overtime in favour of insiders rather than providing for new recruitment.

The approach encompassing “sectoral dualising liberalisation” that characterised Germany and France was thus incorporated in various interventions. These processes came into play through an “institutional drift” – to use the interpretative categories suggested by Thelen (2014) – based on the fact that the practices and institutional arrangements developed for the industrial sector were not extended to be implemented externally in other sectors. A further aspect to consider with reference to the trends in Germany and France is the shift of labour policy costs from the compulsory public insurance system to the general taxation system.

### 9.3.2 The Nordic regime of learnfare flexibilisation

The Nordic models followed a different path from the French and German models. A wide range of public services that increased paid work for women in services formed the backbone of the response to the reduction in industrial employment. A large class of public service workers (above all female workers) was thus formed, which constituted a second pillar of the trade union movement, representing a significant counterbalance to the strength of manufacturing interests. This approach, which aimed to attain high levels of employment, was accomplished through the development of active labour policies (as shown in Table 9.3), and in particular training.

While in Denmark the focus on human capital enhancement (learnfare) is no new phenomenon, historically accompanied by reduced employment protection legislation, giving rise to what is known as the learnfare flexibilisation of the Nordic regime, these trends have also been followed more recently in Sweden.

Table 9.3 Expenditure on active labour market policies (% of GDP)

	2005	2010	2015
Nordic	1.3	1.5	1.7
Continental	0.9	0.9	0.7
Anglo-Saxon	0.2	0.2	0.2
Mediterranean	0.6	0.6	0.6

Source: Elaboration on OECD data

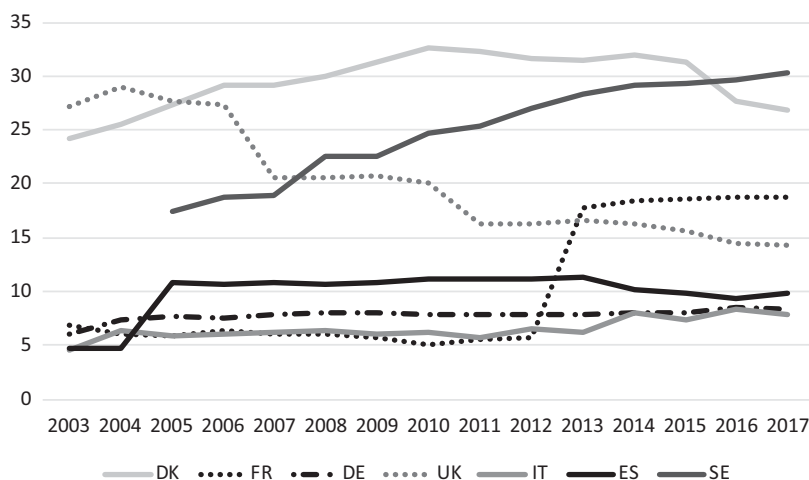


Figure 9.1 Participation in life-long learning (percentage of employed 25–64 years old).

Source: OECD.

An important feature of the Nordic retraining model is the centrality of training for both the employed and the unemployed, as shown in Figure 9.1.

In Denmark, a series of social reforms was implemented in 2009 by the new governing centre-right coalition, combining limitation of unemployment benefits, tax cuts, welfare chauvinism (through targeted and selective cuts in social programmes aimed at immigrants), and anti-unionism (exclusion of social partners from the implementation of labour policies and rejection of the “Ghent system” in the administration of unemployment insurance). In particular, the duration of unemployment benefit support was reduced, while the requirements regarding retraining obligations for the unemployed were reinforced.

More stringent conditions for recipients of social assistance measures under 30 years of age were introduced, alongside means-tested controls

for unmarried couples, adopting more rigorous criteria than those reserved for traditional families. Benefits for workers in flexible jobs were cut and reductions in social services funding initiated. Incentives to set up independent funds were implemented to weaken the “Ghent system” and disband the trade union monopoly in the management of unemployment funds. As well as causing a decline in funds membership, these measures also resulted in a reduction in union membership, to the extent that Denmark’s largest blue-collar union lost a quarter of its members between 1995 and 2010 in the face of the expansion of other organisations providing only legal support (Dølvik & Martin, 2015). With regard to the chauvinist approach to welfare, a series of cuts in social assistance programmes for immigrants, also approved by the nationalist Danish People’s Party, were implemented while criteria were introduced to make benefits conditional on accepting low-wage jobs.

This was a fundamental turning point for Denmark. Indeed, although spending on active labour policies was still comparatively high, these reforms diverted the country from the flexicurity system established in the 1990s and nudged it towards a work-first regime, where benefits were depreciated in terms of duration and largesse, where sanctions were at least as important as incentives (Jørgensen & Schulze, 2012), and tendencies to exclude trade unions from the implementation of labour policies were manifest. In Sweden, the return of the centre-right coalition to government in 2006 led to a cutback in labour taxes and the introduction of new restrictive measures with regard to passive labour policies. Unemployment benefits were slashed still further and the screws tightened on the requirements for accepting even low-paid jobs. As unemployment increased, expenditure on passive policies as a share of GDP decreased. A similar pattern in this respect emerged also in Denmark from 2008 onwards, while for both countries, spending on active policies was vigorous and on the rise.

As far as labour market outcomes are concerned, it is clear that the traditionally high level of employment for both men and women in Sweden and Denmark was not affected by the 2008 crisis (see Figure 9.2). Since 2010, employment has started to grow again, especially in Sweden, returning to pre-crisis levels, while it has contracted in Denmark, although still remaining at high levels. The level of unemployment also increased after the crisis but decreased from 2013 onwards. What is most important to consider, however, because it is closely related to the effectiveness of the high level of spending on active labour market policies in Sweden and Denmark, is the abatement of long-term unemployment.

Another significant outcome can be observed with reference to wage inequality, which is rather low (see Table 9.1). Thus, despite some tendencies to introduce more conditionality in the Nordic system and to weaken the role of trade unions as actors in labour policies, the emerging regime continued to combine economic efficiency and equality. In this respect, it is possible to say that the change in labour policies followed a path of conversion of



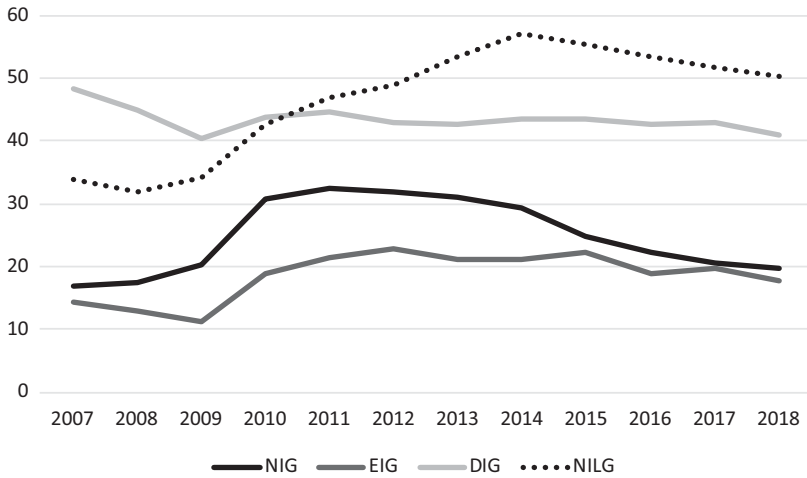


Figure 9.2 Long-term unemployment (share of total unemployed).

Source: OECD.

institutions to the new conditions that has not distorted the original structure (Thelen, 2014).

### 9.3.3 The regime in the Anglo-Saxon countries: de-regulation

#### 9.3.3.1 The United Kingdom

In the United Kingdom, back in government in 1997, the Labour Party announced its intention to bring 250,000 unemployed young people into the labour market. To this end, action was taken on three fronts: increased investment in human capital and training, reorganisation of employment policies, especially those geared towards job placement, by enhancing job centres, and an increase in the legal minimum wage.

With reference to training, the so-called “Train to Gain” programme launched in 2006 provided subsidies to companies that offered training opportunities to people with low qualification levels. This approach was part of the Labour Party’s view at the time that focusing on upgrading workers’ skills was the only possible strategy for competing in a globalised economy (Mayhew & Wickham-Jones, 2015). However, the British context lacked an institutional structure that targeted the strengthening and enhancing of technical and vocational training, along the lines of the German model. The government therefore aimed to invest in generalist education, i.e. in schools and universities, by significantly increasing investment in these areas: spending on

education increased by a quarter between 2000 and 2009 and that on tertiary education by 30% (OECD, 2012).

Throughout the first decade of the 2000s, the Labour leadership implemented policies that emphasised the duties and responsibilities of income support recipients, increasingly conditional on finding and accepting jobs. The goal of getting recipients of welfare into work (workfare) was reinforced by tax incentives to companies hiring unemployed people (in-work benefits). However, the results were not particularly satisfactory: employment in low-skilled and highly unstable occupations increased.

According to Toynbee and Walker (2010) 40% of those who found a low-skilled job then found themselves out of work and again supported by benefits. In 2010 the share of low-wage workers in the UK was 20.6%, the highest among advanced economies after the US.

New Labour, under the leadership of Tony Blair, placed great emphasis on training. As Blair emblematically stated in a speech in Manchester in 2007 (Mayhew & Wickham-Jones, 2015, 156): “Workers should be protected not through greater bargaining power in the workplace, nor through union intervention, but rather through the position gained in the labour market as a result of their education and training”. However, the results were modest. The aspect to evolve the most in active policies was that regarding assistance programmes conditional on finding and accepting employment positions (Table 9.4), which as shown were concentrated among low-skilled and highly unstable jobs.

Worthy of note is the fact that the picture has not significantly changed since the introduction of the minimum wage in 1998. Set initially at a low level, it had little impact except on the first decile of the wage distribution. Subsequently, it was raised but remained below the international definition of a “low wage”, i.e. less than 2/3 of the median hourly wage.

Ultimately, the transition between Conservative and Labour governments did not structurally change labour policies. The main difference can be seen

*Table 9.4* Expenditure on public employment services in terms of percentage of total expenditure on active labour market policies as a percentage of GDP

	1997	2004	2011
United Kingdom	62.4	87.4	87.0
Nordic	10.1	20.6	20.0
Continental	16.0	21.9	36.7
Mediterranean	n.a	14.5	20.7

Source: OECD.

Note: Expenditure on public employment services includes placement and services for employers, employees and the unemployed, including services provided by private providers with public funding.

in the shift from the workfare system of the Conservative governments of the 1980s and early 1990s, in which income support was heavily dependent on the willingness to accept any job opportunity, to a system directed more towards “welfare-to-work”, focused on strengthening the human capital of jobseekers. The return of the Conservatives to government in coalition with the Liberal Democrats (in 2010) led to the Welfare Reform and Work Act of 2016, which stepped up the penalties for those who did not accept, or cooperate with, the proposed work integration measures, and obliged benefit recipients to increase their working hours, even accepting a second job.

Looking at the outcomes, labour policy reforms favoured a stabilisation of wage inequality in the early 2000s. In fact, as the Gini index of wages presented in Table 9.1 shows, inequality remained stable between 1997 and 2007, with a decrease at the lower end of the distribution, probably due to the introduction of the legal minimum wage. Subsequently, however, wage inequality resumed an uptake, with an increase in the Gini index calculated on gross wages between 2007 and 2015, confirming the UK as the country with the highest level of wage inequality in Western Europe.

### 9.3.3.2 *The United States*

In the second half of the 1990s labour policies encompassed a workfare approach in the United States. In 1996, Clinton launched the Personal Responsibility and Work Opportunities Reconciliation Act (PRWORA), based on the reinforcement of employment assistance services and training, though destined to not last long. PRWORA also introduced the Temporary Assistance for Needy Families programme, which removed legal entitlements to assistance for poor families, reduced the period of coverage, and linked compensation to willingness to accept work. This resulted in growing competition for low-skilled occupations, a reduction in lower wages and an expansion of short-term work.

The tangible effects of these labour policies were seen in the accretion of the percentage of in-work poverty<sup>3</sup> from 10.57% to 12.36% between 1997 and 2007 in industry and from 10.75% to 11.45% in services.

The Obama presidency (2009–2017) marked a reversal of the trend of previous administrations, with a focus on industrial and health policies. The discontinuity in labour policies is less evident, although the data show a downtrend in the wage inequality ratio p50/p10 in both the service and industrial sectors (Table 9.1), while unemployment benefits increased and USD 3.5 billion were invested in vocational training. After the 2010 mid-term elections, in which the Democrats were defeated and lost control of the House of Representatives, a compromise was reached between the Obama Administration and the Republicans on the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act, a package of stimulus measures worth 858 billion dollars. In exchange for a two-year extension of

all tax cuts (including those for income earners above \$200,000 a year that Obama initially intended to repeal), the Republicans accepted a 13-month extension of long-term unemployment benefits. In 2013, Obama urged Congress to increase the federal minimum wage, which stood at \$7.25 an hour, much lower than in 1968 (when it reached its highest value net of inflation). The Republican-dominated Congress did not act, and the president issued an executive order to raise the minimum wage for employees on federal contracts to \$10.10 an hour.

### **9.3.4 The Southern European regime: the two-fold dualisation**

In the 2000s labour policies in the southern European countries had distinct elements in common. Both attempted to reduce the common problem of youth unemployment by expanding contractual flexibility through the liberalisation of temporary incoming employment relationships. The process initiated in the 1990s was to continue in the same direction in the 2000s.

#### **9.3.4.1 Italy**

Italy's labour market regulation policies presented two main elements of dualisation, in reference to the particular protection guaranteed by regulations to different groups of workers. The first element dated back to the early 1970s and referred to the employment protection legislation defined by the 1970 Workers' Statute, guaranteeing much more protection for workers employed in enterprises with more than 15 employees compared to those working in firms with less than 15. Added to this was the main instrument for protecting the income of workers affected by employment crises, the Cassa Integrazione Guadagni Ordinaria e Straordinaria, (Ordinary and Extraordinary Wages Guarantee Fund), relating to workers with open-ended contracts employed in medium to large enterprises.

The second, common also in Spain, originated in the 1990s when a model of de-regulation in the phase of entry into employment was pursued (Esping-Andersen & Regini, 2000), which increased the number of workers with temporary contracts, especially young people.

Upon closer analysis of the labour policies of the 2000s, the measures implemented by the centre-right coalition led by Silvio Berlusconi can be seen to mark a break with consultation and social dialogue, which incidentally had never been institutionalised in Italy. The measures introduced further changes to the regulation of the labour market, chiefly affecting flexible contracts. The so-called "Biagi law" (Legislative Decree No. 276 of 2003, issued pursuant to Law No. 30), supported by the CISL (Italian Confederation of Trade Unions) and UIL (Italian Labour Union), but not by the CGIL (Italian General Confederation of Labour), envisaged the bolstering of the redundancy fund as its main intervention. Enterprises were allowed to extend and cumulate

CIGO (Ordinary Wages Guarantee Fund) and CIGS (Extraordinary Wages Guarantee Fund) beyond the limits set by the legislation up to that moment, and social security “for exceptional cases” from the national legislation was provided, including micro enterprises which had been excluded up to then, also providing coverage for workers with temporary contracts. Implementation of the redundancy fund was justified by the general consensus it received. That the trade unions were in favour of the instrument was understandable: it gave protection to industrial workers, historically the most unionised, while the trade unions (together with the employers’ associations) had to be consulted on its use. Also businesses were in favour of the lay-off fund since the cost for them was lower compared to other instruments. From the government’s point of view, the use of the redundancy fund reduced the impact of unemployment compared to what would have happened if it had opted for other interventions.

In 2012, the “technical government” headed by Mario Monti passed Law No. 92, the so-called “Fornero Law”. In the early months of 2012, negotiations between the government and the social partners began. Agreement was found on the re-regulation of temporary work and “bogus self-employment”, but the government was forced to backtrack on the intention to abolish the “cassa integrazione” (redundancy fund) due to the opposition of the social partners, particularly Confindustria (Confederation of Italian Industry). In relation to employment protection legislation, the Prime Minister proposed to amend Article 18 of the “Workers’ Statute” with the provision that even with the judge ruling in favour of the worker in the case of discriminatory dismissal, monetary compensation should be the only option, abolishing the possibility of reinstatement at work. Following opposition from the CGIL and threats to strike, a compromise was found to resolve the situation (Sacchi et al., 2011). With reference to unemployment benefits, the old legislation established in 1919 was modified, alongside the introduction of the ASpI (Social Insurance for Employment). This replaced the ordinary unemployment benefit, as of 2013, borrowing its access criteria and extending it to apprentices from 2015 onwards.

In 2015, the centre-left government led by Matteo Renzi re-examined the issue of employment and launched a measure known as the Jobs Act. This intervention proceeded along the lines of de-regulation of the legislative protection of employment, establishing that only the newly hired would be covered by the “contract with increasing protections”: a new form of open-ended employment relationship that provided for minimum and maximum thresholds of compensation in case of dismissal, differentiating the compensation system for companies with fewer than 15 employees. The Confindustria (Confederation of Italian Industry) was somewhat hostile to the idea of applying it only to new employees, as in its view this would risk further toughening up and partitioning labour legislation. The real clash came, however, with the trade unions, especially with the CGIL and UIL, over the amendment to Article 18 of the “Workers’ Statute” that in the event

Table 9.5 Expenditure on passive labour policies (% of GDP)

	2005	2010	2015
Italy	0.67	1.32	1.29
Spain	1.43	3.05	1.98

Source: Elaboration on OECD data.

Table 9.6 Expenditure on active labour policies (% of GDP)

	2005	2010	2015
Italy	0.54	0.42	0.51
Spain	0.76	0.90	0.59

Source: Elaboration on OECD data.

of “illegitimate” dismissal – whether economic or disciplinary – established the impossibility of reinstating the employee in the workplace, granting only a monetary compensation equal to a number of months’ pay in proportion to seniority. Strikes were threatened and signatures collected for a referendum to repeal the law, but the change requested by the government passed.

In summary, the contents of the labour policies conducted in Italy during the 2000s chiefly concerned interventions on passive policies (Table 9.5), aiming to reduce the protection of workers employed in the most guaranteed sectors and to maintain a wide recourse to fixed-term forms of work. Little changed on the active policies front, marginal also in terms of expenditure (Table 9.6).

The shortcomings of the active labour market policies in the Mediterranean European countries emerge not so much in relation to wage inequality, which is lower than in almost all the countries examined here (as shown in Table 9.1), but in relation to in-work poverty.

In the case of Italy, the high rate is explained, on the one hand, by the low participation of women in the labour market, depriving households of a second income (Barbieri et al., 2018) and, on the other hand, by the phenomenon of the selective combination (Schwartz, 2013) of subjects with low levels of education employed precariously and at low wages.

#### 9.3.4.2 Spain

Spain entered the 2000s after the right-wing Popular Party government had implemented cutbacks in unemployment benefits and legalised private non-profit employment agencies. In the wake of these measures, the reforms regarding the public employment services were in 2003 were strongly oriented

towards decentralisation and the autonomy of the independent communities. In 2006, the socialist government, in agreement with the social partners proposed a legislation to lower the share of temporary work and to provide incentives to prolong working life beyond the legal retirement age. In 2007, legislation on gender equality was introduced to promote measures in favour of women in the sphere of work and social protection.

In 2012, under the leadership of Rajoy, the People's Party government enacted the so-called "Copernican revolution", launching a de-regulation programme without seeking agreement with the social partners. The reform concerned the reduction of dismissal costs and the introduction of a new type of collective agreement for companies during periods of crisis with fewer guarantees and social contributions aimed at reducing labour costs and making firing easier. Furthermore, compensation for discriminatory discharge was reduced and exemption clauses to national bargaining introduced, along with the simplification of collective lay-off and the amplifying of the grounds for just causes for individual lay-off.

In terms of the effects of labour policies on wage inequality, the outcomes reveal that there was a much greater expansion of inequality in Spain compared to Italy, chiefly ascribable to the changes in the ratio p50/p10, signalling an expansion in the lower tail of the distribution concentrated in services. The situation of individuals in a state of in-work poverty instead represents a similar picture (see Table 9.7).

In the 2000s, Italy and Spain show a parallel trend based on passive labour policy interventions with low investment in active policies. Similar measures were also taken to lower the level of employment protection for permanent workers. However, the two countries differ with respect to the specific passive

Table 9.7 In-work poverty by sector of productive activity

	Years				Years		
<i>Germany</i>	1997	2007	2015	<i>France</i>	1997	2007	2015
Industry	6.40%	6.40%	7.01%		8.89%	6.00%	5.93%
Services	6.55%	6.96%	8.23%		6.71%	5.94%	6.22%
<i>Denmark</i>	1997	2007	2015	<i>Sweden</i>	1995	2007	2015
Industry	2.78%	4.81%	1.10%		n.a.	5.43%	6.83%
Services	4.36%	3.39%	3.58%		n.a.	7.03%	6.90%
<i>Italy</i>	1997	2007	2015	<i>Spain</i>	1997	2007	2015
Industry	12.99%	10.04%	9.77%		15.17%	10.69%	7.35%
Services	10.69%	8.88%	8.92%		11.85%	9.65%	9.36%
<i>United Kingdom</i>	1997	2007	2015	<i>United States</i>	1997	2007	2016
Industry	6.85%	6.26%	5.82%		10.57%	12.36%	11.68%
Services	9.73%	8.18%	6.87%		10.75%	11.45%	11.66%

Source: Elaboration on ECHP, EU-SILC and LIS data.



policy instruments launched in response to the 2008–2009 crisis. Italy, in keeping with the past trend, reveals extensive use of short-time work schemes (“*cassa integrazione guadagni*” or wage support measures) thanks to an “interclass” alliance between firms and trade unions (Perez & Rhodes, 2015), both of which were in favour of adopting such a measure. In Spain, where the insurance pillar of unemployment support was much more developed and in the absence of a cross-class coalition supporting the status quo, short-time work did not have a strong role and the right-wing Spanish government proceeded more decisively with a de-regulatory reform of the labour market.

#### 9.4 Concluding remarks

With the decline of Fordism, the reduction in manufacturing employment in large companies was partly offset by the accretion of services. These last had a higher-skilled but quantitatively more limited component, and a low-skilled but potentially larger component that was decisive in maintaining a high employment rate. In order to seize the potential for employment growth in the area of lower-skilled services, it was necessary to lower the standards of labour protection that existed in the Fordist phase because given the low productivity of these services, growth through employment of new workers would be possible only if labour costs remained low, and in view of the temporal discontinuity of demand, only if flexibility was high.

Implementation of active and passive policies in different countries influenced this redeployment of labour, as the analysis so far shows, and this is where our cases differ.

The Anglo-Saxon non-inclusive growth model reduced the overall standard of labour protection through a process of de-regulation that embraced the old and downsized manufacturing sectors as well as the low-skilled service area on the rise. A key feature of this process was a radical restructuring (Thelen, 2014), fostered by an overall weakness of trade union and political representation in the world of work. The process of dualisation in the labour market was contained, but this outcome was the result of the enfeeblement of the traditionally more protected sector. Passive policies were scaled down, yet without proceeding to increment active policies. With the centre-left political forces in government, this approach softened in favour of greater emphasis on human capital formation, but on the whole the variances remained nonetheless limited.

In the Scandinavian model of inclusive and egalitarian growth a process of “recalibration” modestly reduced guarantees for those employed in the most protected sectors (large manufacturing industry, public employment) while increasing protection in terms of social policies and interventions in training and retraining (learnfare) for those employed in the low-productivity services sector, and for the unemployed expelled from struggling manufacturing sectors, for whom mobility was encouraged. Hence a new balance was

fashioned between passive policies, on which expenditure was reduced, albeit not to the point of dismantling them, and active policies, on which the countries in question spent more than others, giving rise to an “institutional conversion” [ibid.]. Other instruments were also implemented to contain the risks of dualisation. Scandinavian welfare has traditionally favoured service provision over cash transfers. The peculiar expansion of personal services limited the growth of low-skilled consumer services and the results show there was also lower growth in inequality. It should be noted that the rise of centre-right governments in Sweden and Denmark during the 2000s does not alter the overall picture, despite restrictions in passive policies (unemployment benefits), chauvinist measures against immigrants, and attempts to weaken the role of the trade unions.

In the continental European model of inclusive dual growth, the possibility of seizing the new opportunities for employment growth in services required labour regulation and protection standards to be slackened. The difficulty of moving in this direction led to an increase in the unemployment rate in the 1980s and 1990s, because the weight of subsidies on labour costs was not profitable for the growth of low-productivity services and public services. Furthermore, the preference of these systems for transfers over services limited the Scandinavian approach related to the growth of employment in public services. Hence a process of adaptation developed that was based on compromise. Trade unions and companies defended the traditional protection standards inherited from the Fordist phase in export-oriented manufacturing (and public employment). In the area of low-skilled services, on the other hand, a process of de-regulation (or non-regulation) or “drift”, to cite Thelen (2014), lowered the standards of labour protection in order to make such services profitable. In this context the unions were feeble, while the stronger organisations in traditional manufacturing sectors actually endorsed the compromise, concerned with not weakening their traditional base through rising unemployment and economic hardship. Over time, however, interventions and programmes were taking shape that sought to mitigate the lack of protection of the social groups involved in the area of highly discontinuous services. These measures were paid for by general taxation. The continental variant together with the non-inclusive low-growth Mediterranean variant were both characterised by the path of sectoral dualisation. The latter differed from the former chiefly in three key features. In the first place, the dualisation was more extensive, involving also the many smaller manufacturing firms as well as the black economy and undeclared work. Since the weight of large and medium-sized enterprises was lower in the Mediterranean model, the area of outsiders was larger.

Second, despite various attempts to reduce the impact, the safeguarding of the most protected sectors was particularly costly in terms of passive policies supported by public finances. Third, active policies concerning the social groups involved in the new forms of employment were less incisive than those

of the continental variant, partly because of the greater overall difficulties of public finances in the Mediterranean countries. Analysis of the labour policy regimes would seem to show that the logic of models prevailed over the weight of programmatic distinction between parties oriented more towards the left- and right-wing. Undoubtedly changes in government, in one direction or another, introduced shifts in the balance between active and passive policies and in the characteristics of these policies, but they did not alter the overall path and trajectory of the various models. An interpretation might thus be that a key role was played by the interest groups active in the various countries with their capacity to coalesce. From this perspective, the more radical de-regulatory turning point in the United Kingdom and the United States could be correlated to the greater weakness and lower compactness of labour representatives and the lack of coordination between companies, which leads them to thwart any form of concertation. In the face of the serious crisis in which both countries involved found themselves in the 1970s, the absence of labour market institutions complementing a skilled, high value-added manufacturing sector (e.g. vocational training policies involving companies and trade unions, stringent employment protection rules to ensure the career continuity of skilled industrial workers), laid the foundations for a coalition between declining manufacturing companies and emerging service companies, both of which, albeit for different reasons, were pushing for strong de-regulation.

In continental European countries, the loss of importance of the interclass coalition that dominated manufacturing in the Fordist era, determining the incapacity of maintaining a leadership role in today's service economy, might have had a direct bearing on sectoral dualisation. The Mediterranean model reveals an even more pronounced tendency in this direction, by dint of the ineffectual weight of the large manufacturing companies and extensive trade union and employer fragmentation. The Nordic model mitigated the drive towards dualisation, enabling service workers, including women and low-skilled workers, to be as well organised as industrial workers. Here, in addition to the interest organisations, the state also had an important role, acting as a mediator and supporting coalitions in favour of greater public sector involvement in social investment policies (Morel, Palier, & Palme, 2012) that took the form of active and training policies, as well as support services for dual-career families with children.

## Notes

- 1 The Commission informally took the name of President Peter Hartz, former Director of Human Resources at the automobile company Volkswagen.
- 2 These refer to low-wage jobs targeting both the unemployed and people who already have a marginal but regular job. Wages, which must not exceed €400 in the case of Mini-Jobs and €800 for Midi-Jobs, do not include social security contributions for workers.

- 3 An individual is considered to be in-work poor if he/she declares to have been employed for at least seven months in the reference year and if he/she lives in a household with an equivalised disposable income below 60% of the national median income.

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