Tackling Job-Losses – Varieties of European Responses

Søren Kaj Andersen,

Associate Professor, PhD, FAOS, Department of Sociology, University of Copenhagen and International Centre for Business and Politics, Copenhagen Business School

Introduction

The financial crisis has led to an employment crisis in Europe although the unemployment rate continues to differ between European states; some countries have been hit harder by the crisis than others. At the same time, policies curtailing the impact of the financial crisis on the labour markets vary across the European borders, reflecting not only the dept of the crisis in different European states, but also the different regulation regimes - traditions for labour market regulation - that we can identify on the European continent.

In the first part of the paper some of the recent policy initiatives adopted in the wake of escalating unemployment rates are identified. A number of these initiatives aim to boost employment both indirectly and directly. However, only one of the most frequently used initiatives will be elaborated in greater detail: that is wage subsidies or social security contributions to employees on short-time work, i.e. a reduced working week due to economic downturns in companies. Such initiatives can also be characterised as *preventive measures,* as they aim to keep employees at the workplace even when the economic activity is declining.

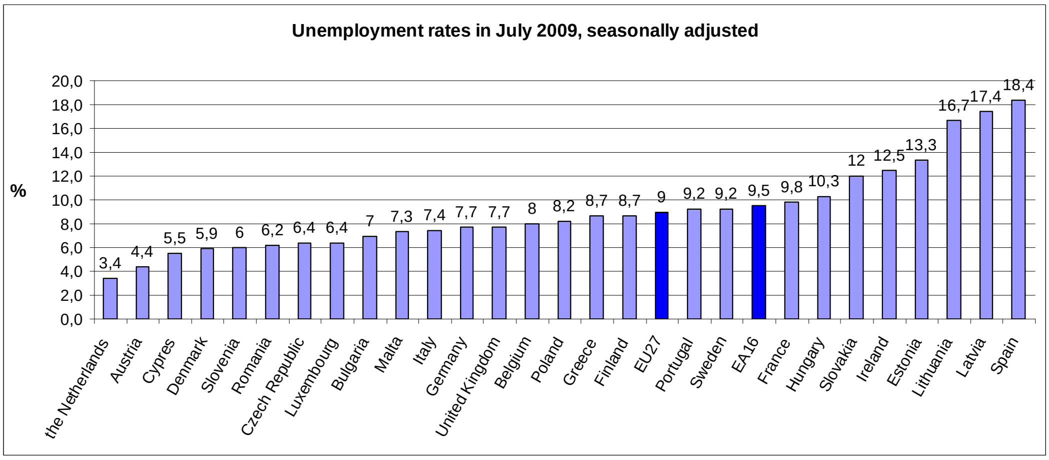
The second part of the paper focuses on the medium and long-term perspective, which in this case concerns the ability to *create employment* in spite of economic uncertainties, technological development and on changing patterns in the global division of work. The European debate on 'flexicurity' will be used as the empirical example. The basic assumption in the flexicurity concept is that it is possible to enhance the flexibility of labour market regulation whilst increasing the security, not at least the employment security, of employees. The analysis will be elaborated around the so-called Danish flexicurity model emphasising the interplay between flexible regulation of dismissals, high levels of unemployment benefits and an active employment policy.

Rising Levels of Unemployment

The financial crisis has led to rising levels of unemployment across Europe. In the so-called euro zone - countries sharing the euro as their common currency - the seasonally-adjusted unemployment rate rose from 7.5 per cent in July 2008 to 9.5 per cent in July 2009. The unemployment rate within the entire European Union (the so-called EU27) was 9.0% in July 2009 compared to 7.0% in July 2008. For the euro area, this is the highest rate since May 1999 and for the EU27 the highest since May 2005[1]. According to Eurostat estimates, this means that more than 21.7 million men and women were unemployed in July 2009, a figure that has increased with more than 5.1 million since July 2008.

The unemployment rate for men rose from 6.6 per cent to 9.1 per cent in the EU27, whereas the female unemployment rate increased from 7.4 per cent to 9.0 per cent between July 2008 and July 2009. Youth unemployment increased from 15.4 per cent to 19.8 per cent in the European Union during the same period. Youth unemployment poses a specific challenge for the European member states due to demographic changes, where particularly the ageing population reflects the need to integrate young people in the labour market.

TABLE 1



Source: Eurostat 2009

As seen in table 1, significant differences exist in the rates of unemployment between European Union member states. Some of the smaller Western European economies like the Netherlands (3.4%) and Austria (4.4%) maintain low levels of unemployment. At the other end of the scale Spain and the Baltic countries are faced with comparatively high levels of unemployment, ranging

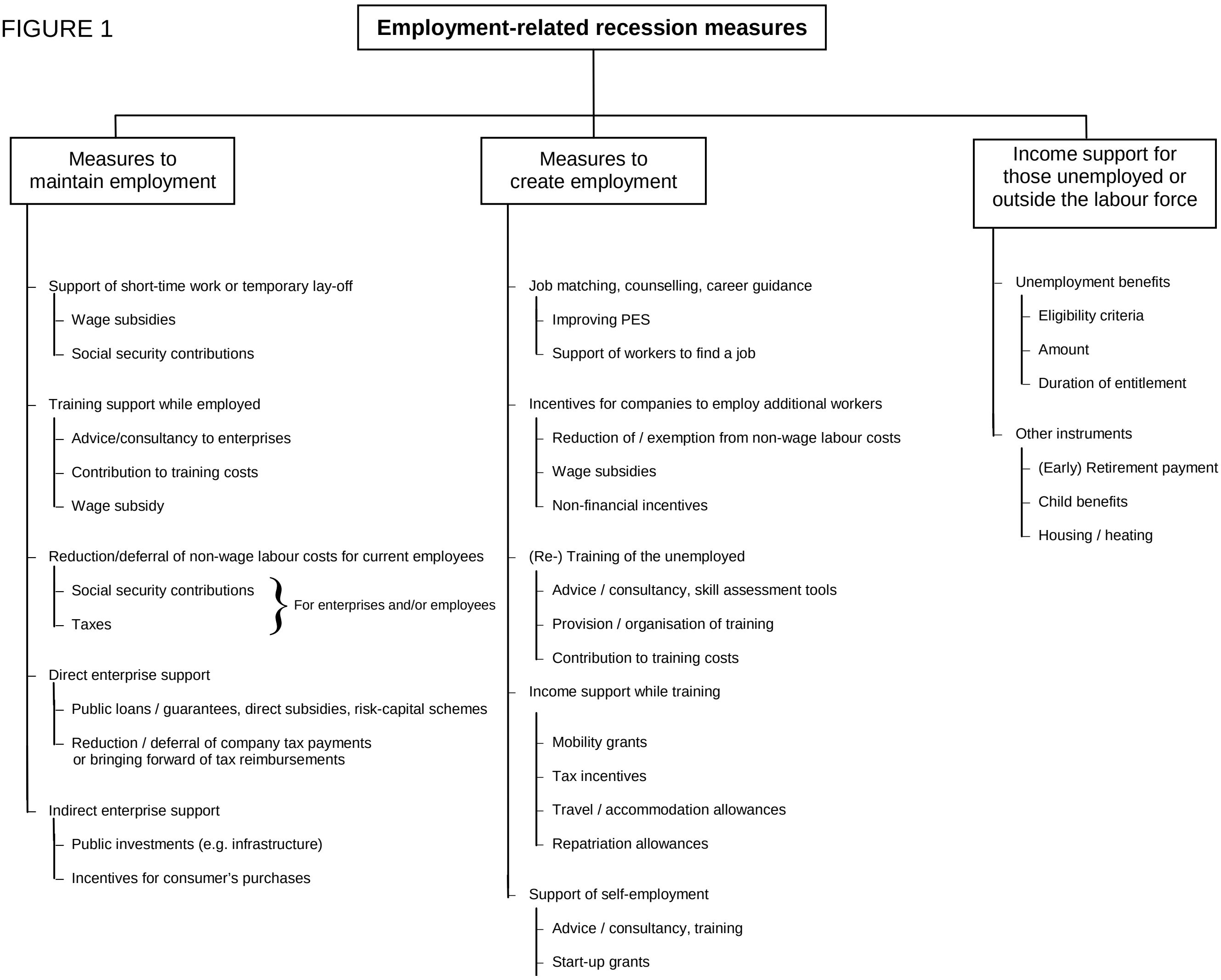
1 Eurostat 2009, newsrelease, euroindicators, 123/2009 – 1 September 2009.

from 13.3 per cent to 18.5 per cent. Somewhere in between we find the larger economies, Germany and the UK, 7.7 per cent respectively, and France 9.8 per cent. In spite of some positive economic signs in several European economies, various forecasts predict that the level of unemployment will continue to rise in 2010.

Employment-related Recession Measures

Since autumn 2008, European governments have adopted a number of initiatives to support employment on the European labour markets. Most initiatives have *indirectly supported the employment levels*, as their primary aims have been to 1) facilitate companies access to finance, and 2) to increase the competitiveness of companies through various forms of financial support packages. Within these overall aims, a broad variety of initiatives have been launched. They include among others rescue loans to companies in severely hit sectors; tax reductions to boost consumer demands; investments in infrastructure; measures to maintain public sector employment; reduction of em-

FIGURE 1



Source: European Foundation for the Improvement of Living and Working Conditions, 2009, *Tackling the recession: Employment-related public initiatives in the EU Member States and Norway*.

ployment fees and taxes etc. Other initiatives have been *aiming directly at the labour markets*; wage subsidies; re-training programmes etc.

The research centre The European Foundation for the Improvement of Living and Working Conditions has in a recent report identified three broad categories of employment-related recession measures – c.f. figure 1. These include both the indirect and direct measures. *First*, measures to maintain employment that have a 'preventive' character in that they aim to keep people in employment by, for example, supporting companies or providing income support for workers who have accepted reduced working time or pay-cuts to safeguard their jobs. *Second*, measures to create employment meaning instruments that promote the transitions from unemployment to employment. And *third*, income support for unemployed people and those who are outside the labour force – see figure 1. The European Foundation underlines that the initiatives listed first and foremost are reflecting new initiatives taken as responses to the crisis. Accordingly, the so-called 'automatic stabilizers' – i.e. various forms of social security payments - that we find in the European welfare states are not included in this analysis.

It should be noted that the measures listed in figure 1 to some degree are overlapping. Various forms of wage subsidies, tax reductions, public investments, etc. for instance can both maintain as well as create employment. Nevertheless, the three categories offer an overview of initiated measures.

The idea in this context is not to present a catalogue of all the initiatives in the individual European states as they can be identified in relation to figure 1. Instead we will within 'measures to maintain employment' focus on support of short-time work – reduced weekly working time - or temporary lay-off and the various schemes for wage subsidies or social security contributions that they include. The reason for this focus is twofold. *First*, the European Foundation has found that measures to maintain employment has been given priority by the EU member states. Accordingly, in order to avoid dismissals several European states have introduced or expanded systems of financial support for short-time work or temporary lay-off. This is in other words an often used tool to prevent dismissals. *Second*, the various schemes supporting short-time work and temporary lay-offs in individual European states illustrate the variations in European regulation; variations which are important in order to understand the overall heterogeneity of European labour market regulation.

Short-time work schemes

In most European countries the schemes for short-time work and temporary lay-off are based on tripartite dialogue or consultations between employers' associations, trade unions and the state. Accordingly, rules and regulation on wage subsidies and social security contributions are typically laid down in legislation. Still, employers and trade unions often conclude agreements that set out terms and conditions of the short-time work or temporary lay-off arrangement. These agreements are normally concluded at sector or company level. Finally, measures have to be approved by a governmental authority like the public employment service.

So far short-time work appears as one of the most prominent tools to prevent dismissals. Further, looking across Europe the various forms of regulation of short-time work at least to some extend mirrors the *different regimes of labour market regulation* - or industrial relations regimes – in Europe. In the UK and in some of the Eastern European countries we find the liberal approach with relatively few state financed subsidies; in the Western part of continental Europe the states far more often intervene in the labour market; a tradition of policy-making which includes the introduction of various forms of state financed subsidies; and in Scandinavia the patterns of regulation is somewhat mixed: the social partners (employers' associations and trade unions) enjoys a relative large autonomy in collective bargaining, however, the state plays a key-role in labour market policies and the different schemes of subsidies.

Focussing more closely on schemes of short-time work we find in *the UK* that collective bargaining in all important private sectors is taking place at a decentralised level – the company level. Accordingly, agreements on short-time work are typically the result of negotiations between management and labour in individual companies. It is also in line with traditional British liberal regulation that we do not find state financed programmes on wage-compensation linked to agreements on short-time work.

Moving to continental Europe the situation is different. *French* legislation includes the possibility to give state financed wage subsidies to employees in companies facing severe economical difficulties. Wage subsidies are given both to compensate working-time reduction and temporary lay-offs (*chomage technique* or *chomage partiel*). In December 2008 the French government extended the maximum coverage of the short-time work scheme to 800 hours and in some cases 1000 hours – equivalent to 28 weeks. The level of the benefit is 60 percent of the minimum pay. *Austria* has state financed subsidies linked to short-time work arrangements (*Kurzarbeit*). They cover for a maximum of 12 weeks and the level of the benefit is based in the unemployment benefit level. Access to the wage subsidy is conditioned by the ability of companies and worker representatives to agree upon a supplementary 'top-up' of wage subsidies. In January 2009 the *Dutch* government decided to expand a scheme under the unemployment law (*Werkloosheidswet*) which covers up to 70 percent of the salaries for employees on reduced working time. The scheme was part of a growth package passed by the Dutch parliament in November 2008 and which was aiming at companies where sales had dropped 30 percent or more for two consecutive months. Today employees can uphold their normal salaries for up to 24 weeks based on the condition that the company provides training for employees on short-time work.

Apart from the recent adjustments various schemes supporting reduced working time or short-time work in companies hit by economic downturns have been part of labour market regulation in most Western European countries prior to the financial crisis. However, these schemes have only recently, and triggered by the crisis, been introduced in a number of Eastern European countries. Examples are *Bulgaria, Hungary, Romania and Slovenia*. Additionally, this regulation is often only running for a certain period of time – supposedly covering the period of recession[2].

Regarding the Scandinavian countries it should be noted that there in *Sweden* is no legislation on wage subsidies regarding short-time work. Some Swedish employers and trade unions tried to convince the government to introduce legislation on wage subsidies for short-time work, but with no success. Instead the metalworkers union and the employers in Swedish metal industries reached an agreement stating that if the working week is reduced by one working day salaries will be cut 20 percent. If working time is reduced beyond one work-day salaries cannot go below 80 percent of the normal wage.

Finally, some details regarding the regulation in *Denmark and Germany* will be highlighted as they illustrate the difference in national responses which in turn mirrors the different regulation regimes.

---

[2] European Foundation for the Improvement of Living and Working Conditions, 2009, *Europe in recession: Employment initiatives at company and Member State level.*

For many years social security contributions linked to short-time work (*arbejdsfordeling*) have been part of Danish labour market regulation. The basic regulation covers short-time work for 13 weeks, however, it can be prolonged to 26 weeks, i.e. 6 months. In spring 2009 the Danish government introduced more flexible rules regarding the short-time work scheme, still, in spite of pressure from major industrial employers the government refused to expand the scheme beyond 6 months. It can be said that the Danish government, in line with the Swedish government have rejected to use state subsidies to short-time work as *the* important policy instrument in preventing job-losses.

Contrary to this Scandinavian development the German government has chosen to expand the coverage of their short-time work scheme (*Kurzarbeit*) twice. Coverage was expanded from 6 to 18 months in 2008 and in spring 2009 with additional 6 months so that the scheme now offers state financed wage compensation up to 24 months. Consequently, the number of workers sheltered by the scheme has more or less exploded since the winter 2008/2009 to more than 1.4 million workers in June 2009. Wage compensations cover up to 67 percent of normal pay, but often this will be topped-up by company agreements on further wage compensation. In general the German scheme is more generous than what we find in Denmark where the wage compensation for a skilled worker normally will be around 50 percent of normal wage and without any company top-up. If on the other hand side looking at the unemployment benefits the Danish system appears more generous than the German. Clearly regarding the duration of the period, where unemployed persons are entitled to unemployment benefits: Up to 48 months in Den-

Figure 2 **Short-time Work and Unemployment Benefits**

	Denmark		**Germany**
	Employment security		*Job security*
External numerical flexibility	Relatively high increase in unemployment level	*Internal numerical flexibility*	Relatively low increase in unemployment level
	Short-time work up to 6 months, wage compensation on around 50% of normal pay		Short-time work up to 24 months, wage compensation up to 67% of normal pay + company top-up
	Unemployment benefit up to 48 months		Unemployment benefit up to 12 (32) months
	New job?		Back to full-time employment in the same job?

mark while employees under 45 years of age only can receive benefits for 12 months in Germany. Elderly employees may receive them up to 32 months – c.f. figure 2.

The basic explanation for the difference in Danish and German regulation of short-time work and unemployment benefits is the general difference between the two national regulation regimes. In the *corporatist German regime* it is comparative more difficult and expensive for employers to dismiss workers. Consequently, in a rapidly accelerating employment crisis the short-time work scheme becomes a politically viable tool supported by both employers and trade unions. As the German labour market researcher has commented, in Germany 'the idea to dismiss hours and not workers seems to be well accepted'[3]. On the Danish labour market employers have a comparatively easy and low cost access to dismiss their employees. This is one of the cornerstones in the so-called Danish flexicurity model, which will be further elaborated below. The basic idea governing the Danish regulation is that various schemes supporting jobs in companies that are lacking demand, and therefore might not be competitive, endangers the economy and accordingly do not offer stable employment for the future. In a sense this policy embraces the idea of 'creative destruction'; non-competitive companies must close down and via entrepreneurship and a high level of mobility on the labour market create room for new companies, and new jobs, to be established. In view of that, the Danish labour market regulation is a mixed regime of liberalism and corporatism. The Danish regulation might be termed 'negotiated liberalism' as for instance the comparatively strong trade union movement will insist on the long duration of and relatively generous levels of unemployment benefits as a negotiated trade-off for the liberal regulation of dismissals. Further, it should be noted that both employer's associations, trade unions and the government by and large have agreed that extended coverage of the short-time work scheme should be avoided.

Generally speaking the German regulation is primarily based on *internal numerical flexibility* meaning that workers tend to be kept within the company, e.g. on reduced working time. This increases *job security* meaning the possibility to stay in one specific workplace. On the other hand Danish regulation is first and foremost based on *external numerical flexibility* emphasising the easy access to hire and dismiss workers. Hence job security is low, however, the *employment security* is high as long workers are able to find a new job with a new employer – c.f. figure 2.

[3] European Foundation for the Improvement of Living and Working Conditions, 2009, *Europe in recession: Employment initiatives at company and Member State level*.

The important question is of course what will happen when we face economic recovery? If we are going through a V-shaped economic crisis meaning a steep downturn and a quick recovery, German companies might be able to go back to full-time employment for by and large all workers affected by short-time work. However, if the crisis becomes lengthy or if the recovery primarily creates jobs in other sectors, or in other companies, the German labour market might face a structural problem in the sense workers tend to be tied up in companies by-passed by the upturn.

In the Danish case a V-shaped crisis might have the effect that companies which have been forced to lay-off workers eventually face a costly process of (re)employing qualified workers. On the other hand if new job opening primarily will be found in new sectors or new companies a quick structural adjustment on the labour market should potentially be possible.

Flexicurity

In recent years the concept of 'flexicurity' has come to centre stage in European debates on the future labour market regulation. The European Commission has in several policy initiatives used the concept to frame the future debate; among them within the *European Employment Strategy* where four principle of flexicurity has been launched: 1. Flexible and reliable contractual arrangements; 2. Comprehensive lifelong learning strategies; 3. Effective active labour market policies; 4. Modern social security systems. Within this framework the individual member states are urged to develop their national employment policies via the so-called open method of coordination[4]. Accordingly, there is room for national adaptation of the four principles; however, the process includes review of national policy initiatives.

In the following we will focus on the so-called Danish flexicurity model. The argument for this focus is that the Danish flexicurity regulation is probably the most often referred in the European debate and further include several of the principles in the above mentioned Employment Strategy. At the same time flexicurity can also be used to turn the perspective from the more preventive measures of maintaining (existing) employment to the perspective of *how to create (future) employment* – se also figure 1, 'Measures to create employment'. In other words the flexicurity debate can be

[4] The Open Method of Coordination is an intergovernmental method where EU Member States are evaluated by one another (peer pressure), with the EU Commission's role being limited to surveillance. The European Parliament and the Court of Justice play virtually no part in the OMC process.

used as a framework for analytical remarks on future labour market regulation and thereby the ability to create jobs.

Obviously the concept ’flexicurity’ is a contraction of the words ’flexibility’ and ’security’. The concept has been defined in a number of ways, but by and large flexicurity denotes labour markets – or forms of labour market regulation – which at the same time manage to demonstrate or provide flexibility and security. Even though it is possible to point at labour markets that for years have been characterised by flexicurity, the concept was first coined and gained wide recognition in the mid-1990s. This is probably no coincidence since the concept of flexicurity to a large extent matches the ambitions expressed in the then president of the European Commission, Jacques Delors’ very influential White Paper on growth, competition and employment from 1993. The White Paper aimed to create an economy that is both efficient and competitive, but at the same time characterised by high employment, social security and inclusion.

One of the most important analytical tools in the flexicurity debate has been the so-called Wilthagen matrix suggesting the potential interplay between four forms of flexibility and four forms of security. The basic idea of this matrix is that forms of flexibility and forms of security can be combined in numerous ways.

Forms of flexibility

External numerical flexibility:	The flexibility of hiring and firing
Internal numerical flexibility:	Working hours, overtime, part-time work etc.
Functional flexibility:	Multi employability, flexible organisation of work
Wage flexibility:	Performance or result-based pay

Forms of security

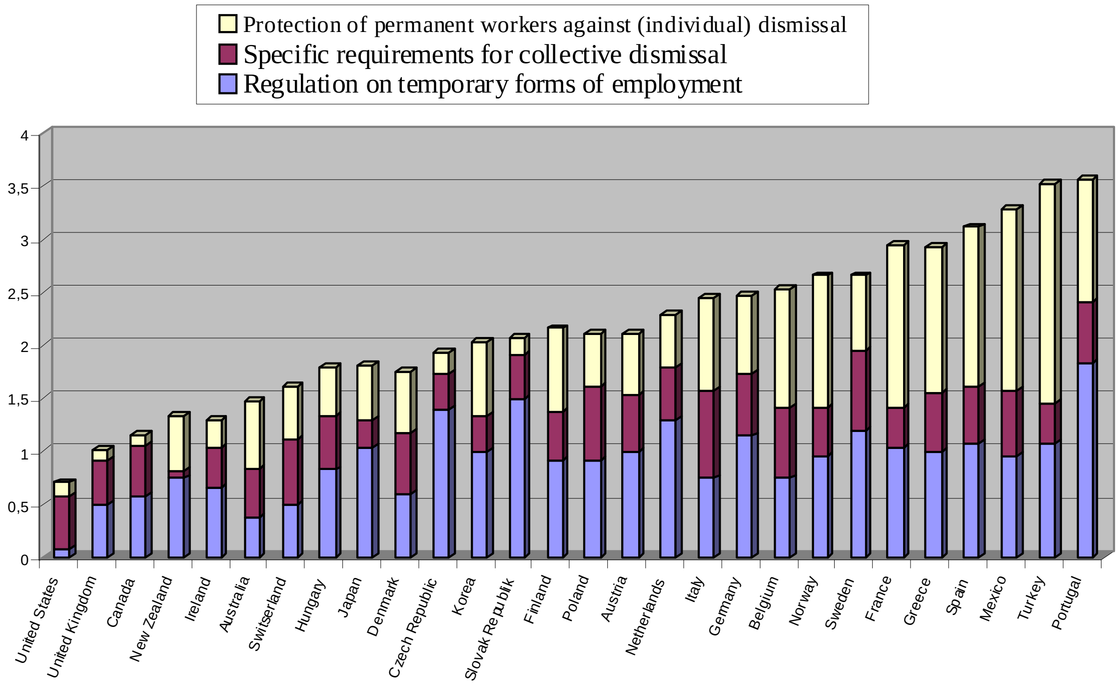
Job security:	The certainty of retaining a specific job with a specific employer
Employment security:	The certainty of remaining in work (not necessarily with the same employer)
Income security:	Income protection in the event that paid work ceases
Combination security:	The certainty of being able to combine paid work with other social responsibilities and obligations.[5]

Both the Danish and German policies on short-time work can be seen as two examples of the interplay between diverse forms of flexibility and security: The Danish regulation is characterised by high ‘external numerical flexibility’ via a flexible regulation of dismissals. However, this policy is combined with high ‘income security’ (relatively generous unemployment benefits) and a relatively

[5] Wilthagen, T. & F. Tros (2004): The concept of ’flexicurity’: a new approach to regulating employment and labour markets. *Transfer* 2:4, page 4.

high ‘employment security’ via an active labour market policy. The test of the model is the ability to offer unemployed persons new jobs. The German regulation is characterised by high ‘internal numerical flexibility’ via the extended use of short-time work. Thereby they are offering a high level of ‘job security’. The test of the model is the ability to bring workers back into full-time employment – c.f. above.

FIGURE 3 **The overall strictness of EPL in 2003**



Source: OECD 2004a:72
Note: Countries are ranked from left to right in ascending order of the overall summary index.

As the Danish flexicurity-regulation has been highlighted in European debates over the recent years the key-elements in this regulation will be explored more in detail below. *The first pillar* concerns the relatively flexible regulation of dismissals. The OECD’s *Employment Outlook 2004* included a so-called *Employment Protection Legislation index*, EPL index. The OECD index deals with the overall 'strictness' of EPL, which roughly equals the degree of employment protection. It is based on three different elements: regulation of various forms of fixed-term contracts, protection of regular employees against (individual) dismissal and special requirements in connection with collective dismissals[6]. As can be seen in figure 3, Denmark is clearly placed in the share of the OECD countries with the lowest EPL level.

[6] Provisions concerning fixed-term contract and temporary work agencies are measured by the restrictions on the use of temporary employment by firms. The protection of permanent workers (individual) against dismissal is measured by a) difficulty of dismissal, i.e. the legislative definition of conditions under which dismissal is “justified”, b) procedural

In other words, with regard to the strictness of EPL Denmark is on the same level as countries like the Czech Republic, Japan and Hungary while countries like Norway and Sweden have a markedly higher degree of employment protection than Denmark. It is important to note that this flexible Danish regulation has been in place for decades and is directly linked to the fact that Danish industries is primarily characterised by small and medium sized companies. For decades it has been part of employers' policies to maintain the essentially easy access to lay-off workers. The explanation is that the relatively small companies only have limited possibilities of avoiding reductions in the workforce if demands decline. Contrary to large companies they have only limited possibilities to replace workers within the company if demands are dropping.

The comparatively strong Danish trade union movement has for decades accepted this employer policy. However, their fundamental demand has been access to a comparatively generous unemployment benefit which consequently constitutes the *second pillar* in the Danish flexicurity regulation. It should be noted that the unemployment benefits are to a large degree state financed meaning that costs linked to dismissing workers has been externalised from the companies and at the same time also is one element explaining the high level of taxation in Denmark. Still, it should be remembered that the overall labour market regulation includes, not at least from the trade union side, a strong attention towards unfair dismissals ensuring that employers do not exploit the flexible regulation.

The third pillar in the regulation is also important for understanding trade union acceptance of the system; the active labour market policies. The aim of theses policies is to up-skill or re-skill unemployed persons to enhance their possibilities of getting a new job. Danish expenditure on labour market measures (active and passive) – nearly 5 per cent of GDP is the highest in Europe[7]. Together these three pillars constitute the so-called 'golden triangle' of the Danish flexicurity model.

Flexicurity – supplemented with mobication

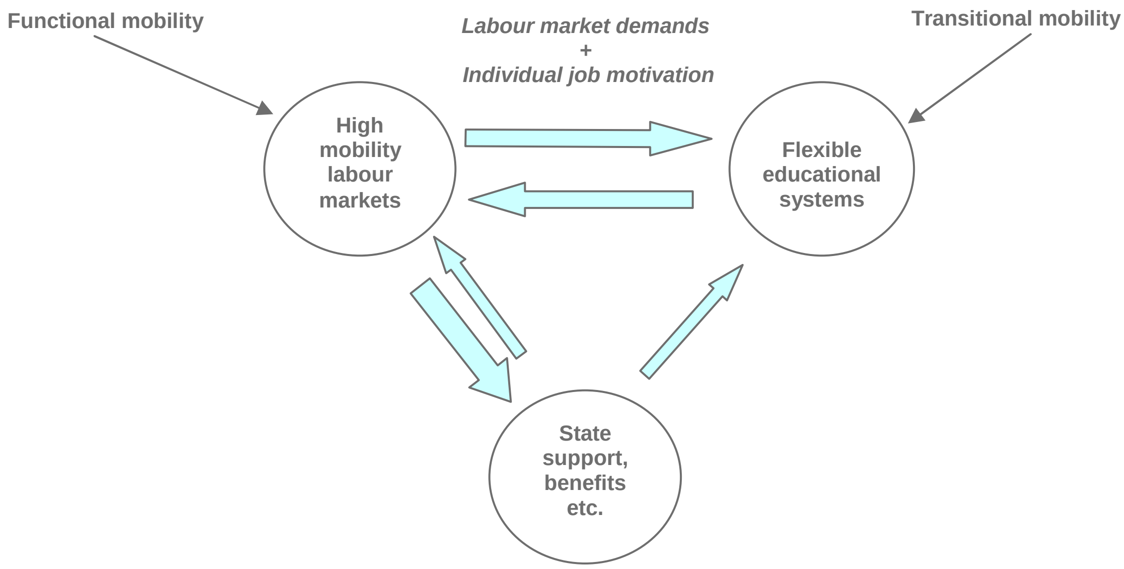
---

inconvenience, and c) notice and severance pay provisions. Specific demands concerning collective dismissals refer to additional delays and procedures required which go beyond those applicable for individual dismissal (OECD *Employment Outlook 2004*, page 65).

[7] OECD; *Employment Outlook 2004.*

Even though the Danish flexicurity model has drawn both European and broader international attention there are a number of shortcomings in this model, if we assume that it constitutes an important explanation for the dynamic adaptability between supply and demand of labour. Firstly, public sector employees are not subject to the same liberal regulation of dismissals as private sector employees. Even though the civil servant status today only covers a minor part of public sector employees regulation of dismissals is *de facto* stricter than in the private sector. Accordingly, it is difficult to include the large group of public sector employees (more than 1/3 of the total labour force) in the flexicurity model. Further, a number of private sector employees are covered by the so-called White-Collar Workers Act which also includes a stricter regulation of dismissals than most collective agreements. *Second* there is evidence showing that the level of economic compensation the unemployment benefits offer in general is not above, but rather on average with most other European countries[8]. This is especially true for medium to high income groups. Still, the Danish system can be characterised as generous with regard to the duration of benefits; up to 4 years – c.f. above. Furthermore, the active labour market policies have played a decreasing role due to very low levels of unemployment leading up to the current crisis. This raises the question to what degree the active policies will be re-established as the number of unemployed persons increase. A *third* and more general comment on the shortcomings of the flexicurity model is the fact that it only focuses on unemployed persons. It can be argued that the most prominent aim of labour market policies is to keep people from becoming unemployed at all.

FIGURE 4 **Mobication**



[8] OECD*: 2006 edition of Benefits and Wages.*

Therefore, the idea behind the concept ‘mobication’ (mobility plus education) is to embrace the whole labour market; unemployed as well as employed. Further it is argued that the *high level of mobility* on the Danish labour market combined with *flexible educational systems* is a key-factor in explaining the high level of employability on a changing labour market.

The three pillars of the flexicurity model are included in the pillars of the mobication model (c.f. figure 4); the flexible regulation of dismissals is included in the ‘High mobility labour markets’ (first pillar). Further, ‘State support, benefits etc.’ include unemployment benefits (second pillar) and the ‘Flexible educational systems’ cover the active labour market policies too (third pillar). Still, the mobication model includes more than that; first and foremost further education and training among persons who are in employment. This is the possibility for employed persons to get access to education and training via flexible educational systems and after concluded training/further education being able to return to the high mobility labour market. We define pillar 1 (the high mobility labour market) as characterised by ‘functional mobility’ (c.f. figure 4) i.e. the ability to move to a new job/a new workplace; that is mobility within the labour market. The third pillar (flexible educational systems) is defined by ‘transitional mobility’; covering the mobility in and out of the labour market via some form of training, up-skilling etc. aiming at enhancing the employability of the individual worker. This includes also the aim to improve the access for various marginal groups to the both the educational system as well as the labour market. Further, the transitional mobility also covers the transition of young people from school/education to the labour market.

It should be underlined that the passage from both one job to another and from job via education to a new job is depending on labour market demands as well as individual job motivation (c.f. figure 4). Individual job-expectations including choice of education will of course have consequences for employment possibilities. Linked to this it is important to note that state policies (support, benefits etc.) to some degree can strengthen the chance of reaching a match between labour market demands and individual job motivation. In other words the state can create various incentives in order to encourage specific choices among individuals regarding education and furthermore specific strategies among companies regarding recruitment policies etc. Direct economic support or indirect support via tax-policies are among the potential policy tools.

In the *Danish case* is appears as evident that a high level of spending on basic education, technical education, medium and higher education is decisive for the employability of workers. Adding to this, in the life long learning perspective further education and training (including on the job training) plays a key-role for the on-going adjustments between supply and demand of qualifications and skills on the labour market. Once again the assumption is that the high level of mobility on the Danish labour market – more than one fourth of the labour force change job every year – only is possible due to a high and flexible level of education including a high level of on-going further education and training. Almost 40 per cent of the work force receives some form of training within 12 months. Together with Sweden this is the highest level among the OECD countries. All-in-all this forms the argument that mobication is decisive for the employability of Danish workers.

Concluding remarks; varieties of responses

The European labour markets are challenged by increasing levels of unemployment. Even though Europe might be at the end of the present economic recession, levels of unemployment are nevertheless expected to rise in 2010. Furthermore, two trends are important to note: First, some countries are suffering more than others from the effects of the crisis. Some seems to have been more exposed to the effects of the crisis than others. Second, across the European borders we find that specific sectors are experiencing drastic downsizing while others are not. Primarily the export-oriented industries (metal workers and other groups of skilled workers) and the construction industry have been hit hard by the crisis. On the other hand e.g. the pharmaceutical industry and various parts of business services have only experienced limited effects of the crisis and the employment levels have accordingly been stable. Likewise, the public sector employment has only with a few exceptions been stable in the European countries so far. This creates *the first dimension of the variety of responses* to the employment crisis; some sectors of the economies are clearly more affected by the crisis than others. Accordingly, responses are directly or indirectly often targeted these sectors.

Until now many of these initiatives taken by European governments and social partner organisations (employers and trade unions) have been aimed to maintain employment; that is ‘preventive’ initiatives first and foremost in the form of income support for workers who have accepted reduced working time. We can conclude – especially based on the case of Denmark and Germany - that the use of short-time work schemes mirrors the different regimes of labour market regulation - or industrial relations regimes – in Europe. Governments are to varying degrees willing and able to use short-time work to maintain people in employment.

As long as levels of unemployment are increasing in Europe we can expect a focus on the preventive measures aiming at keeping people in employment. However, sooner in some countries than other we should expect a shift towards instruments that promote the transitions from unemployment to employment and thereby towards ‘measures to create employment’. Moreover, as the number of unemployed persons increase discussion on income support for unemployed and those who are outside the labour market is likely to become a still stronger in political debates.

The European Employment Strategy is to a large degree embedded in the principle of flexicurity. The European Commission is also continuously emphasising the need for the development of flexicurity-policies in order to meet the challenge of creating employment. At the same time it is evident that even if all EU member states do develop flexicurity policies then they will be framed by the national regimes of regulation. This includes the role of legislation versus collective agreements; the traditional role of social partner organisations and a number of other structural issues. Accordingly, this establishes *the second dimension of the variety of responses*: we should expect that flexicurity policies will mirror the structural differences in the national regulation regimes.

Concerning mobication we have argued that the complementarities between ‘high mobility labour markets’ and ‘flexible educational systems’ which are both supported by ‘state benefits, etc.’ is crucial for the employability of the Danish work force. However, we believe that dynamic relationship between mobility on the labour market and a flexible educational system is a potential key-dynamic in both developed as well as developing welfare states. Accordingly, the interaction between mobility, educational systems and state policies appear as relevant for future research.