'Real' Flexicurity Worlds in action:

Evidence from Denmark and Greece

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ABSTRACT

A renewed discussion has triggered on if and how flexicurity strategies could tackle the explosion of unemployment, increasing poverty rates, and precarious employment. Do flexicurity policies withstand during crisis times and shelter labor markets from shocks? Are the ongoing reforms being characterized by the well-balanced development of both flexibility and security? The paper attempts to investigate the implementation of flexicurity policies as a labor market tool during the years of crisis in different flexicurity regimes. The study will focus its attention on employment policies adopted in Denmark which is considered as one of the two birthplaces of flexicurity concept and Greece which is one of the countries that has been hit the worst by the crisis.

Keywords: crisis, Denmark, employment, flexicurity, Greece

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'Real' Flexicurity Worlds in action: Evidence from Denmark and Greece

1. Introduction

According to the latest available data the euro area (EA19) seasonally-adjusted unemployment rate was 10.1 percent in July 2016, down from 10.8 percent in July 2015 which has been the lowest rate recorded in the euro area since July 2011. The EU28 unemployment rate was 8.6 percent in July 2016 down from 9.4 percent in July 2015 which has also been the lowest rate recorded in the EU28 since March 2009 (Eurostat 2016a). At the same time for the first quarter of 2016, seasonally adjusted GDP rose by 0.3 percent in the euro area and by 0.4 percent in the EU28 compared with the same quarter of the previous year (Eurostat 2016b).

At first sight, these figures provide a sense of optimism about the employment situation in Europe. However, a deeper look into the figures gives us reasons to concern and believe that the light at the end of the tunnel is still far from here and we need a long way to run in order Europe to regain its growth momentum and deliver its prosperity mission. We are probably running a period of a slow and fragile recovery. According to Eurostat figures 21.063 million men and women in the EU28 (16.307 million in the EU19), of whom 4.276 million young persons (under 25) were unemployed (2.969 million were in the euro area) (Eurostat 2016a). Divergences and across countries, particularly in the euro zone, remain high. Even in economies which perform comparatively well, unemployment is becoming structural as evidenced by the increasing number of long-term unemployed. Levels of those at risk of poverty or social exclusion and inequality increased in many Member States, with growing divergences among countries. Children have been experiencing an increasing risk of poverty or social exclusion in the last years as the situation of working-age parents worsened (European Council 2015). The risk of poverty increased by 1.4 percent in 2015 and more than 122 million European citizens have been experiencing the spectre of poverty (Eurostat 2016c) and running the risk of social exclusion (Dafermos and Papatheodorou 2012, 2013, Marques et al. 2015).

Under this vein, the economic crisis, the implementation of austerity policies as an antidote to the rising public debts and deficits as well as the employment challenges, lead the debate over the future of the EU. As the character of the new welfare state design in the era of austerity has been changing (Taylor Gooby 2013, Petmesidou and Guillen 2015) the fight against increased unemployment due to a dramatic fall in the labor demand, the weakening of labor market dynamics, the debilitation of social protection systems and the lack of investments in knowledge are at the center of attention of policy makers.

A renewed discussion has triggered on if and how flexicurity strategies could tackle the explosion of unemployment, the increasing rates of poverty and precarious employment. Do flexicurity policies withstand during crisis times and shelter labor markets from shocks? Are the ongoing reforms being characterized by the well-balanced development of both flexibility and security?

On the one hand, flexibility in employment relations constitutes the core answer to the adjustment problems that firms have to deal with. On the other hand security is a vital component of a well-structured labor market and provides the necessary policy tools to the weaker part of the employment equation, the employee, to overcome the difficulties that the new employment reality arises. The preferential favor of flexibility measures increases the risk of labor market segmentation while at the same time undermines social stability by weakening the social fabric as it increases further in working poverty incidences (Dafermos and Papatheodorou 2012, Papatheodorou 2014). At the same time, an increased social security dimension provides income security and advances labor market reintegration however it collides with the constraints of a tight budget balance and a decreasing real GDP, therefore, limiting the (already scarce) room for maneuvering of some Member States (especially the Southern countries).

The paper attempts to investigate the implementation of flexicurity policies as a labor market tool during the years of crisis in different flexicurity regimes. The study will focus its attention on employment policies adopted in Denmark which is considered as one of the two birthplaces of flexicurity concept and Greece which is one of the countries that hit most from the crisis. The rest of the paper is structured as follows. In the second part, we will present basic principles of flexicurity as developed in European Union's labor market toolkit. In the third part, we will present in short the different flexicurity regimes that exist as well as we will highlight the framework of our analysis. It is more than clear that the starting line of the two countries is different thus the outcome of the process is rather easily predicted. However, it is quite interesting to see if and how different flexicurity strategies adopted according to different flexicurity regimes within the European Union. In the fourth part, we will sketch out the adoption and the implementation of key flexicurity measures in Denmark, and Greece. In the final section, we will sum up the main findings of the research and discuss some key lessons derived from the study of 'real' flexicurity worlds in action during the crisis times.

2. The concept of flexicurity

The fundamental idea behind the concept of flexicurity is that flexibility and security are not contradictory to one another, but in many situations can mutually supportive. Flexibility is not the monopoly of the employers, just as security is not the monopoly of the employees (Madsen 2006:3). In response to the dominant deregulation of the 1980s, the notion of flexicurity claims that investment in social policies is not a wasteful burden but instead constitutes an economic production factor (Wilthagen, 1998). It focuses on measures that offer sufficient flexibility on the labor market while at the same time offering sufficient security, regardless of whether this flexibility or security is demanded by employees or by employers. Much depends on if and how member states take up the flexicurity ideas and on the content of the policies and regulations they implement (Bekker and Wilthagen 2008:69). The notion of flexicurity has been widely used in the 2000s to reconcile the needs of a flexible labor market with those of a robust social security. The appearance of flexicurity as a policy tool dates back to the 1990s and coincides with a series of labor market reforms that took place primarily in two EU Member States: the Netherlands and Denmark. During his term of office from 1992 to 2001, Danish Prime Minister Poul Nyrup Rasmussen brought out the 'magical cocktail flexicurity' as a combination of easy hiring and firing (flexibility for employers) and high benefits for the unemployed (security for employees). Around the same time the Dutch sociologist H. Adriaansen, launched the concept of flexicurity and associated it to the need of strengthening the position of temporary workers without compromising flexibility (Van Oorschot 2004). The notion was widely used also in Denmark in the 1990s for a number of labor market reforms (Madsen 2006).

The literature on flexicurity is very recent and goes back to the 1990s and early 2000s when flexicurity is at times a strategy, a state of affairs and sometimes an analytical tool (Madsen 2006:3). Wilthagen (1998) defines it as a coordinated policy strategy; Wilthagen and Rogowski (2002:241) refer to a synchronized strategy directed towards weaker labor groups, while Ferrera et al. (2001) associate flexicurity with the fight against social exclusion. A totally different position is expressed by Tangian (2004) who sees flexicurity as a response to the economic need to increase the competitiveness of the European economies, thus promoting liberalization regardless of security concerns (which are only used as a way to reach a compromise between employers and employees). Madsen, (2008:74-75) paves the way towards a more pragmatic vision of flexicurity by proposing the idea of the "golden Triangle" based on flexible labor markets, generous unemployment support and strong emphasis on activation measures (like skill upgrading and requalification of unemployed workers). The European Commission

(2007a) follows this direction but adopts a more institutional definition based on four pillars (with more emphasis on lifelong learning and on reconciliation family-work with respect to Madsen 2004). The most commonly used systematisation of flexicurity is the so-called ‘flexicurity matrix’ by Wilthagen and Tros (2004). The matrix provides a framework for classifying the state of the labor market/employment policy in a country whereby a degree of numerical (both external and internal), functional and wage flexibility allows for the timely and adequate adjustment of labor markets and individual companies to changing conditions, in order to maintain and enhance competitiveness and productivity. At the same time, a degree of security should be provided that helps workers – especially those in a weaker position – with labor market participation and social inclusion (Wilthagen and Tros, 2004). They perceive flexicurity as *“a degree of job, employment, income and ‘combination’ security that facilitates the labor market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labor market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labor markets’ (and individual companies’) timely and adequate adjustment to changing conditions in order to enhance competitiveness and productivity” (Wilthagen & Tros, 2004).*

The wish to combine flexibility with security is also evident in the policy discourse at EU level, in particular in the Commission’s Green paper from 1997 Partnership for a New Organization of Work, which states (p.12): *“The key issue for employees, management, the social partners and* *policy makers alike is to strike the right balance between flexibility and security".*

Table 1: The Wilthagen Matrix

Security / Flexibility	**Jobsecurity (keeping your job)**	**Income security (unemployment benefits)**	**Employment security (getting a new job)**	**Combination security (work-life balance)**
Numerical flexibility (hire and fire)				
Functional flexibility (between tasks)				
Working time flexibility				
Wage flexibility				

Source: T. Wilthagen & Tros (2004)

Table 2: Examples of flexicurity policies

Flexicurity	**Job Security**	**Employment Security**	**Income Security**	**Combination Security**
External Numerical Flexibility	- Types of service agreements - Employment Protection Legislation - Early retirement	- Employment services - Training / lifelong learning	- Unemployment payments - Other social benefits - Minimum wages	- Job security for various types of leave
Internal Numerical Flexibility	- Shortened weekly working period / part-time working arrangements	- Employment Protection Legislation - Training / lifelong learning	- Complementary payments for part-time workers -Training benefits - Sick pay	- Different leave arrangements -Part-time retirement
Functional Flexibility	- Jon enrichment - Training - Renting labor force -Temporary contracts	- Training / lifelong learning - Work rotation - Team work - Well qualified	-Performance based payment schemes	-Flexible working time arrangements
Wage Flexibility	-Local adjustments to labor force costs -Reduction in social security payments	- Amendments to social security payments -Employment subsidies -Salary supplements	- Collective wage agreements -Adjusted payments for shortened weekly working periods	-Flexible working time arrangements

Source: T. Wilthagen & Tros (2004)

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At a time when most European countries are facing chronically high unemployment rates but the needed labor market reforms often face strong political opposition – for fear that they can significantly erode job and income security – flexicurity model as developed in Denmark and the Netherlands seems to suggest that this fear is unfounded and that it is possible to reduce the unemployment rate with a model that balances flexibility with security.

In the 2000s the concept of flexicurity was proposed in the European discourse as a guideline to modernising employment policies and welfare provisions. In 2007 the European Commission promoted this idea to a key policy concept and defines flexicurity as "*an integrated strategy to enhance, at the same time, flexibility and security in the labor market"* (European Commission 2007a). Flexicurity was incorporated into the European Employment Strategy 2007 (and in the Lisbon Agenda): guideline 21 calls for Member States *"to promote flexibility combined with employment security"* and to implement employment policies aimed at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion. The document proposes a set of policy components, reaffirmed later within the EU-2020 strategy. These are:

1. Flexible and reliable contractual arrangements (FCA): The availability of contractual arrangements, providing adequate flexibility for both employer and employees in a balanced combination with security and activation offers via modern labor laws, collective agreements, and work organization.

2. Comprehensive lifelong learning strategies (LLL): strategies to ensure the continual adaptability and employability of workers, particularly the most vulnerable.

3. Effective labor market policies (ALMP): policies helping people to cope with rapid change, reduce unemployment spells, and ease the transition to new jobs.

4. Modern social security systems (MSS) further divided into 4.a. Social security systems and 4.b. Reconciliation of work and private life: systems that provide adequate income support, encourage employment and facilitate labor mobility. It includes a broad coverage of social protection provisions helping people to combine work with private life and family responsibilities.

The difference in socio-economic, institutional and historical backgrounds among European countries pushed the Commission to propose country specific pathways to meet the challenge of flexicurity: (i) tackling contractual segmentation, (ii) developing flexicurity within enterprises and offering transition security, (iii) tackling skills and opportunity gaps among the workforce, (iv) improving opportunities for benefit recipients and informally employed workers (European Commission 2007a and European expert group on flexicurity 2007).

3. One model or different flexicurity regimes?

The idea of pathways signals that the EU is aware that different countries face different challenges. This variety and diversity of welfare states across Europe are linked to historical choices leading to subsequent economic and social institutions. In a path-dependent process, “history matters”: it has a far-reaching impact, partly due to the cultural and value systems that underlie historical choices. Although an EU-led convergence of national policies can be recognized, different modalities of flexicurity or combinations of flexibility and security can be observed. To some extent, these modalities of flexicurity can be considered functional equivalents that are compatible with diversity in the national styles of regulation or regimes that have emerged over the years. Thus, resulting from consultations and negotiations at the national level, flexicurity can take different forms from country to country. Member states should assess their own situation and identify their own meaningful flexicurity pathways to cope with different labor market challenges.

The suggested pathways and the need to analyze empirically EU Member States’ performances and trends led European Commission (European Commission 2006, 2007b) and academia to suggest robust cross-country statistical measures concerning ‘how flexicure’ countries are (Sperber, 2005, Muffels, Wilthagen, Chung (2010). They attempted to classify the EU Member States into clusters based on their flexicurity model in order to detect possible commonalities and divergences in this context. All these studies define and analyze a set of flexicurity indicators, identify common patterns across countries, and cluster countries according to performance. Flexibility is broken down into institutional and factual flexibility. Institutional flexibility is represented by the OECD indicators of strictness of employment protection legislation both for regular and temporary employment. Factual flexibility is based on statistics on atypical work and involuntary part-time employment. Security is represented by general social security expenditure and social security benefits (cash benefits) (Tangian 2010:2-3).

The European Commission (2006) provided the first attempt at mapping different flexicurity systems/ models in Member countries along two flexibility and security taxes. A preliminary taxonomy for flexicurity systems/models covering 18 EU Member States is provided, using principle component analysis and cluster analysis. Accordingly, five clusters are identified showing the following main characteristics:

■ The Nordic system is differentiated by high security, intermediate-to-high flexibility in working arrangements, and intermediate-to-high taxation in labor markets. The model is characterized by a high incidence of advanced forms of flexible work organization and by moderate levels of external flexibility, complemented by the large role given to lifelong learning policies, vocational training, and R&D spending, as well as active labor strategies that involve high budgetary costs for policymakers.

■ The Anglo-Saxon system shows a high degree of flexibility (i.e. looser employment protection legislation), combined with relatively low security (i.e. intermediate-to-low spending on labor market policies) and low taxation. It is characterized by high external flexibility and low segmentation and associated with high rates of secondary education attainment, moderate intensity of vocational training, low spending in activation policies and moderate reductions in poverty rates. The model involves relatively low budgetary costs.

■ The Continental system is associated with intermediate-to-low flexibility, intermediate-to-high security, and intermediate-to-high taxation. The share of temporary and part-time employment is around average. Countries in this system record the second highest expenditure for active employment policies and the highest total expenditure for social protection.

■ The Mediterranean system presents a combination of low(est) flexibility, intermediate-to-low security and no clear pattern on taxation. While expenditure on social protection and active employment rates are around the average EU level, participation in lifelong learning (LLL) is relatively low. Despite the rigidity, the percentage of temporary employment is the highest.

■ Eastern Europe (plus Italy) is identified with insecurity, lower-to-medium flexibility and medium levels of taxation. In general, a low share of temporary and part-time employment is observed in these markets. Total expenditure on social protection and active labor market policies tends to be low. Low mobility and low participation in lifelong learning schemes are also frequently observed in the countries under this cluster.

The European Commission's attempt was extended and revised later on by the Commission itself as well as by two other studies, which, by running similar analysis, drew comparable conclusions European Commission, 2007b; Ciuca et al, 2009 and Laporsek and Dolenc 2011).

The latest study performing a similar exercise was done by Auer and Chatani (2011). They ran principle component analysis based on seven sub-indicators in order to group all 27 EU Member States into seven clusters. Accordingly, Northern European countries plus the Netherlands have high scores of both security and flexibility indicators. Anglo-Saxon countries (UK, IE) combine average levels of labor market security with high external flexibility. Labor markets in Continental Europe represent a combination of high income and employment security with average to low external flexibility. High employment stability, lack of sufficient institutions to provide sufficient social security and lack of modern work organization are general characteristics of the Mediterranean cluster. The new Member States, with the exception of Slovenia, show a combination of below average levels of both flexibility and security. In the Baltic States, the lack of labor market security is much more visible. In particular income, employment and representation security score low in the last two groups.

The economic crisis that began in 2008 caused a substantial shock in European labor markets. The average unemployment rate across the European Union (EU) increased from 7.2 percent in 2007 to 10.4 percent in 2015 (it reached 10.9 percent in 2013), with far larger increases in some EU member states (Greece 24.5 percent). Governments responded by implementing measures to cushion the impact on the labor market and assist workers who lost their jobs. The European Commission encouraged governments to ensure that these measures were consistent with the principles associated with flexicurity (European Council, 2009).

Undoubtedly the concept of flexicurity has been challenged by the crisis. Employment regimes, and thus the components of flexicurity, affected by the drive to austerity, however, historical and institutional factors seemed to have played their own role in the capacity of the European countries to return stronger from the crisis. Before the crisis, Denmark developed a labor market system that combined a numerically flexible labor market with a high degree of social, income and employment security. On the other hand, Greece developed traditional and segmented labor markets, with low unemployment insurance and limited spending on active labor market measures.

The analysis that follows does not aim to highlight only the differences between the two countries. It is more than clear that Denmark as a member of the Scandinavian cluster and birthplace of flexicurity and Greece as a member of the Mediterranean cluster stand at different starting positions. The strong tradition of the Scandinavian welfare state with adequate fiscal buffers vis a vis the inadequate welfare structures that characterize Greece makes the outcome of the presentation rather predictable from the beginning. However, the study of the two cases will give us the opportunity to see real flexicurity worlds in action during the crisis times. As we will see below flexicurity is not a silver bullet which solves labor market problems immediately but rather an arsenal of policies from which the appropriate mix of elements should be chosen in order to accelerate towards recovery. The two different stories bring to the surface one of the key differences among flexicurity clusters.

Inclusive flexicurity vis a vis 'unilateral' non-inclusive flexicurity. As we will see flexicurity is not about a free flexibility 'meal' as in the long run the flexibilization of labor market needs to be offset by strong support during employment and unemployment transitions. In order to maintain in and out flows to employment strong and inclusive activation, policies are required avoiding at the same time great pitfalls such as long-term unemployment and the depreciation of human capital.

To reflect aggravation of the situation in 2008–2011, changes in the output gap and public debt, size of bailout packages and increases in the unemployment rate are considered.

4. Denmark and Greece

4.1 Denmark

In the flexicurity literature, the Danish employment system is often referred to as a prime example of a labor market with a well-functioning flexicurity arrangement – even to such a degree that the "Danish model" and "flexicurity" are sometimes seen as almost identical (Madsen 2008). The Danish road to fame has been supported by a number of impressive statistics. Before the crisis times, the Danish employment rate of 79.7 percent (in 2008) was the second highest among the EU member states. The rate of unemployment was 3.5 percent (in 2008), the lowest across the EU (Eurostat 2014). The Danish labor market model is often depicted as a "golden triangle" of flexicurity. The model combines high mobility between jobs with a comprehensive social safety net for the unemployed and an equally important set of active labor market policies

(ALMP) attaching conditions to the claiming of unemployment and social benefits, and also including programs to enhance qualifications and thus job finding chances for jobless an active labor market policy (Andersen and Svarer 2007). Measured on a year-to-year basis, every year about 25 percent of all employees are newcomers to their specific employer (Madsen 2008).

Since 2008, Denmark has like most other European countries fallen into a deep recession. This was the combined result of the steep decline in the international economy and the bursting of a national housing bubble that had developed in since the beginning of the decade and accelerated after 2005. From the peak of the business cycle in the spring of 2008 to the bottom of the crisis a year later, Danish GDP fell by 8 percent on a quarterly basis (Madsen 2013). The crisis led to a severe decline in aggregate demand, and as a consequence employment fell and unemployment soared (Andersen 2015). Reacting more slowly to the downturn, total employment reached its lowest level in the first quarter of 2012, having declined by 7.7 percent. The unemployment rates increased dramatically from 3.1 percent in the second quarter of 2008 to 8.2 percent in the beginning of 2011. From having had one of the lowest levels of unemployment in the EU, Denmark moved close to the middle of the rank (Madsen 2013). Denmark is found among the countries, where both the relative and the absolute increase in unemployment have been most dramatic. In relative terms, Denmark is only surpassed by the Baltic States, Ireland, Greece and Spain. Since Denmark entered the crisis with a very low level of unemployment, the relative increase is somewhat biased. However, also measured by the absolute increase

Denmark is clearly above the average for the EU-27 (Madsen 2013). In a flexicurity labor market with flexible firing rules, it is to be expected that output declines have a large immediate effect on employment (Andersen 2012, Madsen 2013). By 2012 the employment rate had decreased by 3.6 percent which is significantly above the average for the EU. The steep decline rose questions regarding the efficiency of flexicurity and the ability of flexicurity model to sustain external shocks (Andersen 2012, Andersen and Svarer 2012). The key issue is the labor market's adjustment capability, in particular, whether a crisis translates into lasting structural problems that make it difficult to bring employment back to its pre-crisis level. Under this fear a set of policies adopted in three key areas.

Fiscal policy initiatives, the issue of "growth packages" was high on the political agenda. Since the spring of 2009, a number of concrete expansionary measures have been undertaken. The measures introduced during 2009 and subsequent years include access for the municipalities to increase their investments beyond the existing spending limit, a state subsidy to the renovation of private and several public "investment packages" in infrastructure, energy saving etc. In this way, the effects of the economic downturn on income and unemployment were significantly dampened however the backside of this, of course, was that the public budgets have deteriorated rather dramatically during the crisis. This resulted in the recommendation from the European Commission to restrict the deficits and the subsequent political agreement for fiscal recovery in 2011 (Madsen 2013).

Working-time and wage flexibility, in March 2009 the existing option for employers to reduce working hours in case of a temporary fall in the demand for its products was made more flexible. The scheme operates under the heading of “work sharing” and implies that the workers alternate between periods of work and periods, where they receive unemployment benefits. Normally the maximum duration of work sharing is 13 weeks, but employers can apply for a prolongation by another 13 weeks. In quantitative term, the scheme has not become prominent. Thus, in mid-2009 only a total of 25.000 workers took part in work sharing. By the end of 2012, their number had fallen to about 2,000 persons (Madsen 2013).

Changes to the content of ALMP, in February 2009, a broad political agreement was reached inspired by a proposal from the social partners. It implied a number of changes in the rules for active labor market programs. The changes were all aimed at targeting the programs more towards upgrading the skills of the unemployed in the light of the composition of labor demand, a slightly higher priority to training and also more intensive contact with the unemployed in the form of frequent meetings with counselors at the job centre. The most important elements can be summarized in the following points: (a) The access to education for unemployed was widened and recipients of cash benefits, which have other problems than just unemployment, were now to be activated every 12 months (instead of 6) to allow for a more flexible activation of this vulnerable target group, (b) more effective efforts adopted to reduce youth unemployment including more job-rotation for young persons, more young to take part in the adultapprenticeship-scheme, targeted programs for young persons with lack of basic education and more traineeships for graduates, (c) strengthened efforts to reduce the drop-out rate especially from the vocational education system took place. While not representing a drastic break with previous policies, the many minor reforms can be interpreted as pointing toward a more flexible approach to active labor market policy and also implies the allocation of more resources to interventions highly associated with the "work first" approach (Madsen 2013). In June 2014, a new reform package which regulates the issues of the organization, steering, and financing of active labor market policy agreed and has been implemented since 2015. The reform adopts a new regional organization and aims at bringing more unemployed into lasting employment as fast as possible and decreasing structural unemployment. It focuses on an individual, meaningful and job-targeted effort, a targeted education, an improved cooperation between job centers and companies and a flexible but intensive contact with the unemployed in the form of interviews and active offers (Danish Ministry of Employment 2014).

Reform of the unemployment benefit system for insured unemployed, the aim of the reform is to increase the supply of labor by motivating unemployed to look for work more eagerly after a shorter duration of unemployment out of fear for exhausting their benefits. It has the following elements: (a) Previously, an insured unemployed could receive unemployment benefits for four years out of the last six years. After the reform the maximum period will be two years out of the last three years, (b) the conditions for regaining the right to unemployment benefits were harmonized with the rules for qualifying for benefits for the first time. In both cases, the criteria will be 52 weeks of full-time employment during the last three years. Before the reform, the requirement for regaining the right to benefits was only 26 weeks (Madsen 2013). In 2015, the commission on unemployment benefits presented to the Danish government its proposals on an unemployment benefits reform (Nordic Labor Journal 2015). Among other things the commission suggests: (a) Maintain the existing demand for one year of employment in order to qualify for full unemployment benefit, but proposing to introduce a flexible qualification which would mean even just a few months of work could extend the benefit period. This should increase the incentive for accepting a job — including short-term ones, (b) a new calculation of the benefit level, based on hours, not weeks, (c) no benefit days during which you would not receive unemployment benefits, (d) maintain a two-year unemployment benefit period.

Does flexicurity provide shelter from the crisis?

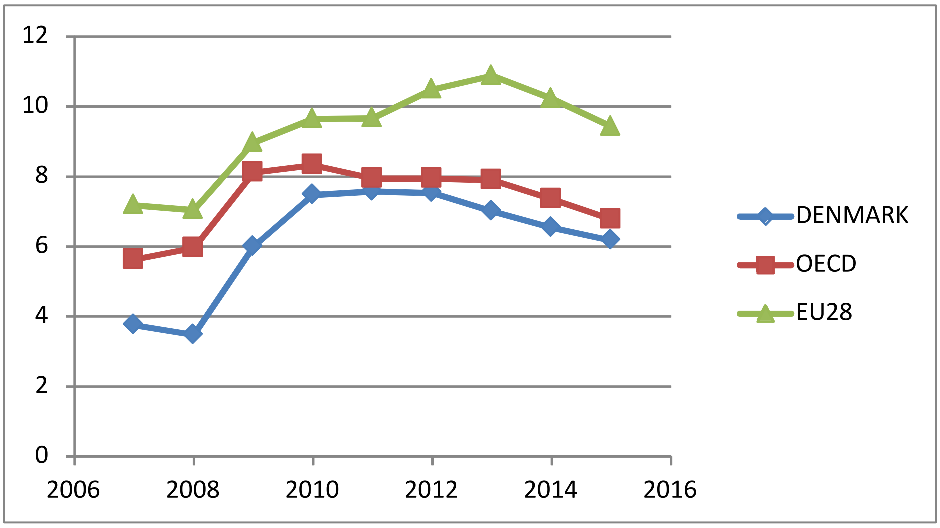
The crisis and the policies adopted have brought the moment of truth for the Denmark's successful flexicurity model. According to the latest available data, the harmonized unemployment rate continuously decreased over the past three years in Denmark reaching 6.2 percent of the labor force in July 2016, but the jobs gap is not yet closed as unemployment is still well above its pre-crisis level (3.2 percent). By comparison, unemployment is below to the OECD average (6.28 percent) but still higher than in Germany (4.2 percent) (Eurostat 2016a, OECD 2016a). Unlike in many other countries in the Euro area, the incidence of long-term unemployment has recently decreased in

Denmark. Youth unemployment has followed a downwards trend since 2012 and it has reached 11.9 percent in July 2016 but much higher than in Germany (7.2 percent). After declining continuously between 2007 and 2013 employment stabilized and began to recover over the past year. Employment performance remains good in international comparison as almost three quarters of the working-age population has work in Denmark (75 percent, Q1 2016), compared to two thirds on average in the OECD and the EU28 (66.8 and 66.2 percent respectively) (OECD 2016b).

Up the available evidence, Danish flexicurity seems to be able to provide some shelter from the storm of the crisis (Madsen 2013, Andersen 2015, Andersen and Svarer 2012). It also seems to be reasonably robust against political interventions of a more drastic nature that would go far in dismantling the traditional Danish version of flexicurity. The balance between flexibility and security has, without doubt, drifted away from the equilibrium that until recently gave the Danish model the widespread support from most political parties and the social partners (Madsen 2013). However, it seems to have performed well. Svarer and Andersen (2012:6-7) observed that the level of ALMP measured by activation rates for the unemployed has been maintained despite the crisis and the increase in unemployment. It was slightly above 20 percent for the UIB-unemployed and 35-40 percent for the SA-unemployed.

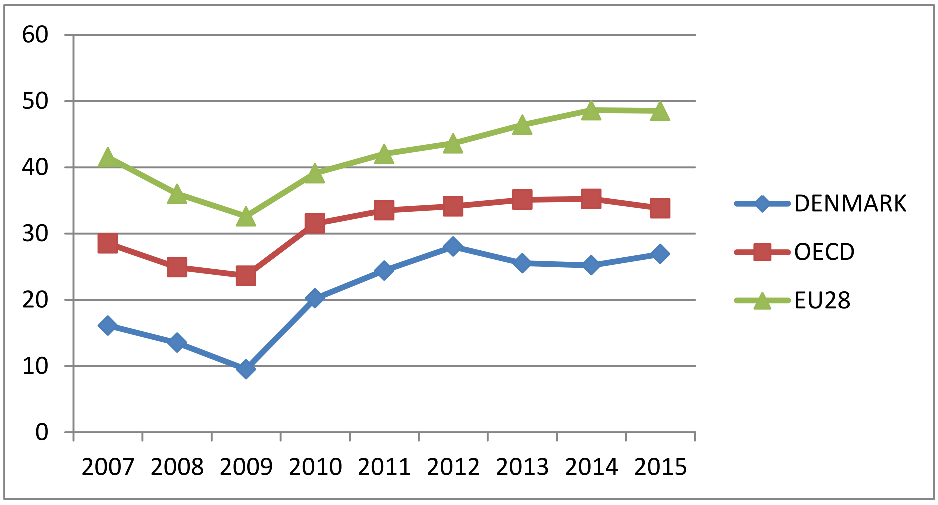
OECD (2015) indicated that Denmark's successful effort to tackle the adverse consequences of the crisis is owed to the strong activation policies and their adjustability. In 2013, Denmark spent 1.8 percent of its GDP in active labor market programs, the highest level of all OECD countries.

Harmonized Unemployment rate 2007-2015



Source:OECD 2016, Labor Market Statistics

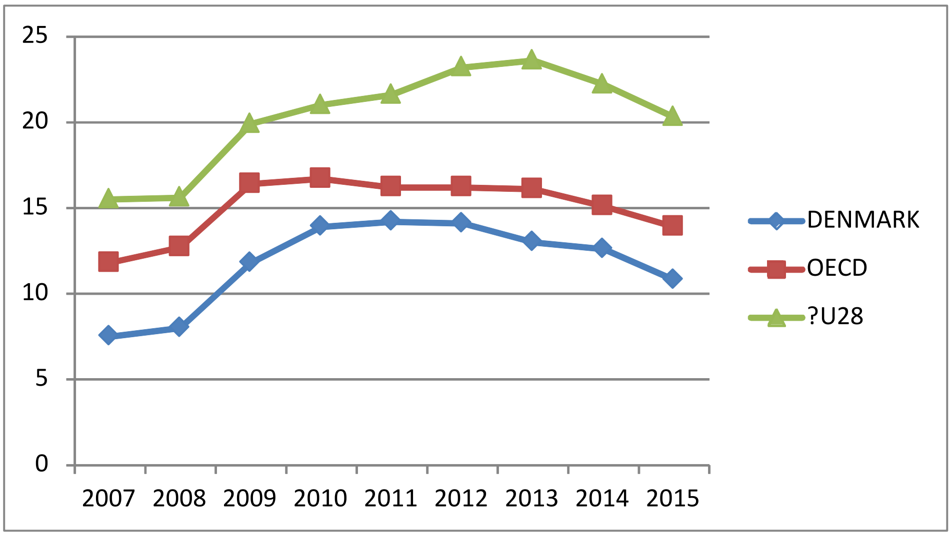
Long term unemployment rate, total percent of unemployed 2007-2015



Source: OECD 2016, Labor Market Statistics

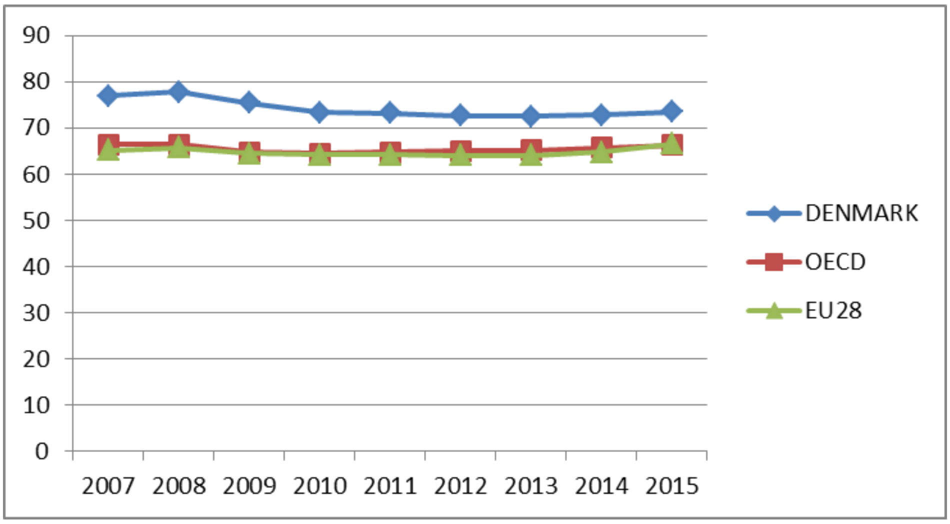
In addition to that, a shift in the design of ALMPs could be observed. ALMPs have changed their content to reflect the changing labor market and new evidence on effectiveness. Evidence points to the importance of early intervention, with a focus on the job search. To reduce locking-in effects and program costs, policies have shifted from expensive programs like classroom training to less expensive programs like on-the-job training. When interventions come late, they have small, if any, effects, especially for groups that have been marginalized in the labor market. This underscores the importance of early intervention to prevent passive unemployment spells from becoming too long (Andersen 2015). The above shift is reflected in the ongoing trend regards the declining employment rates for low-educated workers. Despite high public spending on education, about one in five members of a cohort do not obtain an education that is relevant to labor market needs. The last observation points to a severe structural problem and to a group of workers that will be increasingly marginalized (Andersen 2015).

Youth unemployment percent 15-24, 2007-2015



Source: OECD 2016, Labor Market Statistics

Employment rate percent 2007-2015



Source: OECD 2016, Labor Market Statistics

Adjustability of the labor market is one more milestone on the road to recovery. In Denmark, adjustments took place through reductions in both the number of hours worked and in the number of employees. Job exit rates increased, and job entry rates declined. During 2008–2013, declines in the number of employees as a share of total adjustment in labor input reached 84–85 percent in the US and Denmark, compared with 53 percent in France and 58 percent in Italy. However, by 2013 job inflow rates had recovered to the levels seen before the boom. Gross job flows remained large in the Danish labor market despite the large macroeconomic effects of the crisis. The transition rate from unemployment into employment within the first three months of unemployment has stabilized at 32 percent and at 40 percent after 12 months of unemployment. Unemployment spells are short (in 2013, spells of shorter than three months accounted for close to 40 percent of total unemployment). This effectively serves as an implicit equal work sharing mechanism which has an important distributional perspective and also reduces the negative structural implications of high unemployment. However, exit rates after the crisis stabilized at a level close to that in 2004, a year that business cycle forecasters consider to be close to neutral, in the sense that the unemployment rate was at the structural level. Inflow rates into unemployment show a similar pattern, with a peak after the onset of the great recession. High transition rates and short unemployment spells also imply that individuals may experience recurrent unemployment spells within the quarter or year (Andersen 2015).

Fiscal buffers play an important role for the well-functioning of flexicurity model. A decline in employment causes expenditures on income support and active labor market policies to rise and tax revenue to decline, which worsens public finances. For the model to work well in bad times, prudence is required in good times. Public finance policies in Denmark have satisfied this condition (Andersen 2015).

Another important dimension closely related to the well-functioning of the labor market is the wage equality. Denmark has one of the lowest rates and this is the mix result of an equal skills distribution as well as the supply of skills is abundant in relation to demand and last but not least wage setting mechanisms that set wages independently of market forces (OECD 2015).

In an early assessment, the model has coped reasonably well with the crisis, and that it does not seem to be more exposed to the risk of high and persistent unemployment. However, there at least four open-ended issues which we should consider for the suitability of flexicurity in crisis times and the transferability of the model (a) the ALMPs are an expensive policy tool. The experience shows the need for adequate fiscal buffers for the flexicurity model to work in a deep recession. A decline in employment causes expenditures on income support and active labor market policies to rise and tax revenue to decline, which worsens public finances, (b) the degree of reconciliation between unemployment support and job search incentives is a great challenge and places a heavy burden on active labor market policies, (c) will employment increase, or has structural unemployment increased? Up to the moment, the aggregate demand remains low in Denmark, and the importance of structural barriers will not have its real test until demand picks up, and (d) what would be the rate of job growth? As the activation policies may be business cycle dependent the answer will determine not only the effectiveness of activation policies but also do maintain the political support for them (Andersen 2015, Andersen and Svarer 2012).

4.2 Greece

In 2010 the Greek authorities, representatives of the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), the so-called troika, signed the first Memorandum of Understanding for a loan agreement of €110 billion to Greece, which had become necessary as Greece had proven unable to manage its soaring public debt (129 percent of gross domestic product [GDP] in 2009) and by then almost chronic budget deficit (reaching 14.9 percent of GDP in 2008). The memorandum committed the government to sweeping spending cuts and steep tax increases, aiming to reduce the country's public deficit to below 3 percent of GDP by 2014 (Kougias

2014). Admittedly, some type of austerity was necessary for a state that was severely off track in its finances. The Greek authorities drastically cut social expenditures. This may have led to some streamlining of social spending but, above all, it resulted in the retreat of the state from the social protection of the salaried strata, the unemployed, the poor and the socially excluded (Sotiropoulos and Bourikos 2014:8). Despite the cuts and the revision of the provisions of the loan and the austerity program, incorrect assumptions and estimations in the drafting of the program, structural weaknesses, and political unwillingness resulted in a worsening of economic conditions (Kougias 2014). Two other bailout programs were signed in 2012 and 2015 of €130 and €86 billion respectively.

However, there are few signs of economic recovery. According to the latest available data GDP decreased by 0.2 percent in 2015 and economic outlook has been worsening since then. Greece has been experiencing seven years of recession in the last eight years.

The social cost was extremely high. As the austerity policies were introduced when the Greek economy was already in recession, their impact on the social fabric was tremendous. Unemployment rates have reached unprecedented levels, and for the first time since the early 1960s, the active labor force is less than the inactive population. GDP has shrunk by almost a quarter, per capita income has decreased by 30 percent, income distribution has deteriorated and the part of the population that runs the dangers of poverty and social exclusion has increased (Kougias 2014).

After the collapse of the dictatorship in 1974, the socio-economic integration was developed on a system of clientelism, statism, and corporatism that created vertical networks in which the political parties had the leading role, promising government jobs, social security perks and loss-making regional projects, all in order to win votes. On the other hand, strong family ties contributed to a relatively cohesive society, even though collective solidarity and generalized trust have persistently been weak in Greece (Petmesidou and Polyzoidis 2005: 128). The family played traditionally a double role in the reproduction of Greek society. It was the main provider of welfare to its members and a key institution in the reproduction of the Greek political economy (Papadopoulos and Roumpakis 2009: 5). Consequently, on the eve of the crisis the Greek social policy system was characterized by the predominance of contributory social transfers, mainly pensions; the dominance of unjustified social insurance privileges; the delayed evolution of universal welfare policies, mainly in health care; the underdevelopment of social assistance and social care services; poor unemployment protection; distributional imbalances and administrative inefficiency; and non-existent family policy (Venieris and Papatheodorou 2003; Petmesidou and Mossialos 2006).

The resulting social security mosaic granted high benefits to privileged groups of public servants; generous insurance benefits to powerful occupational groups (rarely justified by their contribution record); poor insurance provision to average working people; and meager social assistance benefits to those in great need. Only 50 percent of the beneficiaries belonged to the poorest 30 percent of the population, making coverage for the neediest inadequate (OECD 2013). As a result of gaps in the social safety net, the effectiveness of social benefits in reducing poverty remained much lower than elsewhere in Europe. Although social spending rose from 19.9 to 26 percent for the period 1995–2008 and was then near the EU-15 average of 27.5 percent, the risk of poverty after social benefits remained one of the highest in the European Union, at a rate from 20 to 21 percent (Dafermos and Papatheodorou 2012).

Employment policy costs in Greece before the current crisis were minor, absorbing less 1 percent of annual GDP (0.7 percent of GDP was spent on benefits and less than 0.25 percent of GDP was spent on active labor market measures) and the number of beneficiaries was less than one-fifth of the registered unemployed population (Dimoulas 2014). Most evaluation studies relating to the impact of active labor policies in Greece supporting subsidized job placements estimate that 25 to 30 percent of beneficiaries remained in employment after the end of the subsidized period (Dimoulas and Michalopoulou 2008) and this means that the net effect in the total employment level was less than 0.3 percent although applied in the context of high annual economic growth (Dimoulas 2014). Active labor markets have supported clientelism, financially assisting certain segments of society as the beneficiaries of active employment policies in Greece are not the most vulnerable and disadvantaged but those with established network contacts with political party leaders (Dimoulas 2014, Dimoulas and Michalopoulou 2008). Labor market measures function indirectly as a method offering financial support to only part of the unemployed population, allowing politicians to manage the social problem of high unemployment in the context of traditional political networks by selecting the beneficiaries thus valorizing extended clientelistic practices (Dimoulas 2014).

Austerity policies were introduced when the Greek economy was already in recession, and that made the latter deeper. The measures focused on the rapid reduction of salaries in the public sector which were also transmitted to the private sector causing a severe reduction in the purchasing power of most Greeks (Dimoulas 2014). As the demand for goods and services fell, many businesses went bankrupt, others relocated and most of those staying afloat resorted to layoffs and/or pay arrears. As a result, GDP at the end of 2015 the size of the economy contracted by almost 25 percent in real terms relative to 2007. So deep and drawn out a recession simply has no precedent in the economic history of any advanced economy in peace time (Matsaganis and Leventi 2014). This, in turn, led to a steep rise in unemployment rates and the challenge of addressing high unemployment rates became the most significant task besides the avoidance of default (Dimoulas 2014).

In an attempt to increase competitiveness three successive governments moved towards the adoption of measures which inspired by the spirit of labor cost reduction. The most substantial measures intended to increase the availability of work by reducing the cost of hiring and firing. Apart from freezing the new recruitment in public services over the past five years, the policy reforms have focused primarily on promoting a "unilateral" version of flexicurity. The measures adopted were directed at five objectives: (1) decentralizing the wage bargaining system; (2)

weakening EPL for permanent employment; (3) reducing the minimum wage (the statutory minimum salary has been cut by 32 percent to €511 per month for full-time employees under twenty-five years of age, and by 22 percent to €586 for over twenty-five); and (4) increasing working time flexibility through the increasing utilization of rotational work and fixed time contracts. The legal workweek of forty hours has, for example, been converted to an annual basis, and can now fluctuate more widely, depending on the economic situation (OECD 2013: 88) (5) reducing the firing costs (financial and legal). Redundancy compensation levels decreased by 50 percent and the legal levels of collective dismissals from each firm increased from 2 percent to 5 percent of the workforce per month.

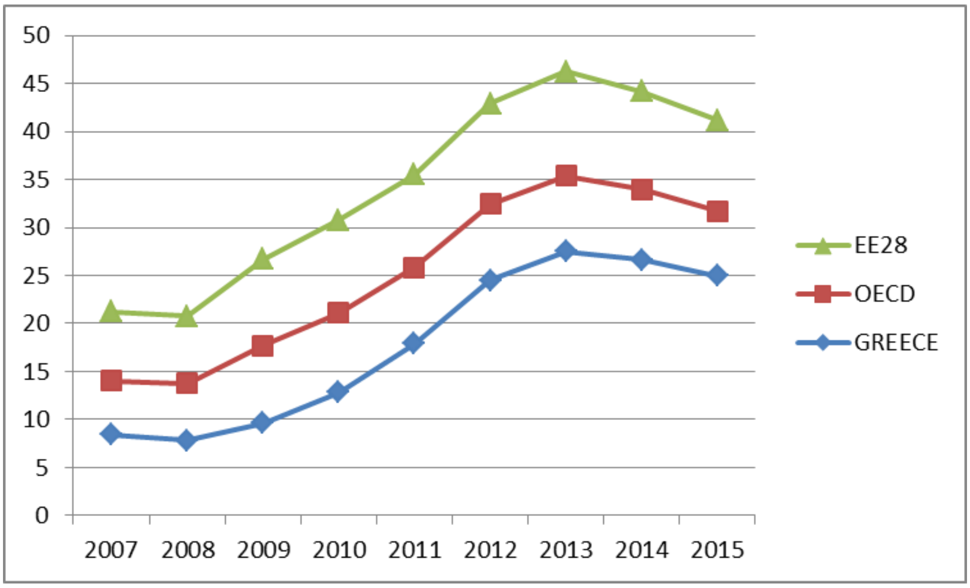
According to OECD indicators, the legislation is now just as "flexible" as it is in Austria or Denmark for permanent jobs, and the EPL indicator for Greece has neared the OECD average (OECD 2013: 90). During the period 2009–2012 flexible forms of employment increased from 21 percent to 45 percent; regular, long-term employment contracts decreased from 79 percent to 55 percent. It is quite characteristic that according to Ergani data in the first five months of 2016 there were 824.016 recruitments but only half of them were for full-time jobs (Imerisia 2016).

The price for these changes is huge. Apart from being larger than initially envisaged, the fiscal consolidation in Greece has had a large impact on economic activity, employment, unemployment and disposable income. According to the latest data, the cumulative GDP (in the six years from

2008 to 2014) reduced by 23.2 percent, and purchasing power (GDP per capita at constant prices) returned to the level of the year 2000. On average, about one-third of income has been lost, and the available real household income from work has been decreased by €41 billion (2011–2013), bringing domestic demand back to the level of 1990 (–32.4 percent since 2009). More than €45 billion have been lost, along with one million jobs. Productivity has decreased by 6.5 percent. Unemployment increased to 23.4 percent (June 2016) the highest in the EU28–it had peaked 27.5 percent in 2013. 47.7 percent of young people are without a job (June 2016), and the unemployment rate for women is at 27.8 percent (July 2016). Long-term unemployment reached 18.2 percent in 2015 as the share of the active population (Eurostat 2016a) representing more than 73 percent of the registered unemployed. The employment rate has gone down to 54.9 percent, which is far below the Europe 2020 target of 70 percent. The reductions of the nominal value of minimum wage affected the minimum-to-median wage ratio in Greece which fell to 45 percent, below the OECD average of 50 percent (OECD 2015).

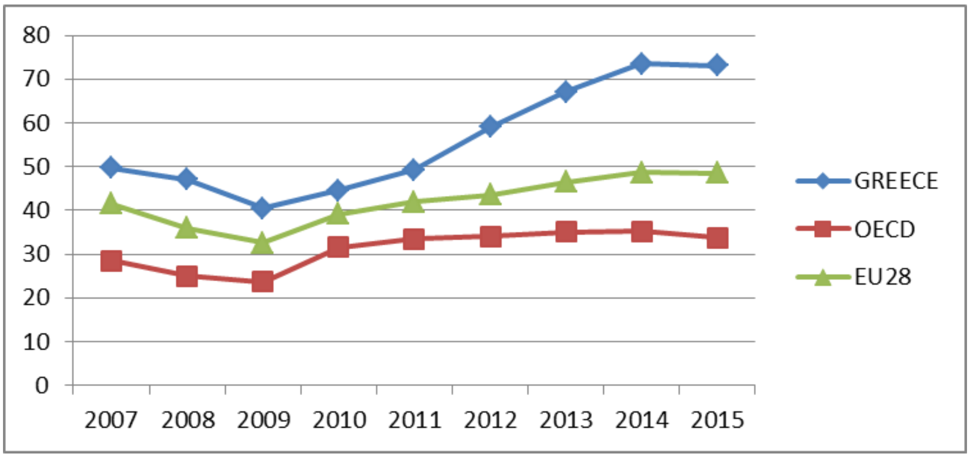
Against this background the social protection system in Greece proved to be inadequately prepared to manage the crisis. Strikingly, in the hardest-hit country public social spending in real terms plunged by about 18 percent, even though social needs enormously increased (Petmesidou and Guillen 2014).

Harmonised Unemployment Rate percent 2007-2015



Source: OECD 2016, Labor Market Statistics

Long term unemployment rate, total percent of unemployed 2007-2015

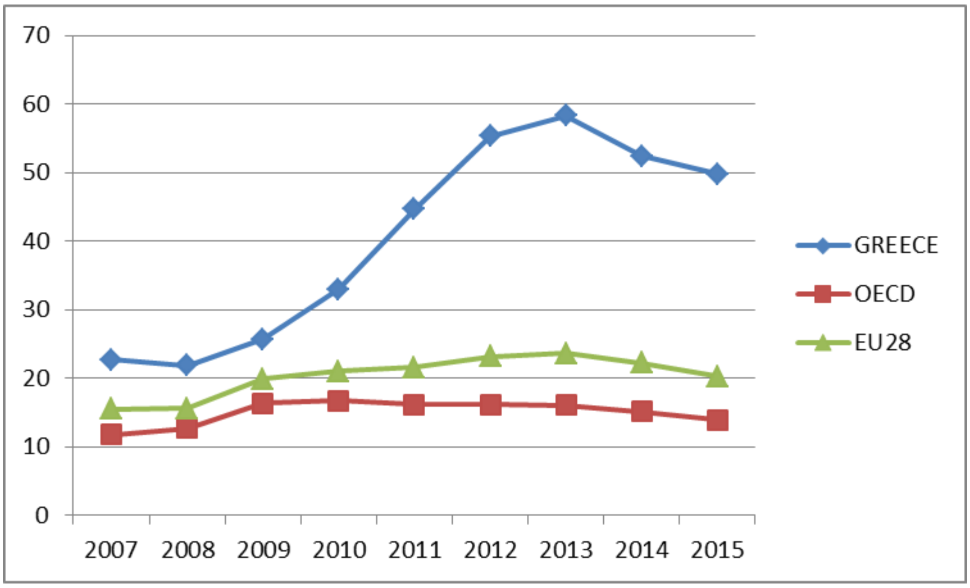


Source: OECD 2016, Labor Market Statistics

Unemployed are not given adequate social protection. The number of beneficiaries of employment benefits and social assistance represented less than 20 percent of those registered as unemployed before the crisis and now represent less than 16 percent (Dimoulas (2014). According to the latest available data (June 2016) only 10 percent of unemployed receive any kind of benefits from Employment Services as well as only

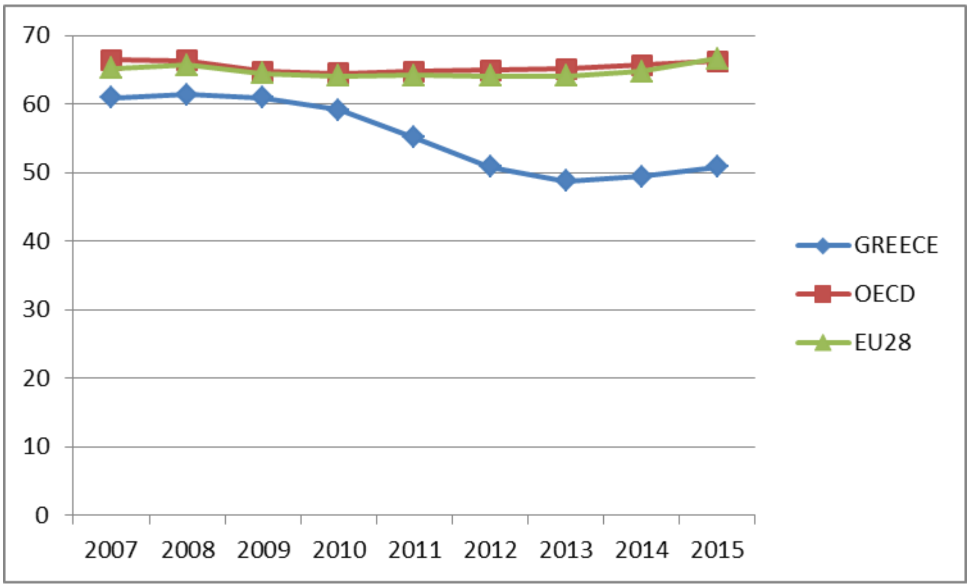
1.5 percent of long-term unemployed receive the additional benefit of €200 (Dikaiologitika 2016). In-work poverty incidences increased from 11.9 percent to 13.4 percent (it had peaked at 15.1 percent in 2013) as a combined result of increased flexibility, reduction of nominal minimum wage and deregulation of labor market (Papatheodorou 2014).

Youth unemployment percent 15-24, 2007-2015



Source: OECD 2016, Labor Market Statistics

Employment rate percent 2007-2015



Source: OECD 2016, Labor Market Statistics

There has been a tightening of restrictions on access to social security provisions introducing stricter requirements for eligibility to benefits while decreasing both the duration and level of payments. Employment policies to support the most vulnerable are financed by block grants and the beneficiaries are limited in number. The employment measures adopted to that end have three policy dimensions (a) the reduction of labor costs combined with an increase in flexible working arrangements, (b) the enhancement of employability and (c) the employment in not for profit agencies and public services through fixed-term employment contracts (Dimoulas 2014). In addition training vouchers co-financed by the EC's European Social Fund were introduced but the clientelistic approach undermined the efficiency of the schemes. Along with them there were employment schemes which subsidized employer's social contributions and empowered qualified workforce through pre-defined lump sum financial assistance to create their own business. Last but not least the utilization of fixed term quasi-employment in community and public services as a workfare tool providing a minimum fixed income but few rights under EU law to unemployed workers should be mentioned (Dimoulas 2014). According to the latest program a total of 33.065 unemployed will be hired in the 325 Municipalities of the country for 8 eight months by the end of October 2016.

Employment policies adopted to address the issue of unemployment have been unable to manage the crisis so far (OECD 2015). On the one hand, the number of beneficiaries is rather limited (Dimoulas 2014) and on the other hand, active employment support for jobseekers and low-income workers remains low (OECD 2015). Around 27 percent of 15-29-

year-old youth in 2014 were neither in employment nor in education or training (NEET). While the NEET rate in Greece has historically been higher than the OECD average, the difference rose from just 3 to 13 percentage points since the onset of the crisis (OECD 2015).

Before the crisis, Greece did not have an integrated income support provided to the poor on the criterion of extreme poverty and only on that (Minimum Guarantee Income). A temporary package of humanitarian measures on food, housing and access to electricity has been adopted and will be phased-out to coincide with the implementation of the nationwide rollout of the guaranteed minimum income scheme.

The cost of the national implementation of the GMI, estimated at 0.5% of GDP annually, will be covered through permanent savings. The Authorities will launch the gradual nationwide roll-out of a GMI scheme in 30 municipalities by June 2016. Apart from direct income support, the GMI scheme will offer a package of services that will aim to inclusion and remove barriers to work. The GMI will be closely co-ordinated with re-integration employment schemes whereby alternative pathways will be offered to the beneficiaries addressing their specific needs, including their integration in existing schemes. By September 2016, the authorities will make the full preparations for a nationwide GMI rollout starting on 1 January 2017. GMI beneficiaries who can be integrated into the labor market will be progressively offered access to personalized active labor market (ALM) measures. This will include the systematic preparation of individual activation plans for participants and measures taken for allocating employment scheme funds (including GMI recipient quotas). The menu of ALM measures offered will include training, reintegration employment schemes, job search assistance, mentoring, apprenticeships etc. by January 2017 that will cover at least 10% of GMI beneficiaries available for work (European Commission 2016). Recipients' annual income should be less than the amount corresponding to the poverty threshold. The recipients of the program will receive €200 per month. Couples will get €300 plus another €50 for each child under the age of 18. If they have children over 18, the amount will increase to €100.

The Greek labor market has become more flexible for firms but considerably less secure for workers. Industrial relations have deteriorated; collective bargaining has virtually been abandoned, shifting the balance of power at workplaces to the disadvantage of the workers (Matsaganis 2013). A policy of rapid and extremely harsh deregulation/"flexibilization" has taken place, documented by the disturbance of the equilibrium between protective labor legislation and non-protective unemployment provisions (Venieris 2013). The viability of the unilateral flexicurity approach is at stake, to put it mildly. It is quite indicative that the already unacceptably large informal labor market (Petmesidou and Polyzoidis 2005) appears to be increasing steadily (Matsaganis 2013), negatively affecting both tax receipts and insurance contributions. On the other hand, after a period of continuous rise Greek exports show signs of fatigue, implying that the strategy of "internal devaluation" has probably reached its limits.

In the Supplemental Memorandum of Understanding sent to the Greek government in June 2016 as part of the agreement of August 2015 laid out a series of actions it needs to be implemented. The document provides that the Greek government will have to introduce changes in the pension system, the social security, and the labor force market by Autumn 2016, while particular attention is given to the need for aligning labor force laws with best European practices, including the issue of large scale lay-offs. The report points out that 3 per cent of GDP will be saved until 2025 due to the measures implemented from 2015 till now. Top priority is given to the complete implementation of the Minimum Guaranteed Income till October, while the document also requires the change of family benefits and disability pensions until September with increasing public expenditure. On the matter of labor, the aim of the new program is to maintain the progress achieved so far, including combating unemployment and more labor market flexibility. The institutions ruled out the prospect of the government changing the current framework of the collective labor bargaining. The current main pensions will freeze until they equal the new pensions that are calculated based on the new unified regulations. Finally, Social Solidarity Pension (EKAS) will gradually be scrapped by December 2019 starting at the top tier of the beneficiaries (European Commission 2016).

5. Discussion and conclusions

Do flexicurity policies withstand during crisis times and shelter labor markets from shocks? The two parallel stories reflect how different is perceived the concept of flexicurity by policy makers. Even though the need of tight budget balances is common in both cases (although in

Greece is stronger as it is mandated by MoU) the philosophy of employment reforms is totally different and shows two different worlds of flexicurity. The Danish model won fame and considered to be a much-cited example of a real life flexicurity in 2000s. The 2008 crisis challenged the so far succeeded model and questioned its sustainability. Even though the reforms adopted moved towards "work first" approach and tighten eligibility rules for social benefits for unemployed, the Danish model seem to find a road to success and recovery. Gross job flows in Denmark remain high, most unemployment spells are short, and there are no strong signs of an increase in long-term unemployment. The balance between flexibility and security has without doubt drifted away from the equilibrium that until recently gave the Danish model the widespread support from most political parties and the social partners (Madsen 2013), however social protection is still maintain its universal features. More than 85 percent of the employed will receive some form of income support, if becoming unemployed while ad hoc measures have been taken to cover cases for the rest 15 percent (Andersen 2015). The reforms of active labor market policies towards intensification of job search on behalf of unemployed workers and skill updating seem to have performed well. Last but not least the existence of fiscal buffers contributed for the well-functioning of flexicurity model. A decline in employment causes expenditures on income support and active labor market policies to rise and tax revenue to decline, which worsens public finances. Among OECD countries, Denmark has the public budget that is most sensitive to economic conditions. For the flexicurity model to operate in a recession, the budget at the outset of an economic downturn must be in a position to absorb the impacts of cyclical changes. For the model to work well in bad times, prudence is required in good times. Public finance policies in Denmark have been prudent in good times and this gave room for maneuvering in bad times.

On the other hand Greece suffered the worst crisis since the end of WWII. The severe economic crisis affecting Greece is widely thought to be having a significant social impact in terms of greater inequality and increased poverty. The austerity policies taken to reduce fiscal deficits in combination with the wider recession has created an explosive cocktail of conditions which urge more people into the edges of society running the risk of social exclusion. This situation calls for an adequate social protection system as well as a more equal burden sharing of austerity. This implies the need of redesigning policies to reduce Greece's deficit in order to minimize losses for lower income groups, and restore distributional justice making austerity policies more acceptable (Matsaganis and Leventi 2014). Recent job and income losses have greatly increased the demand for social protection, but the response of the Greek welfare state has been inadequate. Before the crisis social protection in Greece delayed the necessary adjustments to confront the challenges of globalization and European Monetary Union. This seems to be catastrophic as the crisis exposed the weaknesses of social protection regime and made harder for the system to absorb shocks from the economic downturn and provide social security to weakest groups for their losses. This in turn increased the risk of large and rigid social gaps as a large spectrum of socio-occupational groups progressively losing ground. Employment and welfare regime are highly challenged during the crisis. Unemployment rate rocketed to 25 percent with few signs of recovery. In order to increase competitiveness and tackle high unemployment Greece opted for a flexible labor market without providing at the same time an adequate safety net for those who experience difficulties during transition periods. The initiatives adopted taken the form of changes in the labor legislation including measures which reduce labor cost, cut minimum wage and facilitate hiring and firing, maintain employment through subsidization of worker's social contributions, vocational training through work practice voucher options and workfare scheme through fixed-term employment in community or public services. So far these legislative initiatives proved ineffective in terms of supporting employment as they failed to curb the steep rise in unemployment –while the rise in the number of fixed-term and part-time contracts were incapable of counterbalancing the reduction in full-time employment. The measures do not increase the ratio between benefit recipients and the total number of registered unemployed while they do not provide adequate recourses to program participants. The initiatives are not part of a comprehensive strategy and seem to be adopted according to the predefined priorities and targets of European Structural Funds. As the crisis is unfolding it is more than clear that different "worlds" of flexicurity coexist making the concept more path depended.

Could flexicurity provide a shelter against crisis? The study of the two countries provides us the chance to draw some valuable lessons regarding the added value of the concept in times of crisis.

The example of Denmark clearly shows that the concept of flexicurity can correspond to its mission if and only if the core of ALMP maintains its dynamics. It is more than a simple necessity to increase the expenses for ALMP during the crisis and this reflects the added value of prudence in good times. Even though it is extremely difficult to increase employment during the crisis it is crucial to maintaining and strengthening ALMP in order to avoid long-term unemployment. Denmark used the tool of ALMP to stop the increasing trend of long-term unemployment while in Greece ALMPS seem to have failed to cope with the incidence of long-term unemployment as long term unemployed exceeds 73 per cent of the total unemployed.

The experience from the two countries shows clearly the importance of early intervention, with a focus on the job search. In Denmark in order to reduce locking-in effects and program costs, policies have shifted from expensive programs like classroom training to less expensive programs like on-the-job training. When interventions come late, they have small, if any, effects, especially for groups that have been marginalized in the labor market. In Greece interventions had a rather restrictive approach, came at a rather late stage and thus have failed up to the moment to prevent passive unemployment spells from becoming too long. It seems that there is an inversely proportional relationship between the time of implementation and the effectiveness of measures.

The implementation of ALMP stresses the need for a continuous feedback. Though is a rather difficult task to assess the effectiveness of labor market interventions, flexicurity policies should be embedded within a system of a continuous feedback given that these policies function as natural experiments which provide valuable insights (Andersen and Svarer 2012). The recent changes in the structure of training programs in Denmark show the importance of continuous redesigning in the light of both financial needs and measure effectiveness.

The case of Greece seems to verify the insights of Svarer and Andersen (2012) regarding the depreciation of human capital. Though it is not clear whether there is a case for strengthening or weakening ALMP with the business cycle situation, depreciation of human capital with the duration of unemployment spells calls for intervention to restrain this process which eventually leads to an increase in the structural unemployment rate. In Greece, the process of depreciation of human capital has led to both a dramatic increase in long-term unemployment and a devastating brain drain which complicates further the road to recovery.

ALMP should be embedded in a coherent and integrated framework of action. While this is the case in Denmark, in Greece fragmented employment initiatives do not provide either increased coverage or adequate answer to the complexity of the crisis.

Flexicurity needs adequate fiscal buffers to work in a deep recession. A decline in employment causes expenditures on income support and active labor market policies to rise and tax revenue to decline, which worsens public finances (Andersen 2015). For the model to work well in bad times, prudence is required in good times. This is highly associated with the dual nature of flexicurity. Increasing flexibility can solve many problems and lift rigidities in labor markets however it creates problems which in the long run may prove to be structural and thus more difficult to deal with. Economic support for those who lose their jobs, the active labor market in order to avoid deprecation of human capital are the sine qua non preconditions to avoid a frail social fabric.

The above mentioned lessons should be complemented by the wider European experience on flexicurity strategies during crisis. As lay-offs became necessary in most of the Member States, and the demand from trade unions for 'job security' intensified, the debate on flexicurity has been revitalised, this time driven by a lack of demand for workers. Employment reforms during crisis seem to favor flexibility over security, however the empirical results are rather mixed. Some of the 'flexicure' countries have not been performing best in terms of output gap, public debt, size of bail-out packages and unemployment rates during and in the aftermath of the economic crisis according to some empirical studies. Tangian (2010) indicates that the crisis manifests itself more in countries with high flexibility and somewhat less in countries with generous social security. High flexibility probably encourages risky economic behaviour on the part of firms and increases public expenditure during the crisis. On the other hand, highly developed social security, public works and other forms of state participation render the economy less dependent on the private sector and protect it from occasional shocks. Although this downsizing, as an important component of the flexicurity model, is supposed to be followed by efficient employment services and active labor market policies, there is not yet empirical evidence whether this has been the case or not (Auer 2010). Under the same vein Chatani and Auer (2011) observe that employment systems that combine stricter employment protection with internal flexibility helped by government policies appear as an attractive alternative to the "classical" flexicurity pattern of loose employment protection with external adjustment flexibility coupled to good social protection. However this shift has its limits: as structural adjustment is bound to increase in the future, all economies will need policies supporting those outside stable employment relationships to avoid increasing segmentation of their labor markets in insiders and outsiders. These policies have to support transitions on the labor market, support those losing jobs and those accessing jobs, in particular young people and some of the continental countries have no particular good record in this regard. Thus the need for both adjustment flexibility and worker security remains. Boeri based on panels of OECD countries and of more than 50 countries suggests that “flexicurity” configurations, which are characterized by less job protection and more support for the unemployed, should emerge in countries in which a larger fraction of the population is skilled. Even wishing to move with greater speed toward flexicurity (i.e., before the investment in education is repaid with a significant increase in the share of high-skill workers): reforms of job protection need to trade labor market flexibility against state-provided unemployment insurance. In countries with a well-developed capital market, an unemployment benefit system whose redistributions are strongly in favor of the low-skill segments of the workforce could also increase support for flexicurity (Boeri et al. 2012).

Will flexicurity retain its conceptual validity in the post crisis era? Probably yes, if policy makers will incorporate the dynamic dimension of security in their plans towards more and better jobs. On the contrary, if they opt for flexibility ignoring the need for secure employment transitions, the concept will be surpassed by the new social reality and the needs for more social inclusion that have emerged since 2008.

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