

Transitional Labour Markets and Flexicurity: Managing Social Risks over the Lifecourse¹

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Is a consensus on flexicurity emerging?

In her 2006 Employment report, the European Commission appealed to the strategy of flexicurity in the following way:

"A consensus is [...] emerging [...] that countries should adopt institutional configurations in the labour market that better combine the requirements of flexibility and security – in other words 'flexicurity'. This implies that, in an environment where workers experience more frequent transitions between employment and non-employment, and between different kinds of employment, policies need to put in place the right conditions for individuals to successfully manage these transitions, thereby ensuring sustainable integration and progress of individuals in the labour market."

Related to the "right conditions", the Commission submitted a Green Paper in November 2006, asking member states and social partners to take position on 14 questions on modernising labour law. This process was supported by a Task Force on flexicurity which delivered its report in 2007. On the basis of this report, the Commission announced four components of flexicurity in July 2007: (1) flexible and reliable contractual arrangements, (2) comprehensive lifelong learning strategies, (3) effective active labour market policies, and (4) sustainable social protection systems. After a lengthy debate, the European Council eventually decided on eight common principles of flexicurity in December 2007.

These principles contain already a good deal of compromise between the various opinions on flexicurity, and within these principles one can easily detect some key elements of the concept on transitional labour markets. In brief, the eight principles emphasise (1) good work through new forms of flexibility and security; (2) a deliberate combination of the four

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flexicurity components; (3) a tailored approach according the member states' specific circumstances; (4) overcoming segmentation through stepping stones and through managing transitions both in work and between jobs; (5) internal as well as external flexicurity; (6) gender equality in the broader sense of reconciling work, family and private life; (7) the crucial importance of the social dialogue in implementing flexicurity, which means – in transitional labour market terms – negotiated flexibility and security; and, finally, (8) fair distribution of costs and benefits, which means – in the wording of social risk management – fair sharing of risks in critical transitions over the lifecourse.

However, the ongoing debate shows that the concept of flexicurity is far from unitary. Despite a common rhetoric, there is the danger that the concept becomes instrumental for various and even contradicting political interests. The concept of transitional labour market (from now on TLM) aims at providing a consistent framework to give flexicurity a clear direction. The first step of such a framework is to clear the meaning of flexicurity from an analytical point of view.

The confusion stems especially from the complexity of the interrelationship between flexibility and security. At least four elements for each dimension can be distinguished: External or internal numerical flexibility and internal or external functional flexibility on the one hand, job security, employment security, income security and option security on the other hand. The link between these eight dimensions is more complicated as usually considered (Figure 1).

Figure 1: The flexibility-security nexus

Flexibility	Security			
	Job security	Employment security	Income security	Option security
External numerical	to	to / vt / vs	to / vt / vs	to
Internal numerical	vt	vt	(to) / vt	to / vt
Internal functional	vt	vt	to / vt	(to) / vt
External functional	vt	to / vt / vs	to / vt	to / vt

to = trade-off; vt = virtuous circle; vs = vicious circle

The flexibility-security nexus is not always a tradeoff. The employer's flexibility gain does not necessarily mean a loss of security for employees; and the employee's security gain does not necessarily mean a loss of flexibility for employers. Employers have also an interest in security, for instance in the loyalty and reliability of workers. Employees, vice versa, have also an interest in flexibility, for instance in working time flexibility to combine family and work, or in job changes to gain new experiences and to extend social networks.

Take for instance the first column of the flexicurity matrix, the nexus between job security and various forms of flexibility. There clearly is a tradeoff between job security and external numerical flexibility: the more employers have freedom to hire and fire, the lower is job security for individual employees and vice versa. If, however, employees exchange job security for accepting internal numerical flexibility for example through working time variability and wage flexibility, job security and flexibility may turn into a virtuous circle.

Job security can also induce employees to be loyal to the employer, to invest in firm specific human capital, to cooperate, and to pass over tacit knowledge to other employees because they don't have to fear internal competition. All this is increasing internal functional flexibility. An example of external functional flexibility would be the opportunity of employers to use high quality job services provided by temp-agency work. The reason is that temp-agencies can pool the risk of fluctuating demand for such services and provide thereby security for the internal workforce of individual employers as well as job security for skilled workers in their own organisation. In other words, the flexicurity labour market will more and more be characterized by hybrid employment relationships combining the advantages of internal with external labour markets.

Regarding the link between external numerical flexibility and employment security, hire and fire does not necessarily affect employment security. If the labour market provides plenty of job opportunities, for instance through high job turnover combined with effective demand management, then flexibility and employment security can go hand in hand.

The nexus, however, can also be deadly vicious. Apart from rising fluctuation costs, hire and fire policies can lead to an overall feeling of employment insecurity. This feeling in turn may lead to exaggerated savings of employees, thereby lowering consumption and effective

demand on the one hand; on the other hand – as the case of East-Germany has drastically shown – employment insecurity leads also to postponing family planning, thereby lowering the birth rate. In addition, employment insecurity reduces also the investment in human capital, thereby leading to a decline in high skilled labour supply and eventually ending in a vicious circle of flexibility and security.

Whether relationships between the different types of flexibility and security turn out to be tradeoffs, virtuous or vicious circles depends on the coherent design of labour market policy, especially the complementarity of institutions at the micro, meso and macro level. The Danish “Golden Triangle”, for instance, compensates the high risk of job insecurity with generous income security, and active labour market policies contribute much to employment security. Sweden is a good case for balancing option security and functional flexibility. Universal public child-care provisions and generous parental leave schemes enhance here employment options for men and women, whereas comprehensive education and training opportunities at all ages ensure adaptability to labour market changes.

The most important point of this exercise, however, is that the complexity of the flexibility-security nexus allows countries to choose different combinatory regimes. This conclusion is confirmed by many other successful EU-member states since the existence of the Lisbon strategy. However, the concept of TLM claims that a “deliberate combination” of the four flexicurity components – flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern social protection systems – means to follow consistent normative and analytical principles. Let me start with the normative principles.

The theory of transitional labour markets

As a normative concept, TLMs envisage a new stage of active labour market policy which focuses on social risks over the lifecourse. The core idea is empowering individuals to take over more risks over the lifecourse not only through making work pay but also through making transitions pay. Four principles underlie this theory.

The first principle is justice as fairness. Concerning the goals of policy intervention, the concept of TLMs is opposed to the utilitarian assumption of maximising the happiness for all. TLMs rather emphasise the

difference principle by *John Rawls* according to which inequality is only justified if it improves the lot of the least advantaged. We have to turn around Tolstoy's famous statement in his novel *Anna Karenina*: All the unhappy people are unhappy in a similar way. There are many ways to happiness, but pain is always the same. Reducing unhappiness, especially caused by long-term unemployment, is something that we can achieve. Maximizing happiness is a moving and often futile target as the booming happiness research shows.

The second principle is solidarity in risk sharing. TLMs follow the ethic of responsibility by *Ronald Dworkin*. Rights and obligations have to be balanced. Demanding more individual responsibility requires endowing all individuals with equal opportunities. It also requires the periodic redistribution of resources over the lifecourse since market forces regularly distort distributive justice.

The third principle is developing individual agency. TLMs assume great differences in the ability to utilise resources for a fulfilling personal lifecourse. Labour market policy, therefore, has to concentrate on capabilities, which include individualised endowments of resources as well as a supportive social and political infrastructure.

The fourth principle is transnational social cohesion. TLMs assume an increasing interdependency of national states through globalisation and internationalisation. Europeanisation of labour markets in particular requires a spatial expansion of the principle of social inclusion, in other words, an expansion of risk-sharing communities beyond ethnic, regional and national boundaries.

As an analytical concept, TLMs emphasize the dynamics of labour markets. They focus on flows between different employment relationships rather than on stocks, and they focus on transitions over the lifecourse rather than on one way job-to-job changes. They distinguish especially between integrative, maintenance and exclusionary transition sequences or job careers. They have stimulated a rich set of empirical research on lifecourse mobility which cannot be presented here.

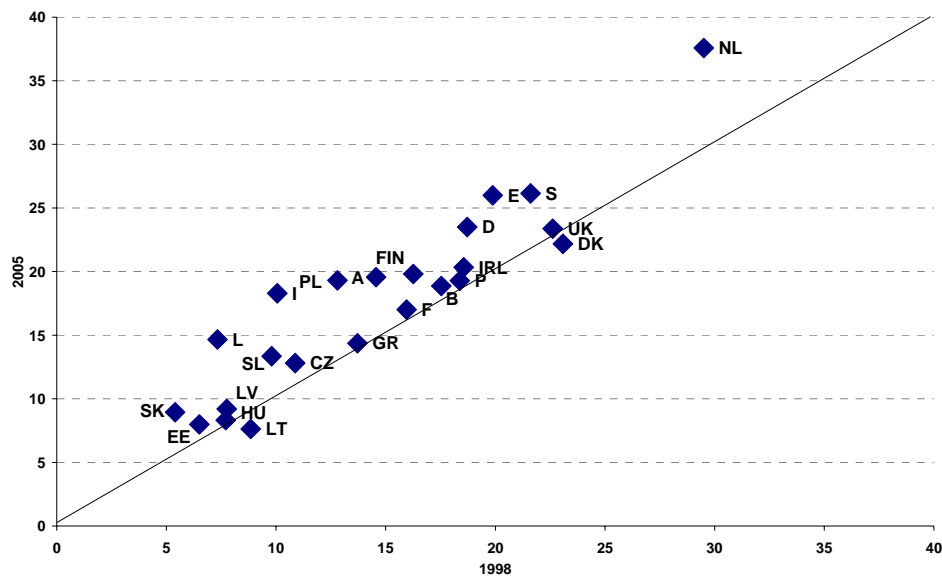
TLMs, however, emphasise also transitions within employment relationships. The often quoted fact that international research finds no remarkable downward trend in job tenure and no remarkable increase in job-to-job transitions is completely in line with the concept of TLMs. The reason is that many transitions can be performed within stable employment relationships, for instance the shift from full-time to part-

time work due to parental leave, or the combination of parttime work with off-the-job training, or internal job rotation.

Such flexibility within a continuing employment relationship explains for instance the fact that the nominal employment rate in Sweden is about 74 per cent, whereas the effective employment rate – which means the rate of employed people who actually work in a week – amounts to around 64 per cent. This observation might even be turned into a normative statement: The more transitions within an employment relationship are allowed or demanded, the higher must be the employment rate to keep the ‘machinery’ of economic prosperity running. The Lisbon objective of 70 per cent employment rate, therefore, might be even too modest in the long-run.

The main challenge, however, is the imbalance between integrative, maintenance and exclusionary transitions. In fact, the current dynamics of transitions tends to lead to new forms of labour market segmentation. Many people get stuck in exclusionary transitions, especially in low skilled jobs or in precarious non-standard employment relationships.

Figure 2: Non-standard employment rates in 1998 and 2005



Source: EUROSTAT, Labour Force Survey; own calculations

Non-Standard Employment:

- Employees with a temporary contract
- Solo-self-employed working full-time outside agriculture
- Part-time workers with permanent contract (employees) and part-time working solo-self-employed persons who define themselves as part-time working

The figures on non-standard employment rates in the EU member states give only an impression of this challenge (Figure 2). Non-standard employment comprises here all jobs in part-time work, temporary work or self-employment. The comparison of the EU member states reveals three messages:

First, as the clustering above the steady-state diagonal demonstrates, non-standard employment increased in almost all EU-member states, especially in the Netherlands, Spain and Italy.

Second, as the clustering according to employment systems shows, the so-called social democratic systems (the Netherlands as a hybrid system included) as well as the liberal systems are on the top; the continental-conservative systems as well as the Mediterranean systems in the middle, and most of the new member states at the bottom. This pattern, which correlates strongly with economic prosperity in term of GDP per capita, allows the following tentative conclusion: the higher developed employment systems are, the higher the contractual variety of employment relationships.

Third, the fact that social democratic as well as liberal systems rank high in terms of non-standard employment can be taken as circumstantial evidence that non-standard jobs are related with very different regulatory frameworks. Further, not all of these jobs are precarious or exclusionary. They can serve as stepping stones or as intermediary jobs within a meaningful worklife career. Non-standard jobs, however, often involve a higher risk of exclusion than standard jobs.

This increasing contractual variety of employment relationships is the empirical backdrop of the concept of transitional labour markets. Against this backdrop, the aim of TLMs is, metaphorically, to provide “social bridges” that compensate for the higher risks of this increasing contractual variety and to ensure that non-standard jobs become “stepping stones” to sustainable job-careers. In order to establish such institutional arrangements, it is therefore helpful to think in terms of social risk management, which I shall now explain and illustrate with some examples.

Employment strategies following the theory of TLM

TLMs concentrate on five critical events over the lifecourse: transitions from education to employment, transitions from one job to another, transitions between employment and unemployment, transitions between

private household activities and gainful work, and eventually transitions from employment to retirement.

Each of these transitions is associated with specific risks: First, the risk of too little or eroding human capital or income capacity over the lifecourse; second, the risk of income volatility due to fluctuating demand and job-to-job transitions or even the risk of working poverty due to low wages; third, the risk of restricted income capacities due to social obligations such as child care or elderly care; fourth, the risk of income insecurity due to unemployment; fifth, the risk of reduced or zero income capacity due to disability, chronic illness or old age.

The theory of TLMs assumes that specific risks require also specific securities. According to the principle of requisite variety, the higher the variety of risks, the higher should be the variety of social securities. The theory of TLM rests also on modern behavioural economics, notably on prospect theory. It does not assume consistent rational behaviour but asymmetric risk perceptions. Loss aversion tends to be greater than risk taking for gains. People tend to be myopic related to high risks with low probabilities, but far-sighted related to low risks with high probabilities. As a consequence, many people tend to insure themselves, for instance, against possible disruption of their travel plans but not against the possibility of long-term vocational disability; they are also less willing to save for any education or training that may be necessary in the future than to save for a new and maybe prestigious car. Social protection systems, therefore, follow often a too simple or a different logic than required by lifecourse risks. In the following, I present some of these systematic misfits and possible remedies.

I distinguish thereby three strategies of social risk management: The prevention or mitigation of risks, and the coping with risks. Prevention tackles directly the causes of risks and should therefore be given priority. However, uncertainty looms large making prevention impossible. Prevention can also be prohibitively expensive or restrict flexible adjustment. Mitigation and coping strategies, therefore, have to complement prevention.

First, according to the principles of TLMs, it does not make sense to protect people against the risk of too little or eroding human capital through high and long-term unemployment benefits. On the contrary, such generous benefits would damage more than resolve the underlying problem. Equally, in-work-benefits for unemployed youth would not make sense since they would perpetuate the lack of human or social

capital. Prevention is here the main solution. To prevent youth unemployment, social risk management must already start in the kindergarten, in preschools and primary schools. Not only equal opportunities in elementary and secondary education adapted to a knowledge society, but also elementary social skills for communication and learning abilities have to be ensured.

As mitigation strategy, it is of utmost importance that the state ensures a training place or a job after six months unemployment at the latest. All firms must share the risk of lacking human capital and contribute at least financially to vocational training if they are not able or willing to train themselves.

Sufficient education and vocational training is a crucial element of active securities over the lifecourse. It is also a precondition for taking over more individual responsibility than in the traditional welfare state. To cope with this risk, active labour market policy, therefore, should ensure for everybody a second or third investment chance over the lifecourse.

Sweden provided best practice in this respect. Between 1997 and 2002, the Swedish government invested yearly 350 million Euro for low-skilled people – independently whether they were unemployed or employed – in order to lift their knowledge to a level appropriate to the knowledge economy. This allowed about 100,000 people to get continuous vocational education and training in addition to the normal stock of trainees, which correspond roughly 2.5 per cent of the working age population.

Second, income volatility over the lifecourse is often caused by externally induced job changes or externally enforced short-time work. Income volatility, however, can also more and more be caused by endogenous changes such as changing job preferences, family relocation or even the wish to take a sabbatical. Working poverty results if wages are so low that wage income falls below a decent minimum income despite full-time work. A basic income guarantee, especially in old age, is a powerful preventative strategy to ensure income security for people with discontinuous lifecourses and related income volatility. The Netherlands and the Nordic countries deliver good practices in this respect. Minimum wages also prevent to some extent working poverty through three channels: first, by protecting a ground level of decent wages, second by avoiding cut-throat competition and third by stimulating continuous investment in competitive work-places.

Long-term saving or lifelong learning accounts are proper strategies to mitigate and cope with volatile income risks. Since the resulting flexibility or mobility through such saving schemes creates positive external effects, the state could step in as co-financing institution by providing tax incentives.

The Dutch lifecourse saving plan and the Belgian career break system are good practices that could be adopted by other EU member states. However, care has to be taken with respect to some flaws in the present design of these schemes. Young adults, especially, are usually in a lifecourse phase in which they are not able to build up enough savings. Education and care credits might be arranged to cope with the risk of low earning and saving capabilities.

Third, if people's income capacity is restricted for instance due to family obligations, this risk has to be compensated by income supplements or in-kind-benefits. The best and most powerful preventative measures are public provision or at least public financing of day care facilities. In-work-benefits, including tax credits, are a proper instrument of risk mitigation, especially for low income earners. As a coping strategy, full-time or part-time leaves from work due to social obligations should be compensated like wage replacements in case of involuntary unemployment.

Concerning good practice, some EU member states already dispose of such schemes, for example Sweden and Denmark. The Grand Coalition in Germany recently introduced wage related parental benefits compensating about 58 percent of wages up to 14 months, two of which have to be taken up by men. Due to the high individual costs of child care, but also due to high benefits of child care for the whole society, and last but not least for reasons of gender mainstreaming, the wage replacement could even be more generous for low and medium income earners. Since children and frail grandparents often need care that cannot be planned in advance, wage replacement for some days per year should be available. Sweden, for instance, acknowledges this need through a contingent of up to 60 days per year at a wage replacement of 80 percent.

Fourth, the proper response to the risk of income insecurity (caused by unemployment for instance through cyclical demand variations or through redundancy dismissals) is to provide for generous income security. It is of utmost importance to consider income protection in this case not as a passive measure but as an active security.

First of all, however, preventative measures through job creation and continuous vocational education and training have first priority. Without a thriving job dynamics and without employability fitting the requirements of the knowledge economy, income protection would indeed turn into a passive measure. The best income security measure for involuntary unemployed is the creation of new competitive jobs through a sound macroeconomic policy.

If the risk, however, has occurred, the proper mitigating strategy is to compensate the income loss through generous unemployment benefits. A generous wage replacement allows the unemployed to search for a new job corresponding to their capabilities without fear to get trapped into a poverty career. Generous wage replacement helps maintaining worker's qualification and competence. It also improves the efficiency of job matching. High matching efficiency through unemployment insurance is for instance reflected in longer job tenures after the rematch of insured unemployed compared to uninsured unemployed. In her recent Employment Outlook, even the OECD found out by econometric work that reducing generosity of unemployment benefits may induce some unemployed to leave unemployment more quickly, but it also reduces significantly productivity.

Appropriate coping measures are intensive job search and case oriented job placement services. Again, such services are an investment and not a wasteful consumption. Many EU-member states still underinvest in such services during the first months of unemployment. However, long-term or even unlimited wage related unemployment benefits do not make sense for this risk category. Apart from inducing moral hazard, they would not help the long-term unemployed, on the contrary.

Good practice in combining mitigation and coping measures in the management of redundancies are the Austrian work foundations (*Arbeitsstiftungen*) and the new Finnish measure "Change Security" (*Muutosturva*). The Austrian practice is to set up a work foundation which functions as a kind of transition agency. These transition agencies ensure an integrated approach in terms of organizing and financing. The funding comes from four sources: First, the foundation's capital is given by the firm, thus granting its independency as long as it is needed. Second, the redundant workers themselves make a contribution by depositing 50 per cent of their redundancy payments into the foundation. Third, workers remaining on their posts pay a small proportion of their monthly wages as a solidarity contribution to the foundation. Fourth, the public employment service guarantees the payment of unemployment

benefits up to four years, which covers the majority of the costs. The foundation ensures an early start of reintegration and organizes a wide range of individualised services helpful for seeking new jobs in the regional labour market. These characteristics lead to a very important consequence: firms causing redundancies take over responsibility in a limited sense and workers engaging into retraining and placement activities are volunteers and get a strong start instead of suffering from the stigma of being redundant. Evaluations report reintegration success of up to 95 per cent.

The Finnish “Change Security” programme has been put in place in 2005 to address especially large-scale redundancies. It aims also at an early start of active measures in situations of mass dismissals and company closure through cooperation between different regional stakeholders. It includes a right of the employees to individual programmes or re-employment or re-education, free time for job-search and counselling while still on the job and higher levels of benefits in the transition period. It includes an obligation to employers to inform the employees and officials in time, and to make plans of re-employment together with the employees and the local public employment office. First-hand experiences with this new programme report positive results and emphasise especially the new levels of cooperation in labour market affairs between the key stakeholders.

Fifth, it would be misplaced to protect the risk of reduced or zero income capacity due to disability or old age through long-term unemployment benefits. The use of unemployment insurance for early retirement was one of the greatest mistakes of several EU-member states during the 1990s. This risk needs to be managed by other measures.

Active labour market policy – if it deserves its name – should concentrate on prevention since the causes of diminishing income capacities are well known. Income capacity, therefore, should and could be re-established through regular individual work assessments and corresponding training measures. Much can also be done through workplace adjustment. In other words: Not only workers have to be made fit for the market, but also the market has to be made fit for the workers – a slogan aptly coined by Bernard Gazier.

The risk of reduced income capacity can also be mitigated through the partial compensation of the related income loss. Such wage insurance would be an essential and innovative element of transforming conventional unemployment insurance into employment insurance.

Especially mature-adult workers need such insurance since they are facing large income losses in case of unemployment and subsequent re-employment. This need is also nourished by the fact that internal labour markets providing implicit wage insurance are eroding. Furthermore the escape to early retirement as an income insurance device is not any longer an option. Wage insurance would increase the acceptance to take over lower paid jobs, especially when it is combined with training vouchers to make the new jobs sustainable and to improve the chances to climb up again in the career ladder.

Last but not least, individualised rehabilitation is still a much underutilised measure to cope with the risk of diminishing income capacity. Another possibility is the creation of transitional jobs as it is the case in most Scandinavian countries, especially in form of the Danish '*flexjobs*', or jobs created by various forms of social enterprises, as it is the case for instance in Sweden and the Netherlands. Good practice is especially to be found in the comprehensive approach of active ageing in Finland which succeeded to increase the employment rate of elderly by 18 percentage points within 8 years.

Summary and conclusions: From activation to work-life orientation

Let me come to the summary and conclusions. Modern labour markets, first of all, are characterised by an increasing variety of employment relationships. This variety reflects new modes of production due to new technologies, new forms of work organisation due to increasing competition and international labour division, and new work-life risks related to social and demographic changes. Taken all these features together, modern labour markets seem to need both more flexibility and new securities. The European employment strategy adopted the slogan of flexicurity as an answer to these new challenges.

Second, flexicurity, however, is not and cannot be a unitary concept. The eight common principles of flexicurity for EU member states, now formulated by the European Council, are helpful in preventing an arbitrary usage or even political instrumentalization of the term. They rightly emphasise that EU member states have to find their own deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and sustainable social protection systems.

Third, there is a lack of criteria for assessing equitable *and* efficient combinations of flexicurity arrangements. The call for a balance of flexibility and security is empty without such criteria. The concept of transitional labour markets provides a normative and analytical framework to develop such criteria based on a lifecourse orientation. Under such a perspective, one has to ask: Why should income security be only related to income risks of jobless people? Why should security not be provided for income risks related to critical transitions over the lifecourse? Why should insurance not cover the income risks related to transitions between family work and gainful employment, between dependent work and self-employment, from high-paid to low-paid jobs, between full-time and part-time work, from work to gradual retirement?

Under such a perspective, managing the balance of flexibility and security over the lifecourse requires a wider set of opportunities than just “*making work pay*”. It requires institutional arrangements that also are “*making transitions pay*”. Such arrangements contain at least three new institutional ingredients: First, new social rights that go beyond employment, for instance the right to training leaves, care leaves, intermediate working time reduction or even long-term sabbaticals; second, new forms of governance, especially arrangements that break with the traditional division between labour market and social policy. This requires intelligent network models of cooperation and cofinancing beyond labour market agents; third, an extension of the social insurance principle to income risks beyond unemployment, which means to income risks also related to critical transitions over the lifecourse.

Fourth, a way to extend the social insurance principle to a broader set of lifecourse risks than unemployment would be to establish a system of work-life insurance. Such a system would build on three pillars: First, a universal minimum income guarantee that ensures a life without persistent poverty; second, the extension of unemployment insurance to an employment insurance; third, private or collectively negotiated insurance accounts targeted especially to lifecourse risks such as lifelong learning accounts, time-saving accounts or care-leave systems. Governments could join such ventures at various levels through tax subsidies, standard setting and co-financing partners.

Fifth, the system of employment insurance would serve three functions: generous income protection for a restricted period of time in involuntary unemployment; employment security through active labour market policy that is not only confined to offering jobs and placing individuals in work but that supports also follow-up measures to transform mere workfare

measures into stepping stones to sustainable work; and finally better inclusion of non-standard workers in labour law and social security systems. One innovative element of employment insurance is the concept of wage insurance. Such insurance would cover to some extent the loss of wage income when changes of employment become necessary due to structural change, for instance trade adjustment, or due to the loss of individual productivity, for instance through attrition of work and income capacities. Acceptance of intermediate downward mobility should be rewarded by active labour market policy aimed to re-establish upward mobility.

Sixth, it must be kept in mind, that stakeholders often have conflicting interests that cannot be defined away. The problem of divergent interests can only be solved through negotiation as a device of information gathering, communication and building compromises. The revitalisation of the social dialogue, in other words, negotiated flexicurity at all levels – firm, branch, nation and Europe – is therefore of utmost importance for giving the European employment strategy more flesh to the bones. Negotiated flexicurity, however, may lead to new insider-outsider cleavages since organized interests may set compromises on the costs of less well organized interests. Care, therefore, has to be taken to avoid externalisation of social costs by setting minimum standards and fair rules of negotiation. The government at various levels may also jump in as co-financing partner to overcome the prisoner's dilemma in which rational actors choose a suboptimal equilibrium.

Seventh, as the successful countries demonstrate, flexicurity has to be embedded in sound macro-economic and macro social policy. Without a sustainable job creation dynamics, all employability and stepping-stone strategies are in danger to end in a cul-de-sac or to displace other categories of workers. Because Europeanization, in particular the Eurozone increases interdependencies, coordinated efforts to stimulate sustainable economic growth are required, especially through investments into a better European economic and social infrastructure. The extension of the European Social Fund to a European Employment Insurance Fund, or at least a complementation of the European Social Fund by a focused European Knowledge Lift Fund would make the European Social Model more visible and tangible.