

## FLEXICURE LABOUR MARKET STRUCTURES – THE GRETCHENFRAGE OF THEIR ADDED VALUE

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UDK: 331.1

<https://doi.org/10.30925/zpfsr.39.4.15>

Ur.: 26. lipnja 2018.

Pr.: 15. studenoga 2018.

Pregledni znanstveni rad

### Summary

*The article discusses the added value of social policy approaches which can be characterized as ‘flexicure’ based on a comparison of Germany and Austria. It offers an insight into some of the central labour market and policy developments in these countries, which share a number of common principles and structures but differ quite strikingly when viewed through the lenses of the flexicurity concept. This comparison serves as a basis for a discussion about the desirability of reforms to reinforce the ‘flexicurity score’ of any national legal order as well as the multitude of forms which the concept can take to match diverse legal and socio-economic traditions.*

**Keywords:** *flexicurity; Germany; Austria; labour market policies; labour market dualization.*

### 1. INTRODUCTION

It has been more than a decade since the European Commission formally designated flexicurity as a core – if not the core – concept of its approach to the European labour market and the policy advice it provided to the governments of the member states. And although today’s approach is definitely more nuanced with less explicit reference to the concept in the context of the European Semester as the main channel for specific policy advice to member states,<sup>1</sup> it is clear that it still forms the baseline of what is considered a sound approach to future challenges in the world of

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This work has been supported in part by the Croatian Science Foundation – Project UIP-2014-09-9377 “Flexicurity and New Forms of Employment (Challenges regarding Modernization of Croatian Labour Law)”.

1 Bredgaard, T. and Madsen, P., Farewell Flexicurity? Danish Flexicurity and the Crisis, in: *Transfer: European Review of Labour and Research*, 2/2018, p. 1; Zeitlin, J. and Vanhercke, B., Socializing the European Semester: EU Social and Economic Policy Co-Ordination in Crisis and Beyond, in: *Journal of European Public Policy*, 2/2018, pp. 150 et seqq.

work.

Over the last two decades, the concept has been discussed and evaluated from a variety of perspectives, a closer examination of which would clearly be beyond the scope of the present contribution. Yet, a distinct impression that flows from a macro review of the literature concerned mostly with flexicurity's potential to further social rights, working and living conditions is that it depends crucially on the credibility of the narrative that it serves to improve the scope, inclusiveness and fairness of social protection and welfare.<sup>2</sup> This is rooted in the concept's promise to replace mechanisms of security which are in fact benefitting only particular groups ("insiders") by mechanisms that will effectively reach and enable all parts of the workforce. In this sense, a substantial part of the critically inclined literature on flexicurity has voiced concerns about the concept's potential of being used as a fig leaf for policies the main purpose is the abolition of traditional cornerstones of worker's rights (such as employment protections). This points to the risks that crucial achievements of what one might term social market economies or the "European social model" will be given up in exchange for a vague idea of "flexible security", which would flow from the policy design on the macro level rather than clear and tangible entitlements under labour law.<sup>3</sup>

Specifically in the context of the economic downturn which affected labour markets around Europe in the aftermath of the financial crisis, flexicurity approaches came increasingly under fire for failing to provide security in a context of large-scale redundancies across the national economy.<sup>4</sup> It is in this context that a number of observers pointed at the advantages of the security model of Germany, which – quite opposed to the idea of flexible contractual relationships – has traditionally emphasised a solid and durable bond employer-employee, ideally starting from vocational education under the dual training system inside the undertaking, entailing strong intra-company participation of employee representatives in shaping company policies, and not allowing for easy or cost-saving termination of an employment relationship.

The present article will offer an insight into some of the central labour market and policy developments in Germany over recent years and address the question of the

2 Cf. Ingham, H., *Economic Growth in the EU: Is Flexicurity a Help or a Hindrance?* In: Lancaster University Economics Working Papers Series, 2018, pp. 4, 7.

3 Cf. Heyes, J., *Flexicurity in crisis: European labour market policies in a time of austerity*, in: *European Journal of Industrial Relations*, 2013/1, p. 72; Keller, B. and Seifert, H., *Flexicurity – the German Trajectory*, in: *Transfer: European Review of Labour and Research*, 2/2004, pp. 227 et seqq., Eichhorst, W., and Konle-Seidl, R., *The Interaction of Labor Market Regulation and Labor Market Policies in Welfare State Reform*, Institut für Arbeits- und Berufsforschung Discussion Paper, 19/2005, pp. 19 et seqq.; Ingham, op. cit., p. 7.

4 Auer, P., *Does Flexicurity Work in Economic Crisis? Paper for IIRA European Congress, Symposium on 'Goodbye Flexicurity, Welcome Transitional Labour Markets?'*, Copenhagen, 2010, <[http://www.bollettinoadapt.it/old/files/document/8013AUER\\_05\\_10.pdf](http://www.bollettinoadapt.it/old/files/document/8013AUER_05_10.pdf)>, 5 May 2010., 14 June 2018>; Id., *What's in a Name? The Rise (and Fall?) of Flexicurity*, in: *Journal of Industrial Relations*, 3/2010, pp. 371 et seqq.; Wilthagen, T., *Thematic Paper – Flexicurity: The Way Forward*. Peer Review on 'Flexicurity', Copenhagen, Denmark, 20–21 November 2014, Mutual Learning Programme, DG Employment, Social Affairs and Inclusion, 2014; Bredgaard and Madsen, op. cit., pp. 1 et seq. Ingham, op. cit., p. 3.

degree to which these can be estimated to represent an alternative path – a *Sonderweg* – which has ultimately proven more sustainable than concepts of flexicurity. It will then turn to focus on Austria as an interesting example of a combination of most of the features generally viewed as cornerstones of the German social model with a high degree of orientation along principles that match the flexicurity concept. It will conclude by posing the litmus test question – the *Gretchenfrage* – about the degree to which “flexicure elements” in policy design are and can be expected to make a difference for a country’s socio-economic progress and the working and living conditions of its citizens.

## **2. A GERMAN STRONGHOLD RESISTING THE FLEXICURITY HYPE?**

Germany has, in a way, represented the classic “counter example” in the flexicurity discourse for various observers, be it in a positive or negative regard. It represents the prototype of a “dualist” regime,<sup>5</sup> which is bound to produce and sustain a non-negligible level of workforce inequality and segregation,<sup>6</sup> by offering rather high-level protection and security for “insiders” combined with “flexibility at the margins” for employers in the form of a substantial and growing share of low-paid and atypical employment.<sup>7</sup> This is in essence the very situation that flexicurity is meant to rectify: a division of the labour market into “secure but inflexible” work on the one hand and “flexible but insecure” work on the other.

Despite such characteristics of the system, which have been widely discussed, one cannot but note that Germany’s comparative position in areas that are meant to be improved by flexicurity approaches is indeed very favourable, largely comparable to (and at times surpassing) exemplary “flexicurity countries” – ranging from economic performance to employment and unemployment rates, income equality, poverty levels etc. More than anything else, though, it is its impressive resilience during the economic crisis that caused the German model to be very much en vogue again in recent years.<sup>8</sup>

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5 Heyes, op. cit., p. 73.

6 Which is also reflected in a substantial gender gap: cf. e.g. Klammer, U., *Flexicurity in a Life-Course Perspective*, in: *Transfer: European Review of Labour and Research*, 2/2004, pp. 286 et seq.

7 This is regarded as a major reason for the “surprisingly stable” employment rate e.g. by Keller and Seifert 2004: 237. Cf. also Ebert, M., *Flexicurity auf dem Prüfstand–Krisenperformance unterschiedlicher Strategien. Europäische Arbeitsmarktstrategien auf dem Prüfstand*, 28, 2015, p. 143; Bothfeld, S., and Rosenthal, P., *The End of Social Security as We Know it – the Erosion of Status-Protection in Labour Market Policy in Germany*, in: *Journal of Social Policy*, 2017, pp. 282, 288; Beckmann, Fabian, *Minijobs in Deutschland: Erwerbsarbeit zwischen objektiver Prekarität und subjektiver Zufriedenheit. Minijobs in Deutschland*, Springer VS, Wiesbaden, 2019, pp. 46 et seq.

8 Cf. Auer, *Does Flexicurity...?*, cit., p. 371 et seq.; Ebert, op. cit., pp. 150 et seq.

### **2.1. Distinctive characteristics of the German continental-corporatist model**

While self-evidently the elements of Germany's labour market setup that impact issues of flexibility and security are far more complex and ambiguous, prominent characteristics that set the model apart from other continental European countries present it as a system that constructs the employment relationship as a strong bond of mutual relations going far beyond the basic elements of exchanging labour provision for wages.

As has been alluded to above, this starts from a culture in which the education system has traditionally focused on a dual system of vocational training which (though declining in the recent past) still covers large parts of the population. In short, this is a system which allocates not only the task of defining training contents<sup>9</sup> with the social partners but endows undertakings with the responsibility of providing the lion share of a state-approved regular programme of educational training for the future workforce of the respective branch of the economy.<sup>10</sup> Over the duration of education, apprentices spend only about a quarter of the programme time at school, the rest in the training firm, which must designate a competent person as educator. The examination of skills after programme completion is strictly regulated, thereby ensuring that apprentices are taught pre-defined general and not firm-specific skills.<sup>11</sup> Empirical research suggests that young people having completed an apprenticeship in the German system occupy a similar position within the wage structure as high-school graduates in other countries,<sup>12</sup> more pronounced differences between ex-apprentices and unskilled workers.<sup>13</sup>

Next, the participation of workers' representatives at company level is institutionalised to an exceptional degree. The internationally most well-known aspect of this is certainly the mandatory representation of workers on the company's supervisory board, thereby providing them with a channel for directly tabling their interests and opinions concerning general strategic decisions of corporate policy ("co-determination"). Equally relevant in practice is the involvement of the works council, which goes far beyond concepts of information and consultation as they prevail in EU policies and includes notably veto rights on a range of issues and thereby gives strong incentives to genuine close cooperation and in-depth consultation between management and labour in the undertaking.

Where this cooperation works well, the social partners can rely on broad legal

9 On those see e.g. Arrich, R., *The Austrian Vocational School System and Quality Management as an Example of Cooperation between Schools, Industry and Social Partners*, in: European Association for the Education of Adults Country Report on Adult Education, 2011.

10 Hofer, H. and Lietz, C., *Labour market effects of apprenticeship training in Austria*, in: *International Journal of Manpower*, 2004, p. 104.

11 *Ibid.*, pp. 105 et seq.

12 Harhoff, D., and Kane, T., *Is the German apprenticeship system a panacea for the US labour market?* in: *Journal of Population Economics*, 1997/2, pp. 171 et seqq.; Hofer and Lietz, *op. cit.*, p. 104.

13 Hofer and Lietz, *op. cit.*, p. 119.

entitlements to design various aspects of company workplace rules also in ways that would not be permissible if imposed unilaterally by the employer – e.g. in the area of working time.<sup>14</sup> This includes the use of “working time accounts” as a particularly flexible form of dealing with working time fluctuations that can be caused both by employer-sided variations in demand and by employee-sided preferences of re-arranging working hours. For employees, this “deal” involves the acceptance of working-time variations imposed by the employer, which serves their collective interest in keeping up jobs (including their enterprise-specific human capital) also at times of low demand, when all will work shorter hours.<sup>15</sup> Comparative studies show that, compared to business practices in other European countries, German enterprises react to capacity fluctuations with more pronounced working time adjustments, and in turn resort to adjusting the number of employees more rarely.<sup>16</sup> This illustrates the win-win potential of arrangements which have “greatly extended the freedom of action of companies” while keeping down expenses also for the public unemployment insurance provider.<sup>17</sup>

A further development of this concept can be seen in the famously successful use of short-time work schemes to avoid redundancies due to temporary situations of economic slowdown – whereby the financial burden is shared by employers, employees and public sources based on agreements. As these schemes were already well established in Germany, they could be launched in a timely fashion when the global crisis started to affect German undertakings. In this framework, support by the government was provided for a maximum duration of 24 months (abrogating previously much lower limits), reaching 1.5 million workers in May 2009, whereby training opportunities for the partially unemployed were often financed by the European Social Fund (ESF).<sup>18</sup>

Also more generally, German companies, social partners, local governments and employment offices are renowned for a cooperative hands-on approach to tackling economic redundancies in a timely and effective manner – particularly when it comes to the planned preparation of collective redundancies and the elaboration of perspectives for the workers concerned by it. A noteworthy example are ‘transfer companies’ (*Transfergesellschaften*), i.e. structures put in place by undertakings to prepare employees facing redundancy dismissal – and their colleagues – early on and

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14 See e.g. Schneider, H., and Rinne, U., *The labor market in Germany 2000–2016*, IZA World of Labor, Institute for the Study of Labor (IZA), 2017, p. 6.

15 Keller and Seifert 2004: 233 et seq. This may be seen as a further fine-tuning of the generally remarked readiness of the German workforce to lower demands – also in terms of individual wages – in favour of securing a high level of job protection (cf. Leschke, Janine, Schmid, Günther and Griga, Dorit, *On the Marriage of Flexibility and Security: Lessons from the Hartz-Reforms in Germany*, 2006, p. 6).

16 Schneider and Rinne, op. cit., pp. 6 et seq.

17 Klammer, op. cit., p. 288.

18 For a chronology see Heyes, op. cit., pp. 78 et seq. Cf. also Wotschack, P. et al., *Gesetzlich garantierte“ Sabbaticals“-ein Modell für Deutschland? Argumente, Befunde und Erfahrungen aus anderen europäischen Ländern*, No. SPI 2017-501, WZB Discussion Paper, 2017, pp. 3 et seq.

work on solutions for the long-term perspective.<sup>19</sup> This involves ‘outplacement’ and/or activities of further training directed towards the external labour market.<sup>20</sup>

All of this illustrates the frequent characterisation of the German model as one that focuses on internal rather than external forms of flexibility. The high degree of commitment that the law requires from both parties of the employment relationship, combined with the possibilities of both tailor-made training and tailor-made design of the work process based on mutual understanding between management and labour representatives all favour the undertaking’s adaptability to the requirements of the market without necessitating changes in the composition of its workforce. Employees, vice versa, benefit from the security of high barriers to dismissal, and particularly the mentioned working time accounts and similar schemes definitely include a very meaningful element of flexibility opportunities for the worker, potentially enhancing also the reconcilability of work and family life.<sup>21</sup> Consequently, the German model could be characterised as one that promotes intra-company rather than economy-wide flexicurity.

## **2.2. Germany and the concept of flexicurity**

Very much in line with what has been set out in the last subsection, the concept of flexicurity as advocated by the European Commission has been at best “hesitantly received”<sup>22</sup> by representatives of German management and labour, but also a sizable share of the national academic literature. The strong emphasis put on external flexibility, which is to be matched by equally external sources of security such as social security benefits and active labour market policies (ALMPs) sit uneasily with the German premise of the mutual benefits of a strong bond between employer and employee, secured by strong employment protection.<sup>23</sup>

19 Ebert, op. cit., p. 143.

20 Keller and Seifert, op. cit., p. 228.

21 Wotschak et al., op. cit., pp. 18 et seq.; Klammer, op. cit., pp. 290 et seq.

22 Tangian, A., Monitoring Flexicurity Policies in the EU with Dedicated Composite Indicators, Wirtschafts- und Sozialwissenschaftliche Institut (WSI) der Hans-Böckler-Stiftung Discussion Paper, No. 137, 2005, pp. 8 et seq., Leschke, op. cit., p. 5. Cf. the reasoned criticism of the concept launched e.g. by Keller and Seifert, op. cit., pp. 227 et seq., and Wilthagen, T. and Tros, F. (The Concept of ‘Flexicurity’: A New Approach to Regulating Employment and Labour Markets, in: Transfer: European Review of Labour and Research, 2/2004)’s characterisation of the German system as a model of “security above flexibility“ (11), respectively of a “low-flexibility equilibrium” (20).

23 Ebert, op. cit., p. 142; Heyes, op. cit., p. 72; Viebrock, E. and Clasen, J., Flexicurity and welfare reform: a review, in: Socio-Economic Review, 7/2009, p. 318. Cf., However, also the Confederation of German Employers (BDA)’s explicit endorsement of the flexicurity concept in a joint paper with other European business federations, published in May 2007, as pointed out by Viebrock and Clasen, op. cit., p. 323, as well as intriguing academic suggestions on how to integrate ideas of flexicurity into the German labour market without disturbing the well-functioning elements of the present model (e.g. Keller and Seifert, op. cit., pp. 228 et seq., Klammer, op. cit., pp. 289 et seq., Langelüddeke et al., Flexible Anwartschaften und Anwartschaftszeiten. Ein Vorschlag zum Ausbau der eigenständigen Frauentalterssicherung und zur Anpassung der Rentenversicherung an den Wandel der Arbeit,



This reluctance to deviate from a well-established model is reflected in the labour market policies pursued by governments in recent decades, which essentially did not feature reforms that would have put any elements of the German standard employment relationship (SER) into question. Much to the contrary, significant political activity has shaped what has been referred to above as “flexibility at the margins” – particularly low-paid, marginal<sup>24</sup> and/or temporary forms of work<sup>25</sup> and small-scale self-employed<sup>26</sup> which essentially cater to the flexibility needs of undertakings that are not addressed by the mentioned internal sources of flexibility.<sup>27</sup>

Crucial reforms of the recent past decades that have attracted also a significant degree of international attention include, first and foremost, the *Hartz* reforms of 2002-03<sup>28</sup> and their predecessors.<sup>29</sup> This refers to a bundle of reforms involving increases of contribution levels, reductions of replacement rates and the duration of benefits, and enhanced pressure on the unemployed to accept work irrespective of its nature (including marginal work).<sup>30</sup> The most notable of these is indisputably the controversial merger of unemployment assistance and social assistance as a result of “Hartz IV”. If anything, that reform has served to reinforce rather than attenuate the divide between the so-called labour market insiders, who continue to be able to

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in: *Die Angestelltenversicherung*, 46/1999, p. 10).

- 24 Generally, the German part-time rate is high in international comparison, and its use is a key ingredient in the realisation of the mentioned focus on internal-numerical flexibility (Keller and Seifert, op. cit., pp. 238 et seq). Whereas also voluntary part-time is connected to social concerns, particularly regarding its very substantial impact on pension entitlements in the German system, it is particularly the steep rise in involuntary part-time (now constituting the majority of cases: Beckmann, op. cit., p. 99) that raises concerns. Marginal part-time employment has grown considerably since the 1990s (cf. the numbers provided by Keller and Seifert, op. cit., p. 239, Klammer, op. cit., p. 285, Leschke et al., op. cit., pp. 14 et seq.) and has been instrumental in increasing firms’ flexibility in dealing with work peaks and extended opening hours: trade, cleaning, gastronomy and tourism (Beckmann, op. cit., pp. 75 et seq.).
- 25 Fixed-term contracts have constantly and gradually increased since the 1980s. The obvious concern regarding the present situation is the significant share of employees for whom temporary employment constitutes a dead-ends loop without opportunities for transition to more stable forms of employment. The gap in relation to the ‘standard’ workforce is often reinforced by the temporary staff’s factual exclusion from enterprise-specific training, severance pay etc. (Keller and Seifert, op. cit., p. 241). As for temporary agency work, its share is still small, but its growth rates are most impressive without signs of a trend reverse in the near future (Ebert, op. cit., p. 142).
- 26 On its expansion in the present labour market situation cf. Klammer, op. cit., p. 285.
- 27 Cf. Ebert, op. cit., pp. 142 et seq; Heyes 2013, op. cit., p. 78. This mainly affected cohorts newly entering the labour market and low-qualified workers: Klammer, op. cit., p. 284.
- 28 Named after Peter Hartz, head of the commission (Kommission für moderne Dienstleistungen am Arbeitsmarkt) which delivered its proposal about the direction of desirable reforms on 22 February 2002. On its association with flexicurity approaches cf. Keller and Seifert, op. cit., p. 227.
- 29 Starting essentially with a law passed in 2001 with the explicit aim of moving the focus from “passive” protection to active labour market inclusion by pressing for activation, qualification, training, investment and placement (Job-AQTIV-Gesetz – “Aktivieren, Qualifizieren, Trainieren, Investieren, Vermitteln”): cf. Leschke et al., op. cit., p. 6).
- 30 Beckmann, op. cit., pp. 75 et seq.; Leschke et al., op. cit., pp. 6, 15.

bridge short-term spells of unemployment by relatively generous benefits, and the more marginalised part of the workforce, for whom now very low rates of benefits are coupled with a workfare-type approach to compelling re-employment under any conditions.<sup>31</sup>

In line with this, the significant rise of the “active” share of German spending on unemployment might fall short of corresponding wholeheartedly to the call for extensive ALMPs inherent in the flexicurity concept. Observers of the concrete measures pursued in this context have noted that investments into employability in a long-term perspective have in practice been overshadowed by those that favour fast re-employment with a pronounced coercive element.<sup>32</sup>

Research on the “Personal Service Agencies” (PSAs) which have been introduced in this context indicates that an assessment of the success or failure of innovations may be subject to considerable controversy. These agencies are legally required to hire out employees to private firms under favourable conditions.<sup>33</sup> While this obviously served to put a substantial number of unemployed to work, the number of those who could be placed in this setting was much lower than expected, with deadweight and substitution effects estimated to be very significant. Only a small minority was offered further employment after placement, and the PSA’s obligation to deliver training was mainly implemented in the form of ‘coaching and assisted placement’ with presumably limited effects of human capital enhancement.<sup>34</sup> Moreover, critics have pointed to frequent cases of misuse (such as violations of the prohibition on limiting the duration to the first temporary hire and non-observance of the collective agreement which permits a particular ‘entry’ wage only for the long-term unemployed).<sup>35</sup> Such criticism intensified after the bankruptcy of a large provider, and it has increasingly been remarked that over-optimistic expectations provoked by the Hartz-report have been used to justify the abolishment of regulations of the temporary work market.<sup>36</sup>

As for those in active employment, the most noteworthy legislative changes have significantly extended possibilities for introducing “flexible” types of work outside the SER.<sup>37</sup> Apart from temporary agency work, which is on the rise also beyond the described PSAs,<sup>38</sup> well-known example concerns the introduction and expansion of the “mini job” and “midi job” schemes, which essentially amount to an exemption from full mandatory social insurance coverage for low-paid jobs, with

31 Heyes, *op. cit.*, p. 78; Ebert, *op. cit.*, p. 144. See also Bothfeld and Rosenthal, *op. cit.*, pp. 278, 282 et seq.

32 Bothfeld and Rosenthal, *op. cit.*, p. 286. Cf. also the remark by Heyes, *op. cit.*, p. 78, that, compared to the reinforced push for rapid re-employment, “job creation and vocational education and training programmes, correspondingly declined in importance”. In a similar fashion Bothfeld and Rosenthal, *op. cit.*, pp. 275 et seq.

33 For details see Leschke et al., *op. cit.*, pp. 10 et seq.

34 Ebert, *op. cit.*, p. 144; Leschke et al., *op. cit.*, pp. 11 et seq.

35 Keller and Seifert, *op. cit.*, pp. 240 et seq.

36 Cf. the references given by Leschke et al., *op. cit.*, pp. 10 and Ebert, *op. cit.*, p. 143.

37 Erlinghagen, M., *Langfristige Trends der Arbeitsmarktmobilität, Beschäftigungsstabilität und Beschäftigungssicherheit in Deutschland*, No. 2017-05, *Duisburger Beiträge zur soziologischen Forschung*, 2017, pp. 19 et seq.

38 See Ebert, *op. cit.*, p. 143.



different degrees of partial contribution obligations and partial protection coverage as the wage increases.<sup>39</sup> The main objectives of its introduction were to curtail illegal work, facilitate small-scale employment and thus offer a stepping stone into the labour market for groups likely to remain outside of it.<sup>40</sup> Specific further reductions and privileges exist for private households hiring marginal employees.<sup>41</sup> And while growing employment rates suggest that the measures are effective in this sense, the fact that marginal employment is found to be involuntary in the majority of cases and the rate of transitions into regular employment very low<sup>42</sup> raises doubts as to the justification of exemptions. Observers have repeatedly cautioned that marginal forms of employment are, just like temporary agency work,<sup>43</sup> strategically used for substituting regular employment.<sup>44</sup>

Beside these measures, which have produced an unprecedented rise in marginal employment,<sup>45</sup> a number of measures was targeted at supporting small-scale self-employment, which reveal a similar tendency of giving financial and other incentives while decidedly not aiming for an integration into social security under similar terms as those mandated under the SER. Whereas certain support services had existed before,<sup>46</sup> a new self-employment grant introduced in the framework of the Hartz reforms has reinforced the approach of reducing barriers to own-account work. Take-up has been much higher than expected,<sup>47</sup> and while quantitative data on self-employed activity are scarce, a clear overall increase can be observed since its introduction in 2003.<sup>48</sup> This concerns mainly services, construction, trade, craft and IT<sup>49</sup> and is increasingly performed as a part-time activity, especially in case of women.<sup>50</sup> In this context, one cannot but note that the unaltered conception of the German social security system as an insurance system for employees (to the exclusion of the self-employed) appears increasingly questionable in terms of its potential to target vulnerable categories of workers.<sup>51</sup>

39 Thereby, the “mini job” variant (under EUR 450) gives rise to no social security entitlements despite limited contribution obligations for the employer. For details cf. Keller and Seifert, *op. cit.*, pp. 239 et seq., Ebert, *op. cit.*, pp. 142 et seq.

40 Bundesministerium für Wirtschaft und Arbeit, *Brücken in den Arbeitsmarkt – Wirtschaftsbericht 2003*, Berlin, 2003, <<http://www.bmwi.de/Redaktion/Inhalte/Pdf/W/wirtschaftsbericht-03.pr.operty=pdf,bereich=bmwi,sprache=de,rwb=true.pdf>>, p. 4; Bundesregierung, *Bericht 15-758 der Bundesregierung zu den Auswirkungen des Gesetzes zur Neuregelung der geringfügigen Beschäftigungsverhältnisse auf dem Arbeitsmarkt*, 2003, pp. 2 et seq.; Leschke et al. 2006: 13.

41 For details cf. Keller and Seifert, *op. cit.*, p. 239, Leschke et al., *op. cit.*, p. 15.

42 Beckmann, *op. cit.*, pp. 60 et seq., 102 et seq.

43 Ebert, *op. cit.*, pp. 142 et seq.

44 *Ibid.*, 15.

45 Keller and Seifert, *op. cit.*, p. 239, Klammer, *op. cit.*, p. 285, Leschke et al., *op. cit.*, pp. 14 et seq.

46 A so-called bridging money paid for up to 3 years, as well as various credit programmes: Keller and Seifert, *op. cit.*, p. 242.

47 Leschke et al., *op. cit.*, pp. 7.

48 Keller and Seifert, *op. cit.*, p. 242; Erlinghagen, *op. cit.*, pp. 24 et seq.

49 Leschke et al., *op. cit.*, pp. 8.

50 *Loc. cit.*, 9.

51 Keller and Seifert, *op. cit.*, pp. 242 et seq.

In conclusion, while self-evidently the preceding paragraphs could provide only a selective insight into labour market-related policy making in Germany, they are indicative of a general policy orientation that upholds the SER and the related “internal flexicurity” as the core of the labour market, which continues to function in a highly effective manner particularly for larger undertakings.<sup>52</sup>

The “price to be paid” for this stability in the core seems to have been the creation of a “secondary”, atypically employed workforce which supplements external flexibility and is largely excluded from security beyond modest minimum subsistence. Revealingly, according to OECD data, Germany is one of the three countries where the subjective feeling of job insecurity increased most in the 1980s and the mid-1990s.<sup>53</sup> Needless to say, this cements the image of the German model as one that inherently produces labour market and societal segmentation.<sup>54</sup>

### **3. THE FLEXICURE VARIANT: AUSTRO-CORPORATISM**

#### **3.1. Distinctive characteristics of the Austrian model**

All of the above indicates that the existence of a very well-functioning model of “internal flexicurity”, which understandably will and probably should not be abandoned or undermined light-heartedly, puts constraints on the degree to which new demands for flexibility by both employers and (potential) employees can be accommodated without producing a significant degree of segmentation.

In this respect, it is of interest to consider as a point of reference the labour market model of Austria as the country which can in many ways be said to resemble the German example most closely, but which has been distinguished as an exemplary “flexicurity country” in the European discourse right from the start. Indeed, virtually all aspects that have been mentioned above as distinctive for the German model of standard employment relations – dual vocational education,<sup>55</sup> board-level co-determination and intensive mandatory works council involvement, and effective tripartite cooperation in preventing and managing economic redundancies – exist in a very similar form and extent in the Austrian context. Yet, particular in the EU context, Austria emerges as the probably third most cited example of successful pathways of flexicurity after Denmark and the Netherlands.<sup>56</sup>

52 See Erlinghagen, *op. cit.*, pp. 24 et seq. Naturally, smaller firms have only restricted options of internal adjustment in this sense. Cf. Klammer, *op. cit.*, pp. 288.

53 Together with the UK and the Netherlands. Kammer, *op. cit.*, p. 287.

54 Ebert, *op. cit.*, p. 143.

55 Cf. Hofer and Lietz, *op. cit.*, pp. 104 et seq., 119; Arrich, *op. cit.*; Dauth, W. et al., *Macroeconometric Evaluation of Active Labour Market Policies in Austria*, Forschungsinstitut zur Zukunft der Arbeit Discussion Paper No. 5217, 2010, p. 10.

56 With Austria being the only country example to which the European Commission refers in a more lengthy fashion in its Green Paper that officially established the flexicurity model as the key concept of its labour market policy: European Commission, *Modernising labour law to meet the challenges of the 21st century*, COM/2006/0708 final, Brussels, 22/11/2006, pp. 9 et seq. Equally in 2006, the success of the Austrian flexicurity model was praised by the General Secretary of the ETUC (European Commission, *Employment in Europe 2006*, Brussels). Cf.

More specifically, it has been opined at various instances in the academic literature that although the concrete measures employed are hardly showing a particular degree of similarity, the “trade-off between employment protection at firm level and social protection at macro level seems to work just as well as in Denmark”<sup>57</sup> in the sense that weaker job security is counter-balanced by greater employment security in the labour market.<sup>58</sup> In European comparison, low-skilled jobs are much less common in Austria, unemployment – and particularly youth unemployment – is low, and income differences are less pronounced.<sup>59</sup> Industrial relations are remarkably peaceful, with strikes and lock-outs virtually absent in employer-employee relations.<sup>60</sup> Wrongful termination lawsuits are seldom and mostly result not in reinstatement but in the payment of a financial compensation.<sup>61</sup>

The basis of the similarity of outcomes just cited<sup>62</sup> certainly lies in a particularly deeply entrenched form of social partnership<sup>63</sup> that has shaped the development of the Austrian labour market, welfare state, and policy approaches more generally.<sup>64</sup> This can at present be assessed as a striking contrast to the German development, which – in line with what has been described above – intra-company labour-management relations have persisted at an outstandingly well-developed level, but industrial relations at higher levels have been waning in magnitude and importance for an extended period, with no signs of a trend reversal to be expected.<sup>65</sup>

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- also Viebrock and Clasen, op. cit., p. 323; Bredgaard and Madsen, op. cit., pp. 1 et seq.
- 57 Auer, P., *Flexibility and Security: Labour Market Policy in Austria, Denmark, Ireland and the Netherlands*, Cheltenham, 2002, p. 38; Viebrock and Clasen, op. cit., p. 315.
- 58 Leschke et al., op. cit., pp. 10.
- 59 Hofer and Lietz, op. cit., p. 104; Dauth, op. cit., p. 2.
- 60 See Wirtschafts- und Sozialwissenschaftliches Institut 2017, 7. In fact, those strikes taking place in practice are almost exclusively of a political nature. Tálos, E. and Kittel, B., *Austria in the 1990s: The Routine of Social Partnership in Question?* In: Berger, S. and Compston, H. (eds.), *Social Partnership in Europe*, 1999, p. 11 have called this a structure of “class struggle at the negotiating table”.
- 61 Winter-Ebmer, R., *Evaluating an Innovative Redundancy-Retraining Project: The Austrian Steel Foundation*, Forschungsinstitut zur Zukunft der Arbeit Discussion Paper, No. 277, 2001, p. 4.
- 62 Which starts with similar (top-level) positions in comparative European rankings concerning socio-economic indicators such as GDP, social spending and specifically ALMP spending per unemployed (where the still uniquely high Danish level is decreasing, whereas the Austrian one has increased substantially in recent years), employment and unemployment rates etc. Cf. also Hofer, H. and Weber, A., *Active Labor Market Policy in Austria: Practice and Evaluation Results*, in: Deutsches Institut für Wirtschaftsforschung Berlin, *Vierteljahrshefte zur Wirtschaftsforschung*, 75/2006/3, pp. 155, 158; Bothfeld and Rosenthal, op. cit., pp. 281 et seq.
- 63 Viebrock and Clasen, op. cit., p. 315, Ionete, Anca, *The Worlds of Flexicurity-Labour Market Policies in Europe*, in: Dodescu, A. (Ed.), *The Annals of the University of Oradea Economic Sciences*, 2012, p. 135.
- 64 Allinger, B., *Austria: Social Partners’ Involvement in Unemployment Benefit Regimes*, in: Eurofound Country Information 2012, <<https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/austria/austria-social-partners-involvement-in-unemployment-benefit-regimes>>, 20 December 2012., 14 June 2018.
- 65 Membership in trade unions declined to 27% in 1994 and further to 21% in 2012 and 15% until 2014 according to Anders, C. et al., *Gewerkschaftsmitglieder. Mitgliederentwicklung und*

In Austria, by contrast, the de facto strength of the labour movement and social partnership of the past has long ago been imbedded into a legislative and institutional setup that reinforced its continued paramount importance and has provided a foundation for its endurance also in the current economic environment, which has proven unfavourable for the development of industrial relations across countries for widely discussed reasons. In the literature, this has been referred to as a distinctive model of “Austro-corporatism”.<sup>66</sup> In short, the Austrian system of industrial relations is characterised by an extraordinary degree of centralisation, with the “Big Four” (one voluntary and one compulsory membership-based association for management and labour each) dominating not only typical social partner domains but also the administration of social security and actually the very process of policy making.<sup>67</sup>

As indicated in the last paragraph, both employees and employers are in fact subject to legally mandated membership in social partner organisations known as chambers, which ensures representativeness also at times of declining membership in voluntary organisations, which – though to a lesser degree than in Germany – has deprived also the two relevant voluntary associations in Austria of much of their membership, currently constituting a clear minority of both employers and employees. This ensures not only universal access to free legal advice and representation for labour and social issues, counselling and a variety of further services, but also near-universal coverage by branch-level collective agreements, from which employers cannot withdraw by discontinuing their membership in the association.<sup>68</sup> Contrary to other countries, these agreements settle not only minimum wages for different occupations in great detail but mandate also minimum year-on-year increases for the actual wages (“Ist-Lohn”) currently paid for these categories. These annual collective wage negotiations (under the leadership of the metalworkers’ agreement to be negotiated first) based on a thorough consideration of aspects such as economy-wide and sector-specific growth, inflation, but also labour market and international competitiveness.<sup>69</sup> The practice of consulting the social partners with reference to legislative proposals has long been institutionalised to the degree that, where the social partners do not

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politische Einflussnahme: Die deutschen Gewerkschaften im Aufbruch?, 2015, and Institut der deutschen Wirtschaft, Organisationsgrad: Gewerkschaften verlieren europaweit an Rückhalt, 2016, and the national trade union federation DGB (Deutscher Gewerkschaftsbund)’s member count accessible at <http://www.dgb.de/uber-uns/dgb-heute/mitgliederzahlen> shows a decline to barely above 6 million members in 2016. Coverage by collective bargaining agreements remains higher but still fell significantly. Until 2015, coverage decreased to 31% of undertakings (59% of employees) in the West and 21% of undertakings (49% of employees) in the East (cf. Ellguth, P. et al., *Das IAB-Betriebspanel: (Analyse-)Potenzial und Datenzugang*, in: Liebig, S. et al. (eds), *Handbuch empirische Organisationsforschung*, 2016). This compares to still 27% union density in Austria, and mainly the still over 98% coverage by collective agreements. For an overview of all EU countries’ development between 1980 and 2014 see Hyman, R., *What Future for Industrial Relations in Europe? Employee Relations*, 2018, table 1.

66 Tálos and Kittel, op. cit., p. 2.

67 Hofer and Weber, op. cit., p. 156; Tálos and Kittel, op. cit., p. 5.

68 Allinger, op. cit.; Tálos and Kittel, op. cit., p. 5.

69 Hofer, H. et al., *Labor Market Policy in Austria during the Crises*, Johannes Kepler University Working Paper No. 0906, 2014, p. 4.

initiate the draft themselves, they will receive it long before it is first tabled before the parliamentary plenary.<sup>70</sup>

This illustrates the generally elevated degree of “collectivity” at the heart of the Austrian labour market model, which has proven fruitful grounds for moving much of what is concentrated at intra-company level in the German model to a higher level.<sup>71</sup> Arguably, this is to a certain degree an expectable tendency in a market composed of 93.7% micro enterprises (under 10 employees) and 99.8% SMES (under 250 employees: these also employ over 60% of the workforce)<sup>72</sup> with accordingly limited capacity of intra-company accommodation, and partly in fact an automatic consequence of the described social partner structure (with more centralised actors on the employees’ side being not only closely interlinked with works councils, providing training and expertise for them, but actually taking over various tasks that would otherwise confront intra-company representatives). Beyond these effect, though, the enhanced reliance on mechanisms of a more collective nature is also reflected in policies, including recent reform developments.

### ***3.2. Elements of Austrian-style flexicurity***

The probably most frequently cited example of such policy approaches in the European flexicurity debate is the Austrian severance pay reform of 2003,<sup>73</sup> which removed payment obligations at the event of employer-sided termination and replaced them by a funded system. It obliges employers to pay contributions for all employees to an external fund over the duration of their employment, so employees build up an “external” entitlement to severance pay in case of unemployment in the long term, independent of the duration of employment with a specific employer. Needless to say, this effectively removed an important deterrent for dismissal, which was at the same time a major source of segmentation (as the dependence on seniority meant that payment obligations could be avoided by termination within the first three years, while the entitlements of long-term employees posed serious financial concerns especially for SMEs<sup>74</sup>). The European Commission has identified this as a particularly “interesting example of a radical shift away from a system based on the traditional

70 Allinger, op. cit.; Tálos and Kittel, op. cit., pp. 5 et seq., Ehrlich, P. et al., *Corporatism in Crisis: Stability and Change of Social Partnership in Austria*, in: *Political Studies*, 36/1988, p. 222.

71 Cf. more generally on the role of social partnership for flexicurity Ingham, op. cit., pp. 7, 19.

72 Wirtschaftskammer Österreich, *Unternehmen und unselbständig Beschäftigte – Größenklassenauswertung für die gewerbliche Wirtschaft (Dezember 2017)*, 2018; <https://www.wko.at/service/zahlen-daten-fakten/betriebsgroessen-kmu.html>, 2018., 14 June 2018.

73 Cf. the 2002 Austrian Severance Pay Act (*Betriebliches Mitarbeitervorsorgegesetz*) – Viebrock and Clasen, op. cit., p. 315, Hofer, H. et al., *Effects of the Austrian Severance Pay Reform*, in: Holzmann, R. and Vodopivec, M. (ed.), *Improving Termination Pay: An International Perspective*, World Bank, 2011, p. 2; Ionete, op. cit., p. 136.

74 For a discussion of the effects of the old vs. the new system see Hofer et al., op. cit., pp. 4 et seq., 12; Kristen, S. et al., *Abfertigung Neu: Überblick über die Neuregelungen durch das Betriebliche Mitarbeitervorsorgegesetz*, in: *Recht der Wirtschaft*, 2004, pp. 7 et seq.; Holzmann, R. et al., *Severance Pay Programs around the World: History, Rationale, Status, and Reforms*, Forschungsinstitut zur Zukunft der Arbeit Discussion Paper No. 5731, 2001, p. 22.

employment relationship between one worker and one firm to one [that] reduces the cost of job mobility since workers no longer lose all of their entitlement to severance payments when taking a new job<sup>75</sup> and more generally it has been “shown an example of best practice around Europe”<sup>76</sup>

In an overall assessment of the described system change regarding severance pay entitlements, it needs to be stressed that the new funded scheme is certainly not living up to the expectations that accompanied its introduction. This is essentially due to the fact that a funded defined contributions scheme bound to invest in low-risks products is not able to produce the sums as they were over-optimistically projected in the years before the financial crisis.<sup>77</sup> The merits of the change are therefore probably not to be seen in the creation of substantial financial entitlements in case of unemployment, but rather in the establishment of a universal system that now includes all forms of short-term, self-employed etc. work and ensures that entitlements accrue independently of the stability of employment and are not lost under any circumstances (thus paid as a retirement benefit if not consumed earlier).<sup>78</sup>

Consequently, one might conclude that while the reform’s overall assessment is ambiguous, the flexicurity-centred aims have been met, in that litigation about the termination of employment contracts has been declining ever since<sup>79</sup> and job mobility increased, especially for females, though at a limited overall level in the years after the reform.<sup>80</sup> Concerning employment relationships, the reform has doubtlessly further lowered the degree of legally mandated individual employment protection, which was already outstanding among European countries for not requiring employers to specify a reason for dismissal. Instead, the works council has extensive entitlements of early information and consultation even about individual dismissals and can intervene legally against them, with enhanced competences in case of collective dismissals.

This may have contributed significantly to the fact that Austria avoided redundancies during the economic downturn in a similar fashion and with similar success as Germany<sup>81</sup> – as the level of dismissal protection is effectively high for redundancies that worker representatives consider to be of collective importance. Regarding unemployment, the Austrian rate stood out as the lowest among EU countries over the years in the immediate aftermath of the crisis.<sup>82</sup> The use of enterprise-

75 European Commission, *Modernising...*, cit., pp. 9 et seq.

76 Leschke et al., op. cit., p. 2.

77 Leschke et al., op. cit., p. 10; Holzmann et al., op. cit., pp. 22 et seq., Hofer et al., op. cit., p. 5 et seq., 9 et seq.

78 Klec, G., *Flexicurity and the Reform of the Austrian Severance-Pay System*, European Economic and Employment Policy Brief, 4/2007, pp. 5 et seq.; Leschke et al., op. cit., p. 9; Hofer et al., op. cit., p. 7.

79 Klec, op. cit., p. 7.

80 Hofer et al., *Effects...*, cit., pp. 15, 22, Holzmann et al., op. cit., p. 22.

81 Hofer et al., *Labor Market Policy...*, cit., pp. 4 et seq.

82 Hofer et al., *Labor Market Policy...*, cit., pp. 3 et seq. The rate has, however, increased significantly after the abolition of early labour market exit opportunities, which were effectively covering difficulties of employability in old age. Cf. Hofer et al., *Labor Market Policy...*, cit., pp. 15 et seq.; Allinger, op. cit.; Hofer and Weber, op. cit., p. 156.



specific means such as short-time work<sup>83</sup> was complemented by the high sensitivity for economic fluctuations in the institutionalised system of determining sectoral standards on the macro level. Thus, the branch-level collective agreements with their economy-wide universal coverage proved an effective leverage for enabling wage and working time adjustments as far as necessary for undertakings to overcome the crisis – but not beyond that degree.<sup>84</sup> In a way, this puts into perspective the oft-cited opinion<sup>85</sup> that the economic crisis has shown the superiority of “unflexicure” strong individual employment protection, considering the particularly pronounced level of rises in unemployment in model “flexicurity countries” such as Denmark.

Also the second element that tends to be emphasised in the European Commission’s remarks about Austria – the instrument of “labour foundations” (*Arbeitsstiftungen*) for managing economic redundancies and outplacement – is effectively one that takes German-style redundancy management to a higher level that may involve a number of enterprises (with larger companies taking the lead). This concept of joint action for early intervention for employees facing a threat of redundancy (outplacement foundations) was first used in the framework of the formerly state-owned steel corporation VOEST in 1987, and subsequently at the event of staff reductions within larger enterprises food and haulage sectors. Labour foundations offer a combined package of job-search assistance with psychological counselling, retraining and occupational re-orientation, which is jointly financed by firms and a “solidarity supplement” by the employees not affected by the redundancies, whereas social security funds contribute by granting unemployment benefits over the time of foundation participation and not collecting contributions on the mentioned “solidarity supplement”.<sup>86</sup>

The success of the model of institutionalising measures and services that serve the common interests of companies, employees and the regions led to the institution of similar mechanisms in case of staffing bottlenecks of companies in need of qualified workforce (implacement foundations). This concept of highly targeted training of jobseekers for the very jobs where firms currently face shortages, organised and largely funded by those very firms was soon expanded and the number of participants in such implacement foundations has long superseded that of classic outplacement foundations – being about three times higher in recent years. These foundations have come to fulfil a particularly vital role in addressing shortages in the health and care sectors. Notable examples include the broadly conceptualised Implacement Cluster Programme (for employment in the geographical vicinity of Vienna), Forum Personal (for the IT and electromechanical sectors) and the Qualifizierungsverbund (health

83 Hofer et al., *Labor Market Policy...*, cit., p. 6.

84 In the same way, this setting has traditionally enabled wage growth in Austria to be more in line with the economic development – which has attenuated (though not eliminated) tendencies of workers ripping an ever declining “slice of the pie” in relation to most countries: cf. Hofer and Weber, op. cit., p. 156, Hofer et al., *Labor Market Policy...*, cit., pp. 3 et seq.

85 Cf. Auer, *Does Flexicurity ...*, cit., pp. 371 et seq.; Ebert, op. cit., p. 150.

86 For a detailed description see Winter-Ebmer, op. cit., pp. 3 et seq.; Holzer, C., *The Implacement Foundation: Country Example, Austria*, in: *Thematic Review Seminar of the European Employment Strategy, 2006*, p. 34; Hofer and Weber, op. cit., p. 163.

professions).<sup>87</sup>

Finally, also the administration of unemployment is firmly in the hands of the social partners, who are generally responsible for the administration of the social security system.<sup>88</sup> The Public Employment Service (AMS) responsible for unemployment insurance as well as various tax-funded labour market-related schemes and measures (in the framework of social assistance, the bankruptcy contingency fund, educational and family-related leave allowance etc.) is characterised by the equal tripartite composition of the federal governing board and regional and local offices.<sup>89</sup> The (high) ALMP expenditure is focusing on employability enhancement<sup>90</sup> and comparatively strong safeguards exist against placement into jobs not corresponding to the applicant's skills level.<sup>91</sup>

Since 1997, a range of measures have further strengthened the focus on training and lifelong learning. Most importantly, a reform package to address bottlenecks in vocational training introduced publicly funded apprenticeships, reducing the costs of training firms, created over 100 new or reoriented apprenticeship occupations and launched preparation courses.<sup>92</sup> Since 2006, apprenticeships have constituted the largest focus area of the AMS' activation approach.<sup>93</sup> Beyond this, the year 2005 saw the introduction of educational leave (*Bildungskarenz*), which was expanded in 2008 and further in 2009 – initially as a crisis amendment.<sup>94</sup>

As for “passive” benefits, the described segmentative German approach is opposed by a system with much smaller entitlement differences between insurance- and assistance-type benefits, which are both set at the moderate level of 60% of prior wages but income-(not means-)tested in case of the temporarily unlimited assistance benefit.<sup>95</sup> The insurance-based receipt can be extended if the beneficiary takes part in labour market measures.<sup>96</sup> Particularly with a view to the mentioned PSAs in Germany as they have been criticised for promoting precarious work funded by public resources, it is interesting to contrast this with the Austrian variant of placing job seekers through an agency, which has been praised as showing that “temporary agency work with high social standards is possible in a competitive market”.<sup>97</sup> Again, the Austrian scheme is

87 Viebrock and Clasen, op. cit., p. 315; Ionete, op. cit., p. 136; Holzer, op. cit., pp. 33 et seq. For further examples in the area of manufacturing see Krenn, M., Voestalpine Stahl, Austria: Increasing the Participation of Underrepresented Groups in the Labour Market – Young People, in: Eurofound Case Studies 2009, <<https://www.eurofound.europa.eu/observatories/eurwork/case-studies/attractive-workplace-for-all/flexwork-austria-integration-into-the-labour-market-of-people-at-risk-of-exclusion>>, 28 October 2009., 14 June 2018.

88 Allinger, op. cit.

89 For details see Tálos and Kittel, op. cit., p. 5; Allinger, op. cit.; Dauth, op. cit., p. 8.

90 Hofer and Weber, op. cit., pp. 158 et seq, 165.

91 Viebrock and Clasen, op. cit., p. 315, Ionete, op. cit., p. 135; Allinger, op. cit. For comparison, see Bothfeld and Rosenthal, op. cit., pp. 288 on the German structures.

92 Hofer and Lietz, op. cit., pp. 107 et seq.

93 Dauth, op. cit., p. 10.

94 Allinger, op. cit.; Viebrock and Clasen, op. cit., p. 315; Ionete, op. cit., pp. 135 et seq.

95 Hofer et al., *Labor Market Policy...*, cit., p. 12, Allinger, op. cit.

96 Allinger, op. cit.

97 Krenn, M., *Flexwork, Austria: Integration into the Labour Market of People at Risk of Exclusion*,

a result of a tripartite initiative leading to the foundation of an agency (“Flexwork”) aimed at labour market integration through “socially acceptable temporary agency work”. It is a non-profit subsidiary of the Vienna Employee Promotion Fund (*Wiener ArbeitnehmerInnen Förderungsfonds*) of the City Council of Vienna. It competes on the open labour market, gearing its pricing policy to current market prices. 98% of its staff (former long-term unemployed, job-seekers with alcohol problems or without vocational education, ex-convicts and former recipients of social assistance) are employed full-time, with trade union density standing at 60%. As its objective of a full permanent integration of temporary agency workers into its client companies, it charges no payment for the “take over” of a worker as private agencies would. Most employees are enrolled in training programmes, in areas such as IT or German as a foreign language, but also basic skills relating e.g. to health, literacy or the handling of debts. This and the generally low number of employees enrolled (not more than several hundreds) evidences that the programme’s aim is not the fast re-employment of the unemployed in general, but the creation of basic skills and experiences for groups facing particularly serious barriers in case of a direct job application. At the end of their contract with Flexwork, around two thirds of the employees are integrated into the “regular” labour market, though a majority under a temporary contract.<sup>98</sup>

Other elements that effectively counteract segmentation tendencies are, apart from the universal coverage by collective agreements (that includes marginalised groups such as temporary agency workers), notably to be found in the area of social security. Whereas German social insurance is essentially worker-centred in all its branches, Austria includes entrepreneurs basically on the same basis in all areas apart from unemployment insurance and the wage-replacing aspect of health insurance (which are open to voluntary affiliation) and mandates that “employee-like” self-employed be treated like employees in all aspects of social security (including contribution payment by the “quasi-employer”). All steps of the reforms leading to this current regulation were heavily influenced by initiatives and input from the social partners.<sup>99</sup>

Summing up, the example of Austria shows in an impressively clear fashion that essentially none of the labour market approaches usually seen as most characteristic for the German model would as such be unsuitable for existing in a “more flexicure” variant that seems significantly less prone to produce segmentation.

#### **4. THE GRETCHENFRAGE – LESSONS TO BE LEARNED?**

While the juxtaposition of Germany and Austria viewed through the “flexicurity lens” delivers intriguing results in itself, is it any suitable for drawing more general conclusion about the concept of flexicurity and its potential?

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in: Eurofound Case Studies 2009, <<https://www.eurofound.europa.eu/observatories/eurwork/case-studies/attractive-workplace-for-all/flexwork-austria-integration-into-the-labour-market-of-people-at-risk-of-exclusion>>, 28 October 2009., 14 June 2018.

98 Loc. cit.

99 Allinger, op. cit.

To stress again what has been stated above, caution is warranted in discussing the ultimately abstract potential of a specific system design to produce outcomes of a certain kind where this is not supported by any empirical insights. Most notably, in indicators aimed at measuring inequality, relative poverty etc., Germany does not appear as a country concerned by the worrying consequences of segmentation such as the US<sup>100</sup> but still occupies a very favourable comparative ranking.<sup>101</sup> At best, one may note that – consistent with a form of segmentation concerning essentially different segments of the working population – Germany now shows the highest rate of in-work poverty among Western European countries.<sup>102</sup> Together with the mentioned fast progressing and very visible erosion of social partnership and changes in the social security setup that some have qualified as ‘the end of social security as we know it’,<sup>103</sup> one may of course speculate about the long-term consequences of the current developments. Particularly the lack of social security coverage for a substantial share of the (economically active) population under a rigid scheme (with limited reach regarding contributing obligations, limit redistributive elements and equally limited opportunities for voluntary participation of those excluded) has been found to require urgent redress.<sup>104</sup>

In this regard, it needs to be recalled that the principal promotion of flexicurity approaches by EU institutions and a significant part of academic commenters has typically stressed the meaningful contribution to be expected from these approaches to lie less in addressing visible existing problems and more in a long-term orientation that anticipates further changes in labour markets that can be expected from today’s perspective. Most crucially, this concerns the expectation that technical and economic developments will further diminish the scope for European labour markets to produce employment opportunities resembling traditional forms of standard employment for which current legal approaches were originally designed. Germany with its strong and internationally competitive industrial sector might at present be said to offer (still) a very substantial share of such employment opportunities, which is widely anticipated to decline at a constant or even increased rate in the years to come. Scattered remarks in the literature<sup>105</sup> observe patterns of internal flexibility waning in their effectiveness in the recent past.

This would seem to suggest that, on the one hand, more attention might be warranted for those who currently fail to set foot on the “primary labour market” that offers access to the benefits of the mentioned internal flexicurity-based structure of

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100 Cf. Central Intelligence Agency, *The World Factbook*, 2018; <<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2172rank.html?countryname=United%20States&countrycode=us&regionCode=noa&rank=41#us>>, 2018., 14 June 2018.

101 See Keuschnigg, C., and Busemeyer, M., *Soziale Inklusion in Deutschland: Wenig Reformeifer, aber hohe Reformqualität*, 2017, p. 13.

102 Loc. cit.

103 Bothfeld and Rosenthal, op. cit., pp. 275 et seq.

104 Klammer, op. cit., pp. 295 et seq. Most notably, the pension system is clearly not equipped for biographies characterized by different degrees and types of economic activity and varying levels of income: cf. Klammer, op. cit., p. 293.

105 E.g. Leschke et al., op. cit., pp. 6.

the German model, and increasingly need to combine very low-paid employment or insufficient pensions with means-tested social benefits.<sup>106</sup> On the other hand, it suggests a reconsideration of the question to what extent the current setup and distribution is striking a fair balance between stakeholders. More specifically, one might state that the balance is well-established when considering only this “primary labour market” with its focus on strong mutual responsibilities of both parties to the labour relationship to cater also to the flexibility and security needs of the other parties. By contrast, to the degree that German labour market policies have increasingly enabled external flexibility for business to be supplemented by forms of employment outside this setting of the SER, they have in essence fostered the expansion of low-paid and low-security work heavily funded by public revenues without asking the companies benefitting from this significant source of additional flexibility to “pay their fair share”.<sup>107</sup>

It may be in this respect that the Austrian example is most instructive as a point of comparison, as it seems considerably more likely to strike this fair balance. As described above, the Austrian model attenuates employers’ responsibilities vis-à-vis own employees by facilitating what one might term comparatively cheap and non-bureaucratic individual dismissals. In turn, these employers are not only obliged to assure and finance the affiliation of their workforce (including dependent self-employed) to an extensive system of social security, chamber representation and the mentioned severance pay fund, but must also affiliate themselves to comprehensive social security and chamber representation, both of which feature important elements of redistribution between actors on the employers’ side, and are in further consequence bound by collective agreements that have been negotiated by strong organisations with significant expertise based on general economic considerations for the sector at issue rather than the individual bargaining power and union affiliation of a company’s workforce. In such a system, particularly large undertakings seem less able to rip all the benefits of a system in which the public takes over significant responsibility for the general workforce’s employability and security without contributing their share to the collective system in accordance with their individual potential.<sup>108</sup>

106 Brenke, K., and Grabka, M., *Schwache Lohnentwicklung im letzten Jahrzehnt*, DIW Wochenbericht, 78.45, 2011, pp. 3 et seq.; Ebert, op. cit., pp. 144, 152 et seq. Various suggestions to create substitutes for these benefits for the marginalised workforce can be found e.g. at Keller and Seifert, op. cit., pp. 239 et seq. and Ebert 2015: 153 et seq.

107 Revealingly, even in respect of measures targeted at “insiders”, it has been remarked that the famous tripartite burden-sharing has usually proven to be an exceptionally cheap deal for undertakings. Whereas the contribution demanded from employers usually included the provision of training opportunities for short-time workers, in reality only 2% were included in training programmes, and the call for obliging companies to the creation of 600,000 new apprenticeship places in this context was met with outright rejection: cf. Heyes, op. cit., pp. 78 et seq. A look at comparable numbers for Austria, as they are given e.g. by Hofer et al., *Labor Market Policy...*, cit., p. 6, shows that although short-time work covered a relatively lower share of the workforce (just over 1.5%, compared to 4% in Germany), a much larger share of them (over 13%) were covered by training measures.

108 Cf. also the differences in the Country-Specific Recommendations for Austria and Germany: European Commission, *Final Recommendation for a Council Recommendation on the 2018 National Reform Programme of Austria* and *delivering a Council opinion on the 2018 Stability*

Importantly, the comparative approach taken here is not intended to offer any comprehensive assessment of two specific national policy approaches, and should particularly not be misunderstood as suggesting the recommendability of the Austrian approach. Much rather, the naturally selective account of those elements that seem particularly relevant for the two countries' flexicurity dimension is meant to illustrate the thesis that policy measures that are essentially similar in both their goal and their approach can have diametrically opposed consequences for countries' flexicurity status. Therefore, rather than attempting to draw conclusions about recommended policy directions for any specific country, this case study implies a number of more general conclusions. One is that the considerations that have brought the concept of flexicurity to the forefront of European policy recommendations have by no means lost their relevance. Another is that flexicurity approaches do not inherently make states more vulnerable to economic fluctuations such as the downturn after 2007. And, most importantly, the much-debated<sup>109</sup> practical impossibility of policy transfer from systems based on fundamentally different traditions may appear in a different light when considering that in many cases there might be a flexicure variant coming very close to a country's traditional policy pattern, and paying attention to developments in the European neighbourhood might offer an intriguing source of inspiration in this regard.

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Sažetak

## FLEKSIBILNE STRUKTURE TRŽIŠTA RADA – VJEČNO PITANJE NJIHOVE DODANE VRIJEDNOSTI

Rad analizira pitanje dodane vrijednosti koju stvaraju ona stajališta socijalne politike koja se mogu okarakterizirati „fleksigurnim“, usporedbom situacije u Njemačkoj i Austriji. Daje se uvid u ključne promjene tržišta rada i politika u tim zemljama, koje dijele brojna zajednička načela i strukture, ali se i razlikuju ako ih se promatra kroz prizmu koncepta fleksigurnosti. Ova usporedba služi kao temelj za raspravu o poželjnosti reformi koje osnažuju „obilježja fleksigurnosti“ svakoga nacionalnog pravnog poretka, kao i brojne oblike koje ovaj koncept može imati, kako bi se prilagodio različitim pravnim i socijalno-ekonomskim tradicijama.

*Ključne riječi:* fleksigurnost; Njemačka; Austrija; politike tržišta rada; dualnost tržišta rada.

Zusammenfassung

## „FLEXICURE“ ARBEITSMARKTSTRUKTUREN – DIE GRETCHENFRAGE DES MEHRWERTES

Der Artikel bespricht den Mehrwert sozialpolitischer Ansätze, die als „flexicure“ bezeichnet werden können, auf der Grundlage eines Vergleichs von Deutschland und Österreich. Sie bietet einen Einblick in einige der zentralen Entwicklungen des Arbeitsmarktes und der Politik in diesen Ländern, die eine Reihe gemeinsamer Prinzipien und Strukturen teilen, sich jedoch im Hinblick auf das Flexicurity-Konzept auffallend unterscheiden. Dieser Vergleich dient als Grundlage für eine Diskussion darüber, ob Reformen wünschenswert sind, um die „Flexicurity-Performance“ einer nationalen Rechtsordnung zu stärken, sowie über die Vielzahl von Formen, die das Konzept annehmen kann, um verschiedenen rechtlichen und sozioökonomischen Traditionen zu entsprechen.

*Schlüsselwörter:* Flexicurity; Deutschland; Österreich; Arbeitsmarktpolitik;  
Dualisierung des Arbeitsmarktes.

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Riassunto

## **STRUTTURE DI MERCATO DEL LAVORO FLESSICURO – LA DIFFICILE COMPRENSIONE DEL LORO VALORE AGGIUNTO**

Nel lavoro si disaminano le questioni relative al valore aggiunto che creano quegli orientamenti della politica sociale che si possono caratterizzare come „flessicuri“, comparando all’uopo le realtà in Germania ed in Austria. Si illustrano altresì i cambiamenti cruciali sul mercato del lavoro e le politiche sociali in questi paesi, i quali pur condividendo numerosi principi e strutture, si differenziano notevolmente se li si osserva attraverso il prisma della flexycurity. Questa comparazione funge da fondamento per il dibattito sull’opportunità della riforma con la quale si rafforzano le „caratteristiche della flexycurity“ di ciascun ordinamento giuridico nazionale come anche le numerose forme che questo concetto può avere al fine di conformarsi alle diverse tradizioni giuridiche e socio-economiche.

***Parole chiave:** flexycurity; Germania; Austria; politiche del mercato del lavoro; dualità del mercato del lavoro.*

