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Is there a significant deregulation? What are its effects?

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Abstract

This article aims at participating in the discussion about the effects of globalization on labour market institutions. Most surveys show that globalisation brings about a greater flexibility in the organization of labour, higher wage dispersion and social dumping. According to these surveys, globalisation has two basic outcomes. First of all, it sharpens the risk of layoff for the low-skilled workers, as labour market requires more qualified employees and product and process innovations, in order to face the world competition. Second, globalisation provokes a huge institutional change in the labour market. Namely, the increased capital mobility sparks off a re-allocation of resources, amplified by the trade integration, towards countries where Trade Unions are less powerful and taxation is lower. Actually, shareholders may decide where to invest and where to locate firms; therefore they have gained a strong bargaining power: policy makers may mitigate the threat of relocation or instead encourage labour market deregulation in order to avoid capital flight. Finally, the economic and financial crisis, in 2008, reinforced the political consensus on labour market deregulation and since then, European Union has been forcing Member States to modify those regimes considered too rigid, justifying their policy suggestion with the idea that deregulation fosters employment and productivity.

Applying the approach known as "Grounded Theory" we analyse ad hoc data, in order to find out whether or not key changes in the labour market institutions have taken place. In addition, we aim at finding out which is the role of institutional context in shaping the reform of the labour market. Finally, some policy suggestions are provided.

Introduction

According to economic literature, globalisation brings about a greater flexibility in the organization of labour, a higher wage dispersion and a reduced social security. Moreover, globalisation sharpens the risk of layoff for the low-skilled workers, since labour market requires more qualified employees and product and process innovations to face the intensified competition. On the other hand, thanks to global agreed rules and technological advancements which make easier to move around the world, the threat to relocate economic activities where the context is more favourable gives to entrepreneurs a strong bargaining power. Indeed, reading documents produced by the European governments you may find almost in every political agenda the commitment to modulate fiscal policy with the aim to attract foreign investments. The results have been a progressively regulation dumping in the labour market, a weakening of political parties against "capital" owners and finally a higher concentration of wealth due to the new balance of powers[1]. Participants in the new economic game rationally try to obtain the maximum possible advantage according to their bargaining power. Pyketty (2018) tries to explain the rising inequality with the changed structure of the political struggle.

Although the wider discussion about the new capitalism generated by globalisation is very interesting, in our paper the analysis is limited to its effect on labour market institutions, within European space. In general, the increasing economic integration results in a policy homogenisation since every country has to face the same global environment. This homogenisation is encouraged by the world organizations such as the World Bank, the International Monetary Fund, and the World Trade Organization and enforced by international investors and capital markets, warning that following certain economic rules is essential to benefit from globalisation[2]. As a consequence, Member States have been promoting European economic integration since the end of the Second World War with a view to challenge world competition. Nevertheless, in Europe, but probably everywhere, globalisation has produced "losers and winners" and its effects might depend on local institutions' way to react. As far as labour market institutions are concerned, the economic literature envisages a progressive attitude of politicians to deregulate and to decrease the labour cost, in order to encourage foreign and domestic private investments.

Against this background, we are going to focus our attention on the evolution of labour market institutions, in the last decades, in Denmark, France, Germany and Italy.

The paper is organized as follows: in section 1 a quick review of the theoretical literature dealing with the effects of globalisation on labour markets is provided. In section 2 we compare the evolution of labour market institutions in four European countries: Denmark, France, Germany and Italy. Finally, in section 3 available data are analysed, attempting to describe the evolution of the labour market institutions and give some policy suggestions.

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[1] One for all, Piketty's book "*Capital in the Twenty-First Century"* (2013) may be quoted. It argues that there was a trend towards higher inequality which was reversed between 1930 and 1975 due to unique circumstances: the two world wars, the Great Depression and a debt-fueled recession destroyed much wealth, particularly that owned by the elite. These events prompted governments to undertake steps towards redistributing income, especially in the post-World War II period. The fast, worldwide economic growth of that time began to reduce the importance of inherited wealth in the global economy. Starting from the second half of 80s, a "patrimonial capitalism" has taken root, dominated by inherited wealth: the power of this economic class is increasing, threatening to create an oligarchy.

[2] See for this issue: Rodrik, Dani (2007), *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth,* Princeton: Princeton University Press.

Section 1

1.1 The economic literature on the effect of globalisation, a quick synthesis

In order to analyse the evolution of labour market institutions in a globalised world, first of all the development and the meaning of the notion of globalisation has to be clarified, in terms of data and historical patterns[3]. According to the World Economic Forum[4], the first wave of globalisation (19th century-1914), meant as "higher trade integration"[5], occurred between the 18th century and the first World War, when the British Empire was established and technological advancements brought about the First Industrial Revolution. Over this period, trade grew on average by 3% per year and exports increased from 6% to 14% of global GDP. After a break caused by the two wars (between the two World Wars, trade fell to 5% of the world GDP), globalisation revitalised, thanks to the Second Industrial Revolution and further technological advancements. As of 1989, when the Berlin wall fell and the Cold War came to the end, globalization started to intensify.
After the Second World War, European countries and USA were the principal agents of the international trade growth, but also others such as Soviet Union contributed, even if to a lesser extent. Therefore, since then, worldwide trade has been experiencing an upturn trend: in 1989, export reached the pre-war level (14% of global GDP). The World Trade Organization (WTO) was created, encouraging nations to sign the free-trade agreements. In 2001, China became a member of the WTO, and started to manufacture for the world. In addition, the diffusion of "internet", making communication among people easier and easier, climaxed with the Third Industrial Revolution. In the 2000s, global exports rose to about a quarter of global GDP and trade, the sum of imports and exports, consequentially accounted for about half of the world GDP[6]. Finally, the economic literature envisages a new wave of globalization, linked to the extraordinary technological advancements which have opened the era of artificial intelligence.
An important consequence of the globalisation trend is the change of the production chain: a final product is made of intermediate goods which may be produced everywhere in the world. Similarly, the percentage of managers and employees working in the foreign branch of a company is increasing. According to the economic literature, not surprisingly, this huge transformation of the organisation of economic activities has had a so heavy impact on labour market structures.
According to Rhodes (1998): *international competition and globalization are placing pressure on both wage and non-wage costs and creating the conditions in which social dumping within western Europe and relocation to countries outside western Europe becomes a potential threat to*

[3]The Council of Europe defines globalisation as: … *the ever closer economic integration of all the countries of the world resulting from the liberalisation and consequent increase in both the volume and the variety of international trade in goods and services, the falling cost of transport, the growing intensity of the international penetration of capital, the immense growth in the global labour force, and the accelerated worldwide diffusion of technology, particularly communications.* Parliamentary Assembly

[4]Available at: WEF

[5]Eurostat provides a list of indicators to measure globalization for example the "trade balance" (the absolute value of trading positions), the "cover ratio" (expressed in percentage terms, between the value of exports and the value of imports) and foreign direct investments. OECD publishes data on FDI, according to which world FDI grew from 24.7% of GDP in 2005 to 35.4% of GDP in 2018 (OECD FDI stock)

[6]Available at: WEF

the status quo. The new international division of labour within large transnational firms and the introduction by multinationals of 'alien' elements into national bargaining arenas causes adjustment problems especially for centralized systems. He also underlines that less skilled workers are more hampered by globalisation.

Boulhol's (2009) shows that globalisation affects labour market institutions in two ways: first, governments are threatened by capital flights to countries where legislation is more relaxed; therefore they deregulate. Second, firms are rent-seeking; they avoid countries where Trade Unions are more powerful and the regulation of labour market more strict (p. 223).

Potrafke (2013) points out that it is very difficult to define accurately the frequently used notion of globalisation, generally meant as trade integration[7]. Usually, theoretical and empirical studies correlate a single aspect concerning globalisation – for example trade integration - with a single aspect of the economic sphere; no one is exhaustive in terms of "globalisation" versus "institutional change". The reason is that the term globalisation is broad and ambiguous as it affects not only the economic sphere but the whole organisation of societies.

Actually, empirical evidence on the influence of globalisation on labour market institutions is not unanimous and most surveys show that the consequences of the higher trade integration are country-specific (Freeman, 2010; Feldmann 2003). In some studies it is claimed that globalisation may produce an increase in the demand for government intervention: citizens ask politicians to build a stronger social security system able to cover the growing economic risks raised by globalisation (Rodrik 2011, p. 18). Along this line, Agell (2002) states that globalisation has not affected and will not affect in the future labour market institutions as *voters are more willing to pay a high premium to preserve institutions that provide insurance* (p. 107).

Wealth inequality brought about by globalisation is a further discussed topic. Milanovic (2016, 109-10) highlighted that the literature trying to explain the recent rise in inequality may be divided into two groups: the one focusing on technological advancements the other focusing on globalisation. However, according to him, technology and globalisation are correlated: the first is the breeding ground for the second and recursively the second determines the acceleration of the first. Actually, low skilled workers are hampered by both technological advancements and globalisation, as they both require high-skills and ability to adapt to a fast-moving environment.

Institutional context plays a relevant role in explaining the ability of countries to react to globalisation[8]. According to Sandmo A. (2002), data do not confirm that globalisation generates more inequality in labour incomes, as not in every country we observe the same patterns. Another reason may be that globalisation effects take longer to manifest themselves.

Some data, however, show a general tendency to deregulate the labour market, for example reducing the tax burden on labour. The OECD tax wedge for the single average worker has declined since 2000. The tax burden trend is similar for the three household types; the lowest tax wedge is observed in 2009. For the average single worker, the tax wedge decreased from 37.4% in 2000 to 36.1% in 2018, after having reached its lowest level in 2009 at 35.5%. For the one-earner married couple on the average wage with two children, the tax wedge declined between 2000 and 2018, from 28.5% to 26.6% after having reached its lowest level of 25.7% in 2009. Finally, for the two-earner married couple on 167% of the average wage with two children, the tax wedge changed from 32.8% in 2000 to 30.8% in 2018, with the lowest rate being 30.4% in 2009 (Oecd.stat).

[7]The Cambridge Dictionary gives this definition of globalisation: *the development of closer economic, cultural, and political relations among all the countries of the world as a result of travel and communication becoming easy. Cambridge Dictionary.*

[8]Meant more broadly as: a) increase in the world volume of transactions; b) higher mobility of capital; c) information technology revolution.

Concluding, the economic literature findings produce different hypothesis concerning the effect of globalisation, but most of them underline the importance of the country specific characteristics in determining the reaction of institutions to the new globalised world trade.

Section 2

2.1 The evolution of labour market institutions in Europe

A number of documents by the European Commission (2013)[9] suggest that countries transform labour market institutions by simplifying legislation and providing flexible working contracts in order to enhance employment and economic growth and face world competition. However, despite the creation of the European Union and the attempt of Eurocrats to make European area as uniform as possible, Member States still show differences in their institutional contexts and in particular in labour market institutions. Therefore, probably not every Member State needs to deregulate labour market or not in the same way; it would be better to tailor policies on the country specific context.

To draw a synthetic picture of traditional labour markets characteristics in Europe, four groups of countries may be distinguished: Anglo-Saxon, Continental, Scandinavian and Mediterranean.

Anglo-Saxon countries are historically liberal and characterised by relatively deregulated labour market and less restrained dismissal rules, beyond the pressure of globalisation, compared to the other European countries. Moreover, Trade Unions are less powerful in wage bargaining and the Beveridge model of social security and assistance matches better (than Bismarckian one) a free-market economy[10]. On the other hand, Scandinavian countries are characterised by a more centralised wage bargaining and attempt to combine flexibility with social security (flexicurity). The continental countries have established a more strict regulation of labour market: for example dismissals are more constrained and wage bargaining comes from a compromise among various stakeholders. Moreover, the degree of social protection is relatively high, primarily with respect to employed people (Bismarck model). For example, the German labour market is still rather rigid, but the effects typically associated with such rigidity by the mainstream literature have not taken place. Actually, the German system balances rigidity and flexibility in a so particular way that it would be hard to apply it to other countries. Actually, German economy shows a very good economic performance therefore it probably does not need to change labour market rules. Finally, in the Mediterranean countries employment protection is quite high but the social security system is less effective (Westerhuis, Gerarda and Magnus Henrekson, 2016)[11].

Given the above described historical institutional characteristics of European labour markets, our aim is to highlight their evolution, from 1990, when the trade market integration started to grow dramatically, to 2018. Actually, from the mid-nineties, the major European countries started to implement reforms which show a common denominator: deregulating labour markets generally deemed too rigid and founded on Trade Union's power to set wages and provide worker protection. Probably, these reforms have been the result of "mainstream orthodox economic beliefs" pervading European space and international organizations (OECD, FMI, WORLD BANK…). Deregulation policies increased especially after 2008 financial crisis: European

[9] For example: European Commission (2013), Entrepreneurship 2020 Action Plan: Reigniting the entrepreneurial spirit in Europe. Brussels: Commission of the European Communities.

[10] Data on trade union density rate and bargaining coverage are (the number of employees union members times 100 as a ratio to the total number of employees) are provided by ILO: ILO industrial relations.

[11] Westerhuis, Gerarda and Magnus Henrekson (2016).

Commission (2016)[12] estimated that, between 2008 and 2016, a number of countries have approved deep reforms of the job protection regulation (working time, wage setting) with a view to reduce its overall strictness. In addition, a slight majority of post-crisis measures attempted to remove the rigidities of permanent contracts and collective dismissal rules; as a consequence, an increasing trend in the number of temporary contracts is observed in most countries. The general idea is that relaxing hiring-firing rules favours domestic and foreign investments and fosters employment. Actually, the institutional framework which affects the labour market is not only related to the hiring-firing rules, but also for example to the judicial system effectiveness, the level of red-tape and the general functioning of the Public Administration. Moreover, not surprisingly, Solow M. R. (1990) defined labour market as a "social" institution since it is deeply influenced by the institutional context[13].

Tab. 1-4 show some important features of the labour market regulation in nine European countries. First of all, as we have underlined above, we may observe a certain degree of heterogeneity: Denmark exhibits the relatively maximum level of flexibility, while France the relatively minimum one. The fixed-term contracts for permanent employees are prohibited only in France and Spain and there are no temporal limit to them in Austria, Belgium, Denmark, Germany and United Kingdom. The maximum length of the fixed-term contracts is 48 months in Spain, followed by 36 months in Italy, 24 in Netherland and 18 months in France. All the selected countries have a minimum wage, except for Denmark, and allow dismissals due to redundancy. However, Austria, Germany, Italy, Netherland and Spain require a notification to a government agency in the case of dismissals. All the selected countries' regulation, except for Denmark, requires a "notice period" to communicate dismissals for redundancy: on average the highest timespan is established in Belgium, while the shortest one in Austria. The average working hours per week range from 6.6 in Italy to 8 in Austria, Germany, Spain, Netherland and United Kingdom. Finally, some countries' legislation (Austria, Belgium and France) provides restriction to the night work (World Bank, Doing business 2019).

Tab. 1-4 show data for six European countries, however, in order to understand the extent and the reasons of the institutional change in labour market, we are going to focus on four European countries: Denmark, France, Germany, and Italy, selected as examples of the institutional clusters previously described: Continental, Scandinavian and Mediterranean. We have not included in the analysis an Anglo-Saxon country since they are traditionally oriented to the free-market rules, beyond the changes imposed by globalisation.

The institutional change in these countries started in the nineties and it is still under way, to some extent. Over this period, we may observe both a reduction of social assistance and social security for labour (for example, the reduction of unemployment benefits in various forms) and a change of the labour market institutional framework, concerning namely: working-hours, temporary contracts, dismissals rules and workfare policies. The theoretical reasons are manifold and not only related to globalisation. First, in countries where the social assistance system was well structured some negative effects were observed, such as the poverty trap and the disincentive to work which brought about a change of direction towards workfare programs. On the other hand, economic crisis has reduced the amount of available public resources for social assistance. Probably, the economic crisis sharpened the negative effects of welfare failures while globalisation pushed governments threatened by capital flight to adjust labour market regulation in a way more favourable to capital, providing flexibility and appealing tax designs.

[12] European Commission (2016), Labour Market and Wage Developments in Europe, Annual Review, Directorate-General for Employment, Social Affairs and Inclusion, Directorate A.

[13] Solow, Robert M. (1990), *The Labor Market As a Social Institution* (The Royer Lectures), October, Blackwell Pub.

2.1.1 Deregulation in Denmark

In the 1960s, in Denmark, the regulation of labour market became an autonomous policy field. It was founded upon "education and training programs" for both unskilled and skilled workers and a generous unemployment benefit. It was not difficult to realise these programs due to the positive economic cycle but from the 1970s to the 1990s, the economic picture changed and the percentage of unemployed people started to rise slightly. Nevertheless, Danish government did not opt for dismantling completely its welfare state system, even in presence of a growing public expenditure; rather it attempted – thanks to the strong trade unions too – to balance labour market flexibility against protection for workers (Lindvall 2010)[14]. The "flexicurity" model implemented by the Danish government during the nineties received a lot of attention by the economic literature, as it balanced the exogenous increasing demand for liberalisation and the Danish Social Security tradition. Indeed, it has three main characteristics[15]:

1) A relatively constrained job security;
2) A relatively generous welfare state, providing relatively high unemployment benefits;
3) Effective active labour policies.

In addition, the Danish Model envisages collaboration between State and companies to reduce the mismatch between the supply and demand for labour.

In 1994, the "Labour Market Reform Act" introduced some changes in the labour market regulation, focused on unemployment benefits and compulsory labour activation. In other words, unemployment welfare system continued to provide high-level benefits but the timespan of insurance was shortened and unemployed people were compulsorily asked to accept jobs supplied through the "individual action plans". However, attention was still paid to the skills of the unemployed people. In 2003, a new labour market reform was introduced with less emphasis on training and more on regulation and workfare policies. The new scheme obliged unemployed people to accept even low-cost and low-quality jobs if they wanted to preserve their right to receive benefits (Larsen 2004)[16]. In addition, they were entitled to unemployment benefits if they had worked for at least 12 months (before this reform, 6.5 months were enough). From the early 1990s to the end of the 2000s, the timespan of these benefits was reduced from four years to six or nine months, after which only social assistance is available. However, the social assistance scheme is means-tested and the monetary amount granted depends on some personal characteristics such as age and marital status. Finally, the participation in active labour measures does not allow anymore receiving an increased amount of benefit, as the compensation rate is equal to a maximum of 90 percent of the last wage (Berglund et al., 2010)[17].

A new reform of the Danish "flexi-job" system came into force on the 1st of January 2013. The flexi-job scheme was made more inclusive and targeted at people with very limited working capacity. Subsidies were restructured and new flexi-jobs were created which required to work few hours a week and allowed people with a limited work capacity, including disabled people, to enter in the labour market.

As far as hiring and firing rules are concerned, in Denmark the basic distinction is between blue-collar and white collar workers. Collective agreements establish the dismissal rules for blue-collars. In addition, the dismissal period is linked to the duration of the engagement: a short-

[14]Lindvall, J. (2010), *Mass Unemployment and the State*, Oxford: Oxford University Press.

[15]The Labour Market Reform Act, in 1994, establishing flexicurity arrangements, was deemed to be the main cause of the reduction of unemployment from 11% in 1993 to 3.4 percent in 2008 (Larsen 2004).

[16]Larsen, F. (2004), The Importance of Institutional Regimes for Active Labour Market Policies - The Case of Denmark, *European Journal of Social Security* 6(2): 137-153.

[17]Berglund, T. et al. (2010), Labour Market Mobility in Nordic Welfare States, *TemaNord* 2010:515, Copenhagen: Nordic Council of Ministers.

engagement does not require a period of dismissal, while longer-ones do. In general, if workers have been employed for at least two weeks within the last four weeks, the employer pays the unemployment benefit for the first three days, but this is the only formal termination pay. Employers do not have to notify or get an approval from a third party if they dismiss one to nine employees, there are no obligations, for example to retrain or reassign redundant employees[18].

The discussion about the Danish flexicurity model (but also about the Dutch one) has been quite intensive. According to a part of the economic literature, it contributed to reduce unemployment before the economic and financial crisis burst in 2008. The only aspect of the flexicurity model which has actually changed after the 2008 crisis is the social dimension, as described above. After the 2010 reform[19] implemented by the liberal-conservative government, Denmark lost its first place in Europe as the country with the longest unemployment insurance period and the easiest eligibility criteria. This highlights the partial failure of the flexicurity model in protecting people during a deep crisis and also a tendency of European Union towards a general social dumping (Bekker S. & Mailand M., 2018)[20]. But, on the other hand, the flexicurity model has smoothed the crisis effects on the labour market, as compared to the other European countries.

From a strictly technical point of view, while the employment protection regulation produces a dichotomy in the labour market between insiders and outsiders, unemployment assistance (as well as any poverty monetary measure) may bring about the "poverty trap" and the "disincentive to work". In addition, the means-tested social assistance is not universal; therefore it benefits only targeted groups. Against this background, active labour market policies can be used to counteract these general negative side effects: attempting to include unemployed in up-skilling programs it may reduce the risks of being an outsider as well as the "poverty trap" and the "disincentive to work" (Andersen and Svarer, 2014)[21].

2.1.2 Deregulation in France

The reforms of labour market implemented in France after the crisis deals with collective dismissal regulations, procedural requirements, permanent contracts and temporary work. Nicolas Sarkozy's government, in 2007, restructured the working week allowing companies to overcome the weekly 35-hour limit imposed by the previous legislation. In addition, it attempted to minimise "welfare dependency" by increasing incentives to work and promoting job quality through vocational

[18] Doing Business studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. Doing Business 2019 presents the data for the employing worker indicator in the Doing Business website. The report does not present rankings of economies on these indicators or include this indicator set in the aggregate distance to frontier score or ranking on the ease of doing business. The data on employing workers are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy. Available at: http://www.doingbusiness.org/en/data/exploretopics/employing-workers.

[19] The reform was partially reviewed in 2015 and 2017, under liberal and social-democratic parties, but was not changed in its fundamental structure.

[20] Bekker S. & Mailand M. (2018), The European flexicurity concept and the Dutch and Danish flexicurity models: How have they managed the Great Recession?, *Social Policy & Administration*, vol. 53, issue 1, September.

[21] *Torben M. Andersen* and *Michael Svarer* (2014), The Role of Workfare in Striking a Balance between Incentives and Insurance in the Labour Market, *Economica* vol. 81, issue 321, 86-116.

training (Milner 2012; Levy 2016). In other words, French government started a revision of the labour market regulation in order to reach a higher flexibility[22]. The two main provisions were:

1. The "*rupture conventionnelle*" (breach of contract), according to which the employer and the employee can agree on the conditions of the breach of the employment contract (art. L. 1237-11 of French labour code). This breach is formalised by an agreement signed by the two parties involved[23] and it has to be authorised by the Ministry of Labour. After this authorisation, which is a guarantee for workers, the employee receives one-fifth of his monthly pay per year of work.
2. The "probation period", which was lengthened for permanent employment contracts (for professional and managerial staff, it lasts three and four months; while for manual and clerical workers between 1 and 2 months).

In addition, in 2009, the government created a simplified procedure to acquire the self-employed status (*auto-entrepreneur)*, slowing down bureaucratic constraints and abolishing taxes to be paid in advance. As a consequence, the number of self-employed increased after the crisis (OECD, 2015)[24].

Under the Francois Hollande's government, in 2013, the Law for labour security was approved (*Loi portant sur la sécurisation de l'emploi*). This law was slightly misleading as, from one hand, it introduced some job security provisions, such as the "social plan" that a company (with more than 50 employees) should have realized if it had fired more than ten employees. From the other hand, it introduced some dismissal arrangements involving the maximum period fixed to contest a dismissal: it was shortened from 12 to 3 months.

Finally, the Agreement to maintain the level of employment (*Accord de maintien de l'emploi*) allowed companies facing a negative economic cycle to discuss with trade unions possible two-year adjustments of wages and working time, in order to support the company's recovery. As a result, if the worker refuses the new wage/working hour arrangements the company may fire him.

Therefore, in France, after 2008 crisis, important deregulatory reforms were implemented (DARES, 2012)[25]. The process towards a more flexible labour market continued in the following years. In 2009, a long-term short-time working scheme was introduced and in 2012 the National Collective Bargaining Agreement (*Accord inter-sectoriel national*) allowed companies to use short-time working more easily. In addition, the Generational contract (*Contrat de g*énération - Loi n. 2013/185, March 2013) established the possibility to hire a young worker between 16 and 25 and substitute him with an older one, above 57 years old.

Nevertheless, to mitigate the higher flexibility introduced by law in the labour market some unemployment benefit was established. For example, in 2010, the duration of the unemployment benefits close to the deadline was extended. In addition, the French government provided subsidies to employers hiring young low-skilled unemployed (*Emplois d'avenir and Contrat Initiative Emploi* – CIE) as well as training schemes or tax allowances - such as the exemption from payroll taxes - for small firms which hire workers and pay them a wage equal to 1.6 times the minimum wage (SMIC)[26]. There were also attempts to improve the regulation of non-standard work.

[22]For further details see: LOI n° 2008-596 du 25 juin 2008 portant modernisation du marché du travail.

[23]As from the signature of such agreement, each party may exercise the right of withdrawal within 15 days. At the end of the 15 days, the diligent party must send a demand of certification to the administrative authority, with a copy of the breach agreement. The validity of the agreement is subordinated to this certification: any dispute concerning the agreement has to be discussed in the Labour Court.

[24]OECD (2015), OECD economic survey - France, Paris, OECD.

[25]Dares (Direction de l'Animation de la Recherche, des Etudes et des Statistiques) (2012), Le recours au chômage partiel entre 2007, ET 2010, n. 004.

[26]Piasna A. and Myant M. (2017), *Myths of employment deregulation: how it neither creates jobs nor reduces labour market segmentation*, Editor: ETUI, Brussels.

Temporary work, including fixed-term contracts and temporary work provided by the labour agencies, had been the focus of the previous labour market reforms. In 2013, the Hollande government attempted to avoid strategical firm's behaviour by regulations preventing the employment of interns (specializzando/tirocinante) in place of permanent workers and improving the system of contributions to insurance funds for temporary workers. In 2014, the government further worked to ameliorate provisions for part-time workers: the minimum legal pay for interns and the minimum statutory hours for part-time work were increased.
Nevertheless, temporary jobs continued to grow, as we are going to show in Section 3.

2.1.3 Deregulation in Germany

Before discussing the main measures of deregulation in Germany from the '90s to the Hartz IV reform, it is necessary to describe the peculiar German labour legislation.
As far as industrial relations are concerned, the specific characteristic is complexity, as different stakeholders at different levels are involved in the bargaining process. The main legal binding provision is given by the sectorial agreements among Unions and Employers' Associations which are commonly set at regional level. The other particularity – compared to other European States - is the presence of "works councils" (Rogers and Streeck, 1995). Work councils are representative institutions set up in firms with at least 5 employees; their members are elected for a 4-year term of office and are protected against dismissal. They represent all the workers and have three rights:
1. To be informed about the economic performance and profits of the company (consultation and codetermination).
2. To be consulted on many financial issues;
3. To make compulsory opinions on social matters (such as working rules, working hours, holiday or the introduction of specific technologies in the production process).

In firms of more than 200 employees, work councils elect a supervisory body, the Board of Directors, made of shareholders (which usually have the majority) and representatives of workers. This body elects the "Management Board" composed by managers and representatives of workers and deals with any issues related to the management of the company. As far as dismissal procedures are concerned, work councils may be consulted and express an opinion on the fairness and opportunity of dismissals. Before market deregulation (the Hartz IV reform), an individual dismissal required a notice of at least 4 weeks, while collective dismissals were effective after a long period of bargaining. In any case, employers were obliged to explore all possible alternatives to avoid it. The state has no role in the industrial relations and cannot influence wage bargain. Actually, Trade Unions have not a significant number of enrolled members, while employers are well organized in associations: nevertheless, the coverage rate of the collective agreements is quite high.
Before the Hartz reforms, the first change in labour market regulation was made in 1985 and concerned the dismissal protection rules (Employment Promotion Act). This law relaxed the previous constraints on the fixed-term contracts: no legal conditions applied anymore to these contracts up to eighteen months. Even if the new provision was said to last just few years, it was actually postponed until January 1996, when the maximum period for the fixed-term contracts was extended up to twenty-four months, renewable up to three times in a two-year period. In addition, the dismissal protection for permanent workers hired in small firms up to 5 employees was repealed.

In addition, in 1994, placement agencies - representing a public monopoly - were privatised while in 1995, the *Bundestag* reduced the sickness benefits, from 100 to 80 percent of income. After a strong debate with Trade Unions, finally the sickness benefit was partially abolished for 20 percent of employees and then completely abolished.

Actually, during the '90s, German government had to face a very big challenge: the unification between the East and the West areas, after the fall of the Berlin wall. From an economic point of view the main issues were related to the currency union between the East and West mark, the wage adjustment and the privatisation programs for the public East-German firms. These measures shook the East-Germany industrial system. In particular, the difficulty to harmonise the level of wages paved the way to the application of the "opening clauses", namely the possibility to avoid regional collective agreements during an economic recession. At the beginning it was implemented only in the East-Germany, then from February 1997 also in the West-Germany.

During the Gerhard Schröder's government, the reforms of the labour market came to be a priority in the government agenda, since the fiscal burden of the unemployment and social insurance was no more sustainable. Against this background, a commission chaired by Peter Hartz was appointed to set up a plan of reforms, which were implemented between 2002 and 2005[27].

The first and the second part of the Hartz's reform were approved in 2002 and came into force in 2003. The first provided a reorganization of the Personnel Service Agencies, the enhancement of the vocational training by the German Federal Labour Agency and a wide liberalization of temporary-work programs. The second provided subsidies for one-person firms, extended layoff rules to firms up to 10 employees (dismissal rules had already been extended in 1996) and introduced mini-jobs and midi-jobs. The third part, approved in 2003 and come into force in 2004, restructured the Federal Employment Agency: from an office made by three boards it became a more hierarchical structure. However, among the measures implemented, the introduction of mini and midi-jobs was the real innovation. A mini-job is a new contractual form for low-paid jobs which are usually fixed-term but can also be permanent. The yearly wage cannot exceed 5400€ with all rewards included and the maximum weekly working hours are 15. This particular form of labour relationship is exempted from most social security taxes: the total burden for the employer is about 30%. There are three types of mini-jobs: services for private households (usually house cleaning and domestic assistance); services for firms; temporary work (often considered as a special case of mini-job for firms). Mini-jobs usually involve very low-skilled employees or seasonal workers, especially in industries such as agriculture, restoration and tourism[28]. Moreover, the midi-jobs cover the monthly wage between 450€ and 850€. They also benefit from the tax wedge exemption but are less favourable compared to mini-jobs, for example the tax-rate is progressive.

The most famous part of the "Hartz IV" reform was implemented in 2005 and aimed at unifying the unemployment and social assistance system and creating a one-stop local job centre[29]. Before 2005, the system supplied a short-term unemployment benefit and long-term unemployment assistance (*Sozialhilfe*). After the "Hartz IV", people able to work have to join a unified system in

[27]Tõnurist P. and Pavlopoulos D. (2014), Part-Time Wage-Gap in Germany: Evidence across the Wage Distribution (AMCIS working paper series; No. 2014/2), Amsterdam: Amsterdam Centre for Inequality Studies (AMCIS).

[28]Mini-jobs are quite spread in Germany: from the adoption in 2006 to 2013 the number of workers who live with mini-jobs remained constant, about 4.9 million people. The real increase emerged among permanent workers who chose mini-jobs for their wages: in 2013 they were 2.7 million people (Caliendoa and Wrohlichb, 2010).

[29]Until 2005, the short-term unemployment benefit was equal to 66% of the last income. Then, for workers not eligible for the unemployment benefit or whose unemployment benefit had expired, there was a sort of unemployment assistance which was equal to 50% of the last income. The insurance system was governed by the German Labour Agency (*Bundesagentur für Arbeit* – BA) and is equally financed by employers and employee.

order to preserve their unemployment or social assistance. The short-term unemployment benefit was renamed *Arbeitslosengeld I* and its requirements were restricted to only 12 months or more exceptionally relaxed for older people. The new unified long-term benefit, called technically *Arbeitslosengeld II* decreased to the lowest level of the former social assistance.
Compared to the previous schemes, workforce joining "Hartz IV" are compelled to improve their job position, in other words unemployed have to accept any job offer, if this does not violate the basic rights of freedom of movement, family unity and human dignity[30].

2.1.4 Deregulation in Italy

The liberalization process started in Italy in the early 90s with the introduction of new laws dealing with the collective firing and the abolishment of the automatic adjustment of wages to inflation (*scala mobile*). In 1993, a new collective bargaining scheme was introduced concerning inflation (at national level) and productivity adjusted-wages (at firm/regional level). The first significant deregulation rules were included in the law 196/1997 (*Pacchetto Treu),* since then labour market regulation has become more and more flexible. It established "apprenticeship" and new temporary contracts which before 1997 were strictly constrained by the Italian labour legislation. In addition, it reformed the "Socially Useful Jobs" (*Lavori Socialmente Utili* – LSU) which were a sort of temporary jobs created in 1993 to absorb workers fired by the medium and big firms. In particular, the Legislative Decree N. 468/1997, an appendix of the "Treu reform", established a definitive regulation for these temporary schemes: it extended the LSU to the long-term unemployed and provided a more specific description of the economic sectors which they could be employed in (for example, personal and environmental care, protection of cultural and agricultural heritage). Finally, before 1997, labour market and more specifically the match between the demand and supply for labour was managed exclusively by the state. Then the Law N. 196/1997 introduced the Private Labour Agencies which had the task to match the demand and supply for labour.
In 1998, the "Social Pact", an agreement among State, Trade Unions and Employers' Associations focused mainly on: the tax wedge design, the incentives for the firms located in the South of Italy and the concertation mechanisms. The Social Pact aimed at enhancing economic growth by reducing labour cost, providing subsidies to the firms located in the Sought of Italy, reformulating the main tasks of social bargaining and introducing new stakeholders previously excluded.
Following the deregulation trend started in Italy in the nineties, the Law 30/2003 ("Biagi Law") substituted the previous standard temporary contract "*Contratto di collaborazione coordinata e continuative*" (co.co.co) with a new one, the "*Contratto a progetto*" (co.co.pro). This temporary contract does not fall in the category of self-employed but creates a new job position in-between independent and dependent work (*Parasubordinato*), as it includes the typical dependent workers' guarantees[31]. The Law 30/2003 was greatly contested by Trade Unions and workers since it liberalised the labour market and reduced the labour protection in favour of employers. Its final aim was to shrink legal disputes between employers and employees and to foster employment but it has failed in reaching it for many reasons, among which: institutional gaps such as, for example, red-tape, rent-seeking, corruption, black economy, absence of meritocracy, low levels of investments in human capital, together with the structure of Italian economic system, which is based on exportation and as a consequence it is relatively more dependent upon international economic cycle.

[30]Piasna A. and Myant M. (2017), cfr n. 23.

[31]It was later abolished by 2012 and 2013 labour market reforms.

To conclude the before-crisis period, the Legislative Decree N. *66/2003* which enforced the European Directive 93/104/CE established that the total weekly amount of work hours had to be 40 and not more than 48, including overtime. It allowed overcoming the legal amount of working hours if the local public administration was informed. The working schedule is usually regulated by collective agreements and often also at firm level, but overtime remains strongly flexible and is widely used to manage internal organization.
After the first deregulation era, the 2008 crisis affected sharply Italian economy which required further structural reforms, in order to meet medium-term European Union's budgetary objectives. In 2012, the law N. 92/2012 (*Legge Fornero*) reduced the protection against the dismissals regulated by the Law N. 300/1970 (art. 18) and completely changed the pension scheme (rising the age for old-age pensions).
Finally, the "Jobs Act"[32], similarly to the "Hartz" reform in Germany, represented the heaviest normative break. It abolished the art. 18 of the Law N. 300/1970[33] for all the workers hired onward. The principal aim of this reform was flexibility in the labour market: the use of atypical contractual arrangements has no more barriers and the bargaining process is decentralised. The "Jobs Act" deregulated the use of temporary-work and softened the firing rules concerning permanent work contracts (*Contratto a tutele crescenti)*. In Italy, the individual dismissals are now justified by three main reasons: 1. "fair cause" 2. "justified subjective reasons" 3. "Justified objective reasons". The first and second reasons concern severe breaches of the work contract, while the third applies if firm specific or general economic crisis occur as well as when the worker has no more the physical attributes necessary to fulfil his/her task. Introducing the possibility to fire workers for redundancy actually is a way to completely deregulate labour market, even if for collective dismissals the procedure requires to bargain with the Local Trade Unions. The main characteristic of the Italian labour market is that atypical contracts are more widespread than in any other EU country, but social protection is not comprehensive and effective.

Section 3

3.1 Analysis of labour market data

After the description of labour market institutional evolution, in this section, first of all, we show some data on the economic performance of the selected countries; second, we exhibit data concerning temporary jobs and attempt to analyse the effect of the regulation changes over nineties and two thousand.

[32]The "Jobs Act" includes:
Law n. 183/2014;
Legislative Decree n. 22/2015;
Legislative Decree n. 23/2015;
Legislative Decree n. 80/2015;
Legislative Decree n. 81/2015;
Legislative Decree n. 148/2015;
Legislative Decree n. 149/2015;
Legislative Decree n. 150/2015.

[33]The art. 18 of the Law N. 300/1970 established a special protection for workers hired by means of an open-ended contract by a company with more than 15 employees and then dismissed apparently for any fair cause or justified reason. The worker had the right:

- ✓ To re-obtain his/her job, in the same (or equivalent) position he had before being dismissed;
- ✓ To be paid wages and payroll taxes accrued during the period of dismissal, by way of damages (it cannot be less than 5 monthly gross salary instalments). The employee, after the judgement (should the termination be considered unfair), would be entitled to choose, instead of being reinstated, to be paid additional 15 monthly instalments.

From 1995 to 2008, the per capita GDP exhibits an increasing trend for all the selected countries; then the effect of 2008 crisis is evident. Before the crisis, Denmark shows the highest per capita GDP, while Italy shows the lowest one. All the selected countries' per capita GDP is above the EU-28 average, but the Italian one has fallen under the EU-28 average in 2013, after a deep recession lasted from 2008 to 2015 (Graph 1). In addition, Italy has experienced a long period of public expenditure cuts due to the high public debt and the subscription of EU fiscal consolidation rules.

The level of employment as a percentage of the total population is higher in Denmark and Germany, while France and Italy lag behind (Tab. 5). However, Denmark registers a very high rate of employment, above the EU average, during the two thousands, against the other selected countries, except for Germany which converges to the rate of Denmark over time and show a steady growth of the employment rate. Therefore, a cross-country comparison has to pay attention to how much different is the economic situation of each country. Even if Denmark is partially hit by the 2008 crisis, given the positive performance of his labour market, it cannot be compared to Italy whose labour market shows a negative performance all over the period examined and not only after the 2008 crisis[34].

During the nineties, temporary jobs as a percentage of total employees for people aged 20-64 show an increasing trend in France, Germany and Italy; on the contrary, the trend is decreasing in Denmark (Graph 2). In 2016 the statistical method to gather information was changed in Denmark, provoking an evident break in series[35]. During the 2000s, the percentage of temporary jobs continues to diminish in Denmark up to 2008, and then from 2008 to 2015 it is quite stable. In Germany, it is quite stable from 2000 to 2004, increases from 2004 to 2010 (after the "Hartz IV" reform) and decreases from 2011 to 2018. In France, the percentage of temporary jobs diminishes from 2000 to 2004, while it increases from 2004 to 2017. Finally, in Italy it is quite stable from 2000 to 2003, then it grows consistently from 2004 to 2018 (Graph 2).

The first general consideration is that temporary jobs increase in all the selected countries, during the "deregulation era" described in the previous sections, even if the economic contexts and the policy approaches are very different among them.

The second general reflection is that in Denmark, where the labour market is the most flexible one compared to the others, the number of temporary jobs as a ratio of employees is the lowest one on average. Actually, in Denmark, being the rate of employment quite high and economic general performance relatively good, temporary jobs are not used as a substitute of the permanent work.

Therefore, the general first result might be that deregulation – up to a certain level - brings about a higher utilisation of atypical and temporary work contracts (in absolute term) whatever the economic and political context are, but a complete deregulation makes the massive use of temporary contracts useless.

The effect of the reforms introduced in the nineties with a view to make labour market more flexible is evident: all the selected countries experienced an upturn of the percentage of temporary jobs, except for Denmark.

The increase is extraordinarily high in Italy. It might depend upon the low rate of employment, which strengthens the power of "insiders" against "outsiders", as well as firms and companies'

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[34]The source of data is Eurostat, which defines: *those employees with a limited duration job/contract whose the main job will terminate either after a period fixed in advance, or after a period not known in advance, but nevertheless defined by objective criteria, such as the completion of an assignment or the period of absence of an employee temporarily replaced. The concept of fixed-term contract is only applicable to employees, not to self-employed. In most of the EU Member States, a majority of jobs are based on written labour contracts. In some countries, however, contracts of this type are settled only in specific cases e.g. for public-sector jobs, apprentices or other trainees within an enterprise.*

[35]Danish National Institute of Statistics

strategic behaviour due to the fiscal allowances granted to them if they hire unemployed people. In addition, it may depend upon the low GDP growth rate and the high public debt which – in the EU picture - hampers the expansion of public and private investments in Italy.
Some more insights on the reasons why people work temporarily are provided by Graphs 3-6. Unfortunately, data for EU-28, Germany and France are not available for the nineties. Both before and after the crisis, on average, more than 57% of temporary workers could not find a permanent job in the 28 Members States of the European Union. This percentage remains quite stable for France (57% in 2018) but it is increasing for Italy, reaching the value of 81% in 2018. Instead, it is very much lower for Germany[36] and Denmark. Therefore, we have a first important insight: the majority of temporary workers have to accept a temporary job in France and especially in Italy as they cannot find a permanent job (Tab. 6). On the contrary, in Denmark and Germany a high percentage of temporary workers are in education and training or in a probationary period (48% in Germany; 33.2% in Denmark). Interesting is the percentage of people not willing a permanent work, in 2018, in Denmark (29.7%) and France (22.4%).
Using this data we may draw a picture of the typical temporary worker in the selected countries (meant as more common). First of all, it is interesting to notice that all the selected countries deregulated the labour market, even if at a different degree, nevertheless the number of temporary workers is not positively correlated to the level of deregulation. The most deregulated country, Denmark, registers the lowest number of temporary workers in the 2000s (Graph 2). In addition 62.9% of temporary workers fall in the category of education and training, probationary period or they prefer not working, in Denmark. On the contrary, Italy since the beginning of 2000s, thus before the crisis, has been experiencing an increase of temporary workers not able to find a job. Synthesising, the deregulation reforms introduced in the 90s produced a growth of temporary jobs, in France, Germany and Italy, but not in Denmark. In the second half of 2000s in Germany this growth slowed down and recently has diminished, while in Italy and France it is stronger than expected. Finally, after the financial and economic crisis, the percentage of temporary workers who could not find a permanent job is decreasing in Germany and Denmark, stable in France and increasing in Italy (Table 6). Probably, a lot of contextual variables have a key role.
Economic theory unambiguously predicts that a flexible labour market should be associated with a higher employment rate. Nevertheless, some evidence suggests that the deregulation of labour market does not cause a growth of employment but rather a higher incidence of temporary jobs and in addition slows the transition from temporary to permanent jobs (Festa, 2015; OECD, 2018).
Actually, in Denmark the employment rate is slightly decreased, while the number of temporary jobs is slightly increased, but not at a significant level. As expected, a high deregulated labour market results in a lower number of temporary jobs, compared to other countries, but not necessarily show a rate of employment improvement.
Some evidence points out that the high-skilled workers should prefer jobs providing a career perspective and high compensations, but above all they have a higher bargaining power than low skilled ones and have a propensity to accept non-standard employment contracts only temporarily (Schmid G. & Wagner J., 2017). On the contrary, the low-skilled workers find it difficult to bargain effectively on an individual basis. In addition, gender and age are important. Schmid G. & Wagner J. (2017) found that young people in temporary (fixed-term) work are overrepresented even in countries without apprenticeship schemes. OECD (2019) supports the idea that the risk of low pays for young people, women and low-skilled is increasing in lots of countries, among which we may find Denmark, France, Germany and Italy.
Deregulation may be articulated in various way in term of institutional arrangements, and the win-win model seems to be the Danish one, combining deregulation with effective labour market

[36]It is important to underline that the percentage of non-respondents is very high for Germany and equal to 32.6% in 2018.

policies and a strong welfare state. Actually, a barrier for the labour activation measures is the lack of public resources. However, it is not only important how much a country spends but also how it employs public resources. By data showed in Graphs 7-9, we may draw a picture of countries' preferences about public expenditure on labour market policies (as a percentage of GDP). Denmark and France prefer to focus public resources on activation measures, unemployment and early-retired assistance, while Germany chooses to focus its public expenditure on services for jobseekers rather than on income maintenance. Italy ranks last in the field of labour activation measures and services, even if some unemployment and early-retirement assistance is provided[37].
A further deregulation policy very debated is the reduction of the tax wedge which should have a positive impact on employment and productivity. As far as productivity is concerned the literature is not so huge, while there are lots of studies focused on the effect of the tax wedge reduction on employment. However, the findings are often in contrast and it is difficult to extract some robust insights from empirical investigation (Festa, 2015). Probably, labour taxation effects depend upon country-specific characteristics and it is not possible to formulate a general theory. For example, Daveri and Tabellini (2000) attempt to take into account cross country heterogeneity, clustering countries by the density of trade union and the degree of the centralisation of wage setting. The results are interesting as they show that labour taxation affects unemployment only in "Continental Europe", where Trade Unions have a significant bargaining power but are decentralised. In addition, a highly centralisation and active labour market programs seem to have a positive impact on employment (Bassanini and Duval, 2006).
Tax wedges as a percentage of labour cost exhibit a decreasing trend in all the selected countries (Graph 10); according to the economic theory this should have brought about some improvements in their labour markets. In Denmark we observe the lowest tax wedge over the period examined, confirming the picture of a strong deregulated country. However, Germany, France and Italy converge to the same level of tax wedge after the crisis; nevertheless the performance of their labour markets is quite dissimilar.

3.2 Policy suggestions

The first consideration we can make with regard the question we attempt to answer in this paper is that globalisation has affected more the regulation of labour market, since reforms to reach a higher flexibility in the labour markets have started to be implemented during the nineties, at least in Europe.
Instead, the 2008 economic and financial crisis seems to have influenced more the welfare state system.
Among the selected countries Denmark and Germany show a better economic and employment performance than France and Italy. However, they adopt quite different deregulation arrangements and their institutional contexts are rather dissimilar, in particular those concerning the labour market. Actually, for both Germany and Denmark, not only labour market reforms but rather the interplay of the domestic economic performance, the world macroeconomic picture and the public choices probably have had a key role.

[37]Expenditure on labour market policies (LMP) is limited to public interventions which are explicitly targeted at groups of persons with difficulties in the labour market: the unemployed, the employed at risk of involuntary job loss and inactive persons who would like to enter the labour market. Total expenditure is broken down into LMP services (category 1), which covers the costs of the public employment service (PES) together with any other publicly funded services for jobseekers; LMP measures (categories 2-7), which covers activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives; and LMP supports (categories 8-9), which covers out-of-work income maintenance and support (mostly unemployment benefits) and early retirement benefits.

The literature has widely analysed both the German and the Danish models. The quite unanimous lessons which have been underlined are:

- ✓ Any reform may have a different impact according to the institutional context;
- ✓ It is not easy to investigate the causal relation among all the possible variables at stake;
- ✓ A deep analysis of each particular environment based on available data is necessary to design policy and make it effective.

Indeed, the German labour market improvement had already started before the "Hartz reform" (namely the increase of the employment rate), therefore probably Germany's economic recovery from 2004 is mainly due to: the quick adaptation of German companies to an increasingly globalised economy; the wage control; the flexibility of the German Unions and the local works councils since the mid-1990s, which have aimed at increasing employment rather than wages; and, above all, the emerging market economies, which have increased the demand for German goods. Germany has successfully met the challenges of the reunification, the globalisation and the European monetary union. Given the relatively high employment rate, the fiscal surpluses and the high living standard, it is considered – at least in Europe - as a successful model which every European country should emulate. However, in Germany the economic impact of the implemented reforms of the labour market was modest and quite controversial. The German business adaptation ability and the expansion in the emerging markets contributed to a greater extent. The overall domestic and international circumstances in which German government acted should be analysed, before deriving a successful model simply from the "Hartz" reforms.

On the other hand, the Danish "flexicurity" model seems to have challenged the crisis for its particular characteristics: even if the employment rate slightly diminished, long-term unemployment did not increase severely and allowed young people to enter the labour market. In addition, wage dispersion has remained relatively low, over the analysed period. Actually, the Danish experience shows that the flexicurity model can tackle a negative cycle, remain flexible, and prevent persistent unemployment. The Danish model success is probably due to the effective combination of flexibility, social security and assistance and active labour policies for the most disadvantaged people such as elderly, young, and immigrants. On the other hand, the flexicurity model might be hampered by a consistent drop in the employment rate, which would bring about a fiscal unsustainability.

Keynes' theory tells us that labour markets should not be reformed when governments are on the way to consolidate public finances. In addition, the social dumping brought about by globalisation is very dangerous during an economic crisis. Automatic stabilisers such as unemployment insurances and social assistance may help to go through the negative cycle reducing the number of losers. Nevertheless, European Union acted just in the opposite direction, putting fiscal consolidation and flexibility as priorities against social expenditure, so that the weakest countries – in terms of economic resources and institutions[38] - have been severely hit by both globalisation and the economic crisis. Only countries which succeeded in striking the right policy balance thanks to their institutional context have been able to stay afloat in the last decades.

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[38]Observing the World Bank's dataset on the quality of institutions (*Voice and Accountability, political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption*) it is possible to verify that the quality of institutions in Denmark and Germany is higher than in France and Italy. In addition, Denmark shows to be one of the most effective institutional contexts in the world. This dataset is available at: https://info.worldbank.org/governance/wgi/index.aspx#home.

Conclusions

The analysis of the data showed in this paper, in the way the "Grounded theory" suggests, might drive to the conclusion that no unquestionable result has been reached. Actually, the selected countries implemented different deregulation approaches in reaction to globalisation and the 2008 crisis, which had different consequences on their labour markets according to their institutional contexts. But, from a diverse point of view, this unclear result is a theoretical result. The chaos theory is the study of apparently random or unpredictable behaviour in systems governed by deterministic laws. The traditional axiomatic approach used in the economic discipline, founded on the "methodological individualism and the hypothesis of linearity"[39], requires to derive consequences from the made assumptions, without questioning the assumptions on the basis of empirical observations. For example, in Brancaccio (2012) the negative correlation between labour demand and wages is debated: against traditional theory, he states that flexibility may push down wages and as a consequence the demand for labour, employment and production.
The traditional economic theory claimed that the supply and demand for labour may reach an equilibrium point thanks to wage adjustment. The flexibility of wages is possible in a flexible labour market; therefore the mainstream belief founded on the idea that a fall of wages reduces unemployment has survived for a long time. But, even some eminent exponent of traditional orthodoxy had to recognise that in the real world the income distribution is an exogenous variable (e.g. political and social) and there is not a clear link between the two sides of the economic system: the distribution and the production. In addition, the most evident consequence of flexibility in the labour market seems to be a reduction of labour contractual power rather than of unemployment (Brancaccio, 2018).
In other words, it is time to rethink economic modelling and test new approaches, in order to have a better explanation of the functioning of economic systems. Not surprisingly, heterodox theories are flourishing and rising to prominence.
In addition, it is probable that any phenomenon shows a contextual (not a general and homogenous) way to function: in the paper, for example, some insights are given about the different patterns of deregulation followed by the examined countries, linked to the country-specific historical, geographical and social framework.

[39] Gallegati (2018).

APPENDIX – Tables and Graphs

Tab. 1 - Hiring rule in some European countries

Country	Fixed-term contracts prohibited for permanent tasks?	Maximum length of a single fixed-term contract (months)	Maximum length of fixed-term contracts, including renewals (months)	Minimum wage applicable to the worker assumed in the case study (US$/month)	Ratio of minimum wage to value added per worker	Maximum length of probationary period (months)
Austria	No	No limit	No limit	1620.9	0.3	1.0
Belgium	No	No limit	No limit	2186.7	0.4	0.0
Denmark	No	No limit	No limit	0.0	0.0	3.0
France	Yes	18.0	18.0	1694.6	0.3	2.0
Germany	No	No limit	No limit	1654.6	0.3	6.0
Italy	No	36.0	36.0	1898.4	0.5	2.0
Spain	Yes	36.0	48.0	974.6	0.3	6.0
Netherlands	No	24.0	24.0	942.0	0.2	2.0
United Kingdom	No	No limit	No limit	1365.3	0.3	6.0

Source: World bank, Doing business 2019.

Tab. 2 - Working hour rules in some European countries

Country	Standard workday	Maximum number of working days per week	Premium for night work (% of hourly pay)	Premium for work on weekly rest day (% of hourly pay)	Premium for overtime work (% of hourly pay)	Restrictions on night work?	Restrictions on weekly holiday?	Restrictions on overtime work?	Paid annual leave for a worker with 1 year of tenure (working days)	Paid annual leave for a worker with 5 years of tenure (working days)	Paid annual leave for a worker with 10 years of tenure (working days)	Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)
Austria	8.0	5.5	67.0	100.0	50.0	Yes	No	No	25.0	25.0	25.0	25.0
Belgium	7.6	6.0	0.0	0.0	50.0	Yes	Yes	No	20.0	20.0	20.0	20.0
Denmark	7.4	6.0	0.0	0.0	0.0	No	No	No	25.0	25.0	25.0	25.0
France	7.0	6.0	7.5	20.0	25.0	Yes	Yes	No	30.0	30.0	31.0	30.3
Germany	8.0	6.0	0.0	0.0	0.0	No	No	No	24.0	24.0	24.0	24.0
Italy	6.6	6.0	15.0	30.0	15.0	No	No	No	26.0	26.0	26.0	26.0
Spain	8.0	5.5	6.6	0.0	0.0	No	No	No	22.0	22.0	22.0	22.0
Netherlands	8.0	5.5	0.0	0.0	0.0	No	No	No	20.0	20.0	20.0	20.0
United Kingdom	8.0	6.0	0.0	0.0	0.0	No	No	No	28.0	28.0	28.0	28.0

Source: World bank, Doing business 2019.

Tab. 3 - Redundancy rules in some European countries

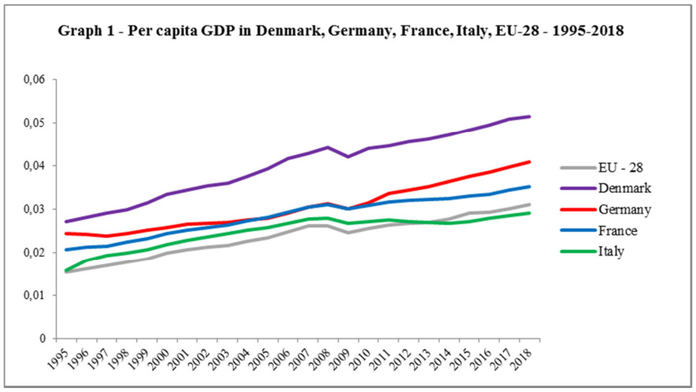
Country	Dismissal due to redundancy allowed by law?	Third-party notification if one worker is dismissed?	Third-party approval if one worker is dismissed?	Third-party notification if nine workers are dismissed?	Third-party approval if nine workers are dismissed?	Retraining or reassignment obligation before redundancy?	Priority rules for redundancies?	Priority rules for reemployment?
Austria	Yes	Yes	No	Yes	No	No	Yes	Yes
Belgium	Yes	No	No	No	No	No	No	No
Denmark	Yes	No	No	No	No	No	No	No
France	Yes	No	No	Yes	No	Yes	Yes	Yes
Germany	Yes	Yes	No	Yes	No	Yes	Yes	No
Italy	Yes	Yes	No	Yes	No	Yes	Yes	Yes
Netherlands	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Spain	Yes	Yes	No	Yes	No	No	No	No
United Kingdom	Yes	No	No	No	No	No	No	No

Source: World bank, Doing business 2019.

Tab. 4 - Redundancy costs in some European countries

Country	Notice period for redundancy dismissal for a worker with 1 year of tenure	Notice period for redundancy dismissal for a worker with 5 years of tenure	Notice period for redundancy dismissal for a worker with 10 years of tenure	Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	Severance pay for redundancy dismissal for a worker with 1 year of tenure	Severance pay for redundancy dismissal for a worker with 5 years of tenure	Severance pay for redundancy dismissal for a worker with 10 years of tenure	Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of
Austria	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Belgium	8.0	18.0	33.0	19.7	0.0	0.0	0.0	0.0
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	4.3	8.7	8.7	7.2	1.1	5.4	10.8	5.8
Germany	4.0	8.7	17.3	10.0	2.2	10.8	21.7	11.6
Italy	2.9	4.3	6.4	4.5	0.0	0.0	0.0	0.0
Spain	2.1	2.1	2.1	2.1	2.9	14.3	28.6	15.2
Netherlands	4.3	8.7	13.0	8.7	0.0	7.2	14.3	7.2
United Kingdom	1.0	5.0	10.0	5.3	0.0	3.5	8.5	4.0

Source: World bank, Doing business 2019.

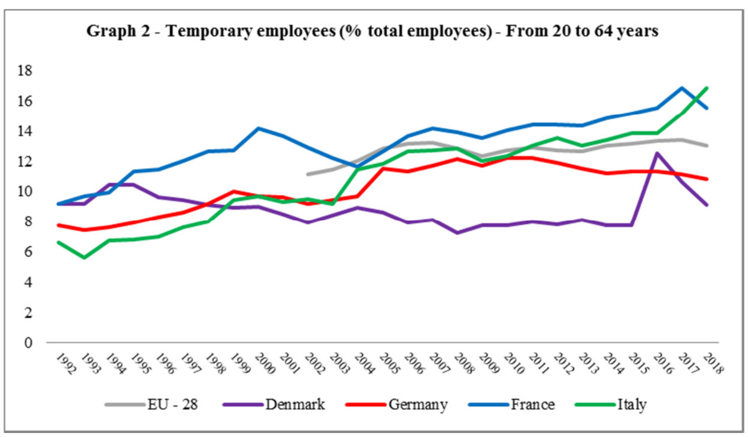


Tab. 5 - Employment and activity as a % of total population

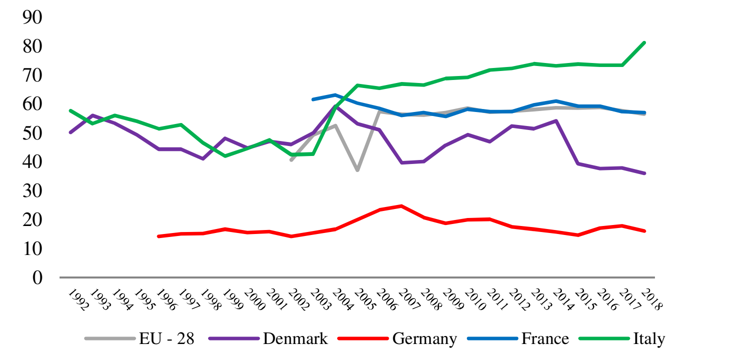
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU - 28	N.A.	68.6	68.7	68.9	69.3	69.6	70.1	70.3	70.7	70.8	71	71.1	71.7	72	72.3	72.6	73	73.4	73.7
Denmark	80	79.9	79.6	79.5	80.1	79.8	80.6	80.1	80.7	80.2	79.4	79.3	78.6	78.1	78.1	78.5	80	78.8	79.4
Germany	71.1	71.4	71.7	72.1	72.6	73.8	74.9	75.6	75.9	76.3	76.7	77.3	77.2	77.6	77.7	77.6	77.9	78.2	78.6
France	N.A.	N.A.	N.A.	N.A.	69.3	69.2	69.2	69.3	69.4	69.8	69.8	69.7	70.3	70.7	71	71.3	71.4	71.5	71.9
Italy	60.1	60.6	61.1	61.5	62.8	62.5	62.6	62.4	62.9	62.3	62	62.1	63.5	63.4	63.9	64	64.9	65.4	65.6

N.A.= not available

Source: Eurostat



Graph 3 - Temporay employees (% of employees with a temporary job) - Could not find a permanent job - From 20 to 64 year

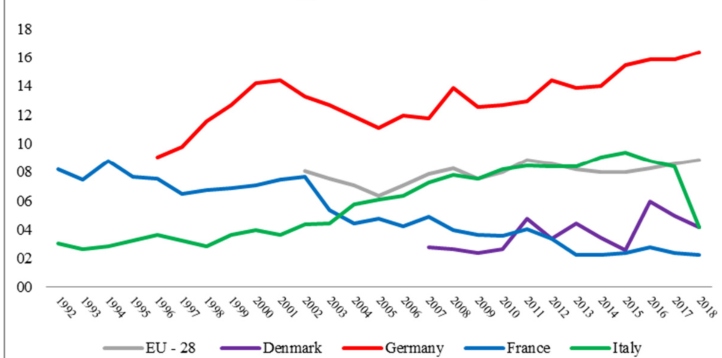


Tab. 6 - Percentage of employees with a temporary job (Could not find permanent job) - From 20 to 64 years

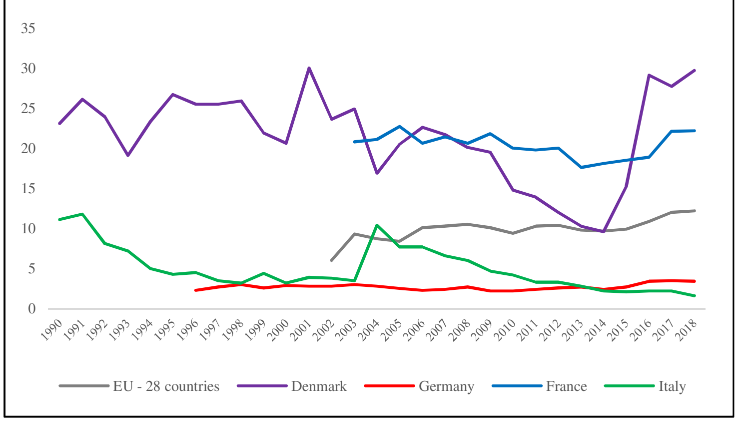
Nineties									
	1992	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	
EU - 28	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
Denmark	50.2	56	53.3	49.4	44.4	44.4	41	48.1	
Germany	N.A.	N.A.	N.A.	N.A.	14.3	15.2	15.3	16.7	
France	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	
Italy	57.7	53.2	56	54	51.4	52.8	46.5	42	
Two thousand - before the crisis									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
EU - 28	N.A.	N.A.	40.6	49.3	52.5	37.1	57.3	56.4	56.1	57
Denmark	44.8	47.1	46	50	59.2	53.2	51	39.7	40.1	45.7
Germany	15.6	15.9	14.3	15.5	16.7	20.1	23.4	24.7	20.8	18.8
France	N.A.	N.A.	N.A.	61.5	63.1	60.3	58.5	56	57	55.7
Italy	44.6	47.6	42.5	42.7	58.9	66.4	65.4	66.9	66.5	68.8
Two thousand - after the crisis										
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	
EU - 28	58.6	57.1	57.5	58.1	58.7	58.6	58.8	57.7	56.5	
Denmark	49.4	47	52.4	51.4	54.1	39.4	37.7	37.9	36.1	
Germany	20	20.2	17.6	16.7	15.8	14.7	17.2	17.9	16.1	
France	58.2	57.3	57.4	59.6	61	59.2	59.2	57.4	57	
Italy	69.2	71.7	72.3	73.9	73.1	73.8	73.3	73.3	81.1	

Source: Eurostat

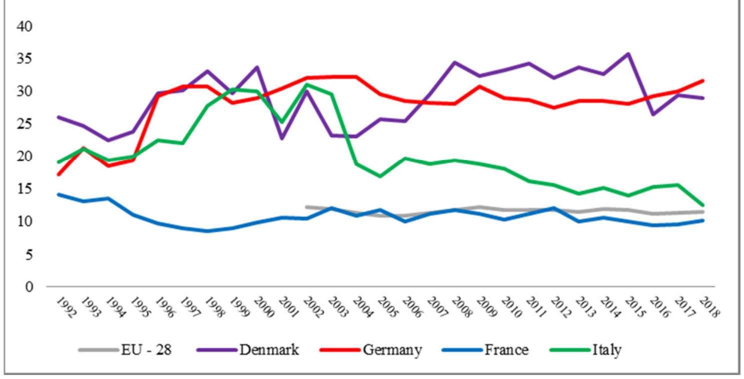
Graph 4 - Temporay employees (% of employees with a temporary job) - Probationary period - From 20 to 64 year



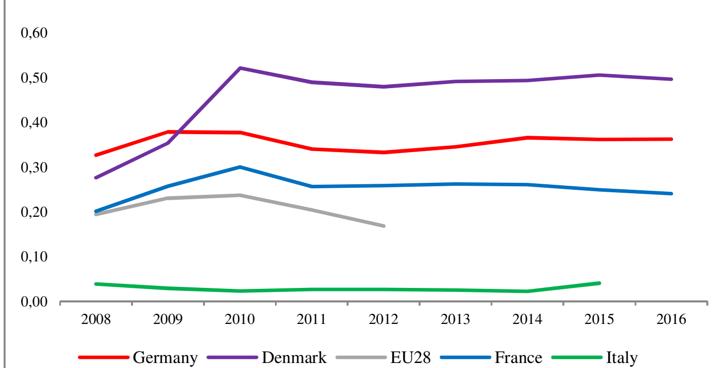
Graph 5 - Temporary employees (% of employees with a temporary job) - Did not want a permanent job - From 20 to 64 years



Graph 6 - Temporay employees (% of employees with a temporary job) in education and training

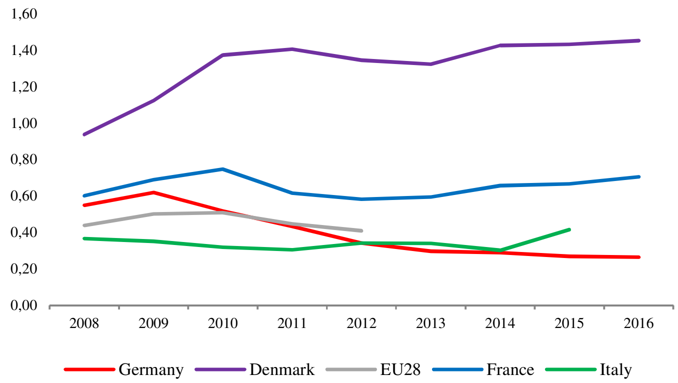


Graph 7 - Public expenditure on labour market policies - Services (costs of the public employment service, publicly funded services for jobseekers) - (% GDP)



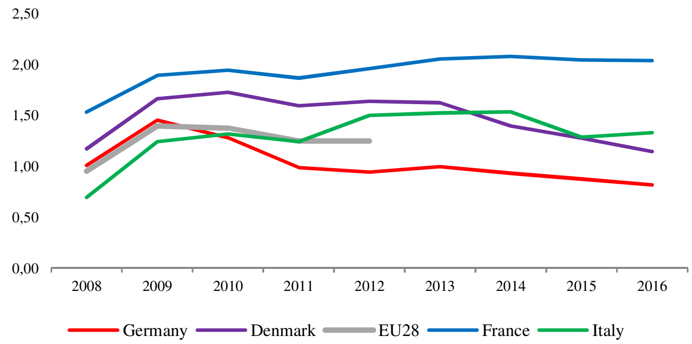
Source: European Commission, Employment, Social Affairs & Inclusion

Graph 8 - Public expenditure on labour market policies - Activation measures for the unemployed and other target groups (% GDP)



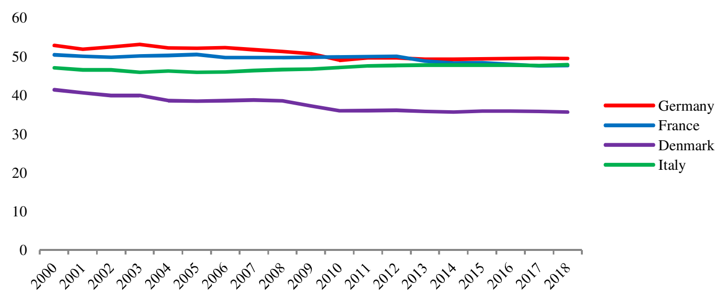
Source: European Commission, Employment, Social Affairs & Inclusion

Graph 9 - Public expenditure on labour market policies - Out-of-work income maintenance and support and early retirement benefits - (% GDP)



Source: European Commission, Employment, Social Affairs & Inclusion

Graph 10 - Total tax wedge as a % of labour cost, 2000 – 2018



Source: OECD, Taxing Wages

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