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## The Transitional Danish Labour Market

*Understanding a Best Case, and Policy Proposals for Solving some Paradoxes*

Bredgaard, Thomas; Larsen, Flemming

*Publication date:*  
2006

*Document Version*  
Publisher's PDF, also known as Version of record

[Link to publication from Aalborg University](#)

*Citation for published version (APA):*

Bredgaard, T., & Larsen, F. (2006). *The Transitional Danish Labour Market: Understanding a Best Case, and Policy Proposals for Solving some Paradoxes*. Centre for Comparative Welfare Studies, Institut for Økonomi, Politik og Forvaltning, Aalborg Universitet.

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**THE TRANSITIONAL DANISH LABOUR MARKET:  
- UNDERSTANDING A BEST CASE, AND POLICY PROPOSALS FOR SOLVING  
SOME PARADOXES**

**Thomas Bredgaard & Flemming Larsen**

Centre for Labour Market Research (CARMA)  
Department of Economics, Politics and Public Administration  
University of Aalborg, Denmark

Acknowledgement: A Danish version of this paper has been published by the Joint Council for Salaried Employees and Public Servants (FTF), see: "*Svingdøre og blindgyder på det danske arbejdsmarked*", FTF Fokus, No. 5, November 2006

CARMA Research paper 2006:2

Centre for Labour Market Research (CARMA)  
Aalborg University  
Fibigerstraede 1  
DK-9220 Aalborg  
Denmark

**[www.carma.aau.dk](http://www.carma.aau.dk)**

Ph. + 45 96 35 82 03

Fax + 45 98 15 53 46

Emails: [thomas@socsci.aau.dk](mailto:thomas@socsci.aau.dk), [flemlar@socsci.aau.dk](mailto:flemlar@socsci.aau.dk)

Aalborg 2005-12-20

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ISBN 87-89639-30-8

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## 1. Summary

The Danish labour market presents a fundamental paradox: those who work seem to be caught in a treadmill, leading to stress-related diseases, deteriorating life quality and risk of eventual exclusion from the labour market, whereas an almost constant group of people are left more or less permanently outside the labour market. This calls for serious reflection on how to create, preferably at the same time, a labour market that is more inclusive and accommodating to those outside it, and gives the many groups of employees inside it, feeling more and more stressed, a chance to break the vicious circle and find a better work/life balance.

In this paper we are going to present a proposal which offers both a way to understand the paradoxes of modern labour markets, and at the same time a way to solve them. We will do so on the basis of the concept of TLM - Transitional Labour Markets, which was introduced by the German professor of political economics, Günther Schmid. The main idea, to sum it up in a few words, is on the one hand to turn outsiders into insiders on the labour market through qualitative “temporary” statuses, or transitions, on their way towards the labour market (transitional labour markets). Transitional labour markets are also intended to secure that the working and earning capacity of everybody on the labour market remains intact over a working life, to prevent or minimise exclusion in future. On the other hand, the intention is also to secure employees a more flexible working life over a lifetime, adapted to the life cycle of the individual. A TLM approach implies shorter weekly working hours for both men and women over a life course. This means, generally speaking, that TLM presupposes a longer working life (meaning that the total hours worked will not be reduced), but that it will be possible to work fewer, or more, hours during certain periods of a working life. Any stages in a life cycle when working hours are considerably lower than the normal working week are described as “transitional employment”. Such periods must not, however, lead to exclusion or dead ends. To avoid dead-ends individual must be given more scope to move between various types of productive activities (family commitments, education, part-time work, retirement, short-term unemployment, ordinary employment etc.). In this perspective, the issue is not simply “making work pay”, but more importantly “making transitions pay”. Transitions thus act as bridges, or stepping stones, between various positions inside or outside the labour market. In this way, Transitional Labour Markets – just like flexicurity – becomes a win-win strategy. That is, it strikes a balance between employers and employees, and between labour market insiders and outsiders.

Denmark is often held up as a textbook example of a country characterised by transitional labour markets, and with good reason. Paradoxically, there is little awareness of this characteristic in Denmark; and it would seem that when it comes to the future development of the Danish labour market, there is still a good deal we could learn from the TLM concept. Using the TLM concept as a starting point, this paper therefore intends to raise awareness about the value of already existing labour market schemes in Denmark, and to come up with concrete examples of how the TLM approach could be translated into a new mindset and new initiatives on the Danish labour market. Especially in relation to addressing the problems of labour market exclusion, while at the same time creating a less stressful working life and striking a better work/life balance.

## 2. Introduction

At the moment, practically all statistics and key figures for the Danish labour market point in the same direction: things could hardly be better in Denmark. Registered unemployment is at a historical low, the majority of people of working age have permanent jobs. Inflation is low, and wages increase only at a moderate pace only. The balance of payments on current account is in surplus, and the foreign debt has been repaid.

Unemployment is low and employment is indeed high – also compared to most other European countries – but the fact remains that close to 900,000 (or 25%) of the adult population are temporarily or permanently on social security benefits. Neither the present economic boom nor the recovery in the 1990s has managed to reduce to any noticeable extent the number of persons on transfer income and not working. At the same time, groups of employees are being pushed out of the labour market due to work-related stress, increasing work pace and demands for higher efficiency. This is reflected for instance in the number of people on sickness benefit and the rapidly increasing group of people in so-called flexible (state-subsidised) jobs. Not to mention, of course, the number of people taking early retirement.

So we are witnessing a fundamental paradox: those who work seem to be caught in a treadmill leading to stress-related diseases, deteriorating life quality and risk of eventual exclusion from the labour market, whereas an almost constant group of people seem to be left outside the labour market, more or less permanently. An interesting question that begs to be investigated is: how is it possible that a labour market, at one and the same time, can be characterised by this kind of inclusion and exclusion? Is it perhaps even a precondition for the highly efficient and productive Danish labour market that a large group of people are excluded as non-productive labour living on social security? If this characteristic is correct, it becomes all the more necessary to consider ways to create a more inclusive labour market where there is room for everybody and everybody is needed.

The paradoxical problem can be explained in a number of different – and probably mutually conflicting – ways. And there are quite a few models for possible solutions on offer as well. This paper is going to present the concept of TLM, Transitional Labour Markets, as a systematic understanding of modern labour markets, and at the same time a potential solution to its problems.

The TLM concept was developed in the mid-1990s by researchers at WZB, the Social Science Research Center, in Berlin, and even though it has gained recognition outside Germany, not least in Brussels, it has not previously been subject to a systematic presentation and discussion in a Danish context.<sup>1</sup> Perhaps because the related concept Flexicurity has somehow stolen the show. Later we are going to explain the similarities between the two concepts, but also how the TLM concept raises questions of a different type, which deserves scrutiny. The perhaps most important question in a Danish context is how to create a labour market that builds bridges – and not dead ends – between different positions inside and outside the labour market. In other words, a labour market that gives those presently outside it a chance to get in, and at the same time offers those who are in a chance to strike a better work/life balance.

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<sup>1</sup> In all fairness, Per Kongshøj Madsen was probably the first to introduce the concept in a Danish context, in the Employment Ministry's annual survey, *Arbejdsmarkedspolitisk Årbog* from 1997.

We are going to start out with a characteristic of the Danish labour market today, its strengths as well as weaknesses. Then the theory of TLM will be described: its background, development and its main arguments. Next, this perspective will be used to describe the Danish labour market and the present welfare and labour market policy. Finally, some recommendations will be offered as to how to design a life/work policy which is more adaptable to the needs of the individual during the various stages of the life cycle.

### 3. The paradoxical Danish labour market

The development in the Danish labour market looks like a paradox. On the one hand, unemployment is at an all-time low and employment soaring. The majority of the adult population is benefiting from a booming economy and the increasing spending opportunities and job security it offers. At the same time, there are clear indications that many full-time employees feel mounting pressure to increase productivity and efficiency; juggling this with their family life, where expectations are also on the rise, can be a real struggle. For some, the result is stress and burnout, and even eventually exclusion from the labour market. At the same time, about a third of the labour force is more or less permanently excluded from the labour market and living on social security. In the following, we are going to provide some documentation for the nature and scope of this paradox.

#### 3.1. The Danish "job miracle"

Registered unemployment is at the moment 4.1% (113,000 full-time persons). This is the lowest figure since the mid-1970s. Youth unemployment has all but vanished (from statistics at least), and long-term unemployment is markedly down as well.

In the most recent European survey, the employment rate in Denmark ranks as the highest in the European Union (2004 figures). From having previously considered high and persistent unemployment an almost chronic state, Denmark is now close to full employment, according to several commentators. There are reports of increasing labour shortages and warnings that the labour market is close to full capacity utilisation.

Table 1. Key figures for the labour market, 1994-2005

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Employment rate (age 16-66)	70.3	71.0	71.5	71.9	72.8	74.0	74.2	74.5	74.7	73.5	72.5	72.6
Registered unemployment (% of labour force)	12.3	10.4	8.9	7.9	6.6	5.7	5.4	5.2	5.2	6.2	6.4	5.7

Source: Statistics Denmark: *Statistical ten-year review*, 2006.

As the table shows, the employment rate increased by almost 5 percentage points between 1994 and 2002. Registered unemployment was more than halved over the same period. After a brief downturn in 2003 and 2004, the economy is running at full steam again. Some even argue that in 1990s Denmark witnessed a so-called "job miracle" (Cox 1998, Torfing 1999; 2000), which made commentators wonder whether Denmark had realised the "inflation-free growth economy at full employment" (Kongshøj-Madsen 1999). As economic conditions have improved, structural unemployment, which used to top the agenda, has been replaced by efforts to increase the effective labour supply to counter the challenges of demographics (the Welfare Commission 2006; the Danish Government 2006).

Lately, it seems to be the predominant assumption that these favourable results can be ascribed to

the special Danish combination of flexible employment protection legislation, active labour market policy and relatively high unemployment benefits. The concept “flexicurity” has been applied in recent years to characterise the particular Danish mix of flexibility and social security (cf. Bredgaard et al. 2005). The combination of well-managed macroeconomic steering, labour market reforms, high flexibility, a well-educated workforce and well-functioning tripartite cooperation based on social and political consensus has won the “Danish labour market model” fame – even outside Denmark. The developments in the Danish labour market have attracted considerable international attention. In several reports, the UN’s international labour organisation, ILO, has pointed out Denmark as a shining example (Auer, 2000; Auer & Casez, 2003; Egger & Sengenberger, 2003). In connection with the EU’s employment strategy, and in individual EU members such as Germany and France, Denmark has been used as a textbook example of how a member state has proved able to combine a dynamic economy, high employment and social security. In the international debate on “flexicurity” - or ways of combining flexibility in the labour market with security for wage-earners - the Danish case is quoted frequently (Wilthagen 1998; Wilthagen & Tros 2004; Kongshøj-Madsen, 2003, 2004; OECD, 2004, chapter 2).

However, we are of the opinion that the positive developments in the Danish labour market since the early 1990s cannot be ascribed solely to the Danish case of “flexicurity”. Without a successful balancing of the macroeconomic policy in Denmark and trends in the global economy, the growth in employment and fall in unemployment achieved would probably not have been possible. Managing to keep inflation low during a time when unemployment was halved must also be attributed to the emergence of a new agenda for collective bargaining and wage formation, which meant that the labour market was able to adjust to the shift from high unemployment to high employment and still keep wage increases at a moderate pace, which in turn meant that the Danish economy did not stray from the international shift towards low inflation (Bredgaard et al. 2005).

This is the positive story about the Danish labour market which dominates among media, (some) politicians and foreign observers at the moment, and which has made Denmark the envy of a number of European countries and international organisations. The other side of the story, which is not told so often, is that many in full-time employment find it increasingly difficult to combine work and family life, and that a large part of the population of working age do not participate in the labour market.

### ***3.2. Balancing work and family life***

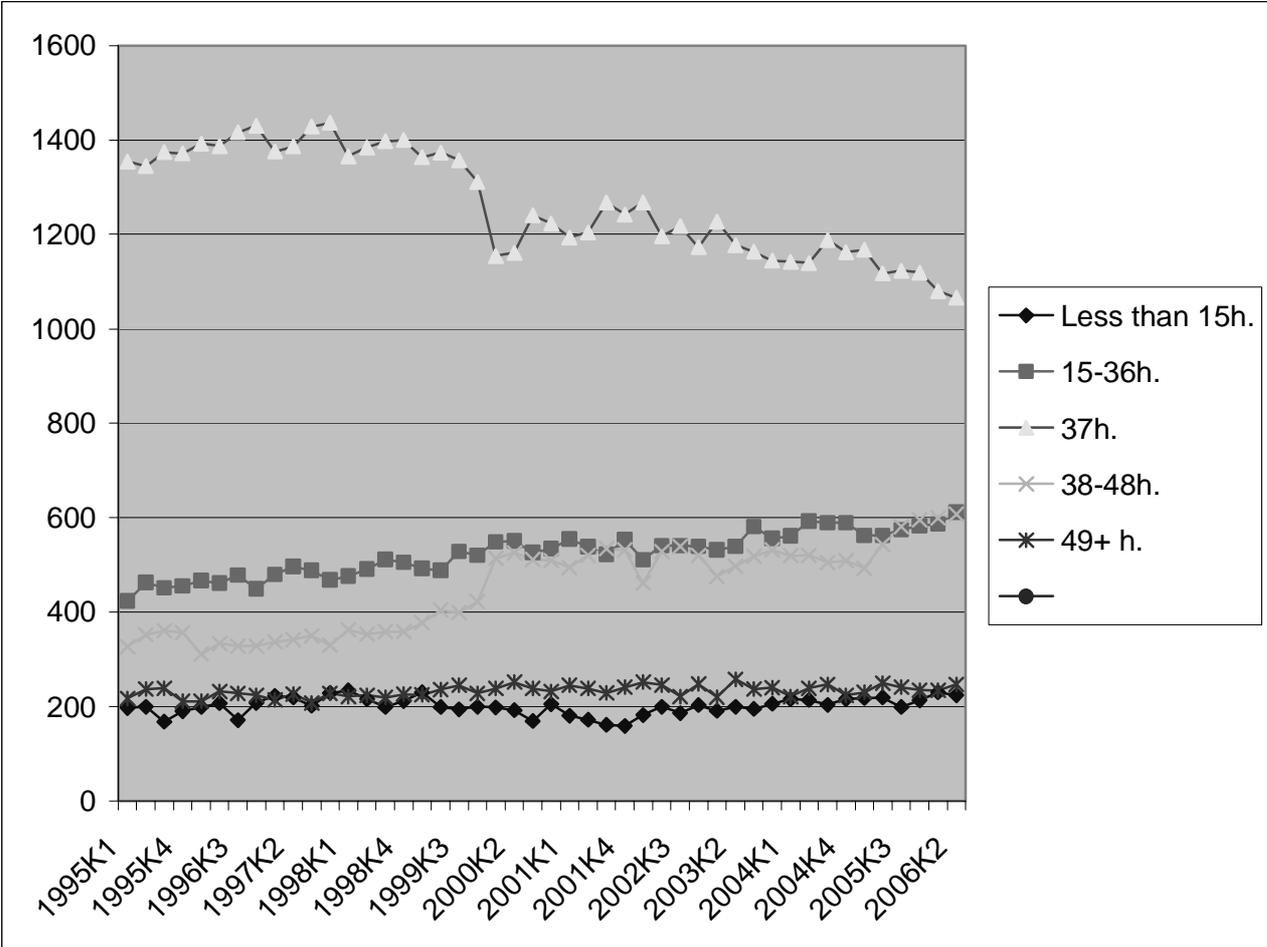
It has been mentioned several times that the high rate of labour force participation and employment in Denmark can make it difficult to strike the right balance between work and family life. Families with young children in particular have been the focus of public debate as a group caught in a time trap, struggling to find enough time for both work and family commitments (cf. Familie- og Arbejdslivskommissionen, a government commission on work and family life). In a typical Danish family, both parents will be working. This is an inevitable consequence of the fact that the labour force participation rate for women has soared since the 1960s and is now almost on par with that of men. The male breadwinner model has, by and large, been replaced by the dual breadwinner model.

There has been a marked increase in women’s working hours, even though average working hours have been falling steadily since 1945, as a result of longer holidays and shorter working days,

which is mainly due to men having reduced their working hours (Smith 2003: chapter 2). The fall in working hours has levelled off in recent years, and there are many indications that average working hours will stagnate in the coming years. Most recent surveys of actual hours even show that the increase in hours worked for full-time employees is stronger than the increase in employment, indicating increasing over-time (Statistics Denmark, August 2006). The development in average working hours, however, covers substantial differences in the distribution of working hours on employees and between the sexes.

As seen from the table below, the typical (dominant) working week for both sexes is still 37 hours. The share working a normal working week of 37 hours has, however, fallen from 53% to 38% between 1995 and 2006.

Table 2. Employees by normal weekly working hours (1,000 persons), 1995-2006



Source: Statistics Denmark; Labour force surveys ([www.statistikbanken.dk](http://www.statistikbanken.dk), AKU6).

There has been a significant increase in the number of persons who either have long part-time jobs (15-36 hours) or work a few hours overtime (38-48 hours). A considerably larger number of women have long part-time jobs, whereas far more men work longer or much longer than the normal working week. For both sexes, there is a marked increase in the share of employees who work longer than the working hours agreed. Since 1995, the share working between 38 and 48

hours a week has grown from 13% to 22% of all employees. For men in the age group 30-45, the share has increased from 37% to 43% during the period 1995-2003.

These results thus point towards a increasing spread in the pattern of working hours, rendering the concept of a “normal” working week less and less accurate, and that a large part of the employees are putting many more hours into the job than the normal working week prescribes. The declining average working hours thus seem to be accompanied by increased flexibility in relation to the number of hours the individual works. This may reflect the fact that employers have been given more scope for varying the working week beyond the standard 37 hours in recent years. At the same time, access to working part-time has increased significantly in the areas covered by negotiations by the main employers’ organisation (DA) and the federation of trade unions (LO). A large survey on the way the Danes spend their time, however, shows widespread satisfaction with the working hours in the labour market. Two-thirds of all employees state that they work the number of hours they wish to work. As for the rest, more wish to work fewer than more hours, and the net time change wanted can be calculated to just below minus 3 hours a week on average (Bonke 2002).

As the nature of the contents of work slowly changes, it is often assumed that the forms of employment will be changing as well, towards less permanent and shorter-term contracts (Glahn, 2003). But Statistics Denmark’s labour force surveys have shown that 89% of employees were still in regular non-fixed-term employment in 2005. A comparison with previous years does not show any clear trend towards rapidly changing, less stable employment conditions. This observation is in line with international analyses also showing a high degree of stability in employment conditions (Auer & Cazes, 2003, chapter 2). In international comparisons, Denmark is characterised as a country where “atypical employment forms” are not very common (cf. European Foundation, 2002). An important thing to bear in mind in this context is of course the fact that Danish employees enjoy very limited formal employment protection compared to other countries; seen in this perspective, most Danish employees are therefore “employed on a temporary basis”, which explains why employers in Denmark have less incentive to resort to alternative forms of employment than in other countries.<sup>2</sup> The number of temping jobs have, however, increased rapidly since the late 1990s, although from a relatively low starting point (temps account for less than 1% of all employees), cf. Kudsk-Iversen & Andersen 2006.

Even if the average (registered) working time has fallen, the work load and work intensity may have remained unchanged or even increased for certain groups. The perceived consequences of working time flexibility have been examined in the above survey on how the Danes spend their time, which shows that 7% of all employees feel stressed at work “almost always”, and that 48% feel stressed “sometimes” (Bonke, 2002). It also shows that the risk of feeling stressed is considerably higher among women than among men.

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<sup>2</sup> As Madsen and Petersen (2000) point out, the fact that the share of atypically employed employees has been constant over the last 15-20 years tends to blur the fact that the characteristics of the atypically employed have changed over the period. The group used to consist primarily of unskilled workers with relatively poor earnings potential (except freelance journalists and similar groups). But now the group also includes highly educated workers within a wide spectrum of services, such as advisors, consultants and IT specialists, who are often employed for a fixed term or are self-employed. Much of the hype in recent years about “free agents” thus probably to a larger extent reflects changes in the group’s composition rather than in its size.

The Danish National Institute of Occupational Health (AMI) has demonstrated a marked increase in the occurrence of chronic stress, and stress is becoming as frequent a cause of heart and other cardiovascular diseases as the traditional lifestyle diseases (tobacco smoking, alcohol, obesity etc.) (Theorell et al. 2006). According to the Institute, stress is presumed to be the cause of up to a quarter of all sickness absence in Denmark. Work-related stress is probably above average in certain parts of the public sector. The Joint Council for Salaried Employees and Public Servants, FTF, recently carried out a stress survey<sup>3</sup> among its members, showing that every sixth FTF member is absent due to stress-related illness every year, especially because of too heavy workload and overtime. More than every fourth FTF member feels stressed to a “high or very high degree” (28%), about half feel “somewhat” stressed (48%), and the remaining fourth feels stress to a “low or very low degree”. 17% of FTF members have been absent from work due to stress. All the same, the survey shows that only 5% of the workplaces have formulated a stress policy, and that at half the workplaces it is left to the individual themselves to deal with stress (FTF 2006). Even if the survey does not measure stress in the clinical sense, but subjective stress, there can be no doubt that work-related stress is perceived as a major problem. No matter where employees work or under which employment forms, stress-related problems seem to have reached a magnitude in the labour market in general which makes it unavoidable for labour market organisations and political decision makers alike to start dealing with it.

It therefore seems appropriate to round off this section with a quote by Danish economist Nina Smith, who describes the Danish labour market as a “1/0 labour market”:

*“...in which you are either “on” or “off”, and when you are “on” it is at a high pace for most people, because on top of a long working week you have a lot of housework to do, plus a husband/wife who is under the same time pressure. At work, demands are often higher these days; there are fewer routine jobs - many jobs offer more variety but they are also more demanding. And then on the other hand, today there are more people than before of working age who are not “on” at all, and who do not feel any work pressure at all” (Smith 2003: 58).*

In our opinion, the idea of a more transitional labour market offers a viable solution to how to create a better balance between those who are “on” and those who “off” in this “1/0 labour market”. But first we are going to have a brief look at developments for those who are outside the labour market.

### ***3.3. The flip side of the “job miracle”***

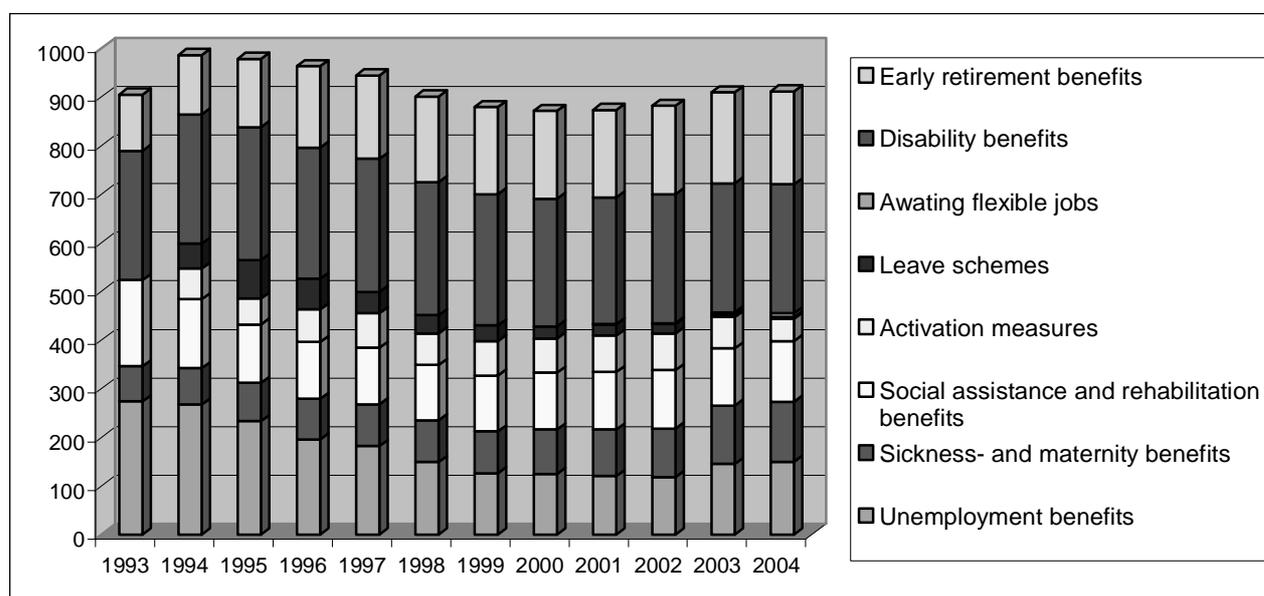
At present 850,000 people of working age are on transfer income in Denmark. By way of comparison, there were only 200,000 full-year recipients in 1960, and as many as 963,000 in 1995 when the number peaked. It needs to be pointed out, however, that Denmark is one of the countries in the western world with the highest employment rate. The difference between Denmark and many other countries is that the vast majority of people who are not in employment are provided for by the state, not by their family or through non-work income (Arbejderbevægelsens Erhvervsråd 2006). The quarter of the workforce who are not in employment are included in

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<sup>3</sup> The survey is based on responses to an internet questionnaire from 7,300 nurses, kindergarten, primary and secondary school teachers, social workers, pharmacy assistants, IT workers, staff at the tax authorities and other FTF groups. The response rate was 32 %.

various forms of transfer income schemes<sup>4</sup>. Surprisingly, the total number of recipients of temporary income-related benefits and of people on invalidity benefit and early retirement or awaiting early retirement has remained largely unchanged at around 900,000 for over a decade (cf. table 3 below). Within this constant figure, however, there are considerable variations. As mentioned before, the number of persons on unemployment benefit has been halved. But the number of people on sickness benefit or early retirement has increased considerably.<sup>5</sup> The number of persons receiving cash benefit has remained practically unchanged since 1996, however<sup>6</sup>. Immigrants and refugees still make up the major part of this group and their position on the labour market remains marginal. The number of people on invalidity benefit has also remained unchanged for a number of years. So, in spite of the recovery in the 1990s and the present boom, we see considerable continuity here.

Table 3. Temporary income-replacing benefits, invalidity benefit and early retirement, 1993-2004



Source: Statistics Denmark: *Statistical ten-year review*, 2005.

The Danish labour market is characterised by a division into those who are inside and those who are outside the labour market. At the same time, increasing long-term absence due to sickness and the working environment at Danish workplaces indicate that labour market exclusion has not been reduced to any significant extent (cf. Høgelund et al. 2003; Elm Larsen 2003). The paradox that the Danish labour market at one and the same time is characterised by integration and exclusion shows that realisation of the goal of a more inclusive labour market is still some way off.

4 It needs to be borne in mind, though, that Denmark is the country in Europe with the lowest share of its labour force neither employed nor engaged in education: 14.4% compared to the EU(15) average of 29% (2001 figures), cf. the European Commission, 2004: 162.

5 Please note that the number of people on early retirement fell from 187,000 in 2004 to 166,000 in 2005.

6 The Employment Ministry's investigation of cash benefits also document that the number of cash benefit recipients to a large extent is not cyclical. The group of recipient is varied and complex, and a large share have been stuck on cash benefit for years. This group of long-term recipients is also characterised by having a number other problems in addition to unemployment. As many as 6 out of 10 cash benefit recipients ascribe their lack of job seeking to ill health (Beskæftigelsesministeriet 2006).

Obviously it is not the same persons who are left outside the labour market year after year. There are certain changes and exchanges within the group (cf. Ministry of Employment 2006, chapter 3). A fifth of the 850,000 person on transfer income are replaced every year (Arbejderbevægelsens Erhvervsråd 2006). In its analyses of people “on the fringes of the labour market” (defined as people having received temporary benefits for at least 80% of the time over the last 3 years), the National Labour Market Authority shows that about a fourth (39,500 persons) every year manage to get back into employment, or at least closer to the labour market. Of the very long-term unemployed cash benefits recipients, this in the case for only every tenth (Arbejdsmarkedsstyrelsen 2004).

The Centre for Alternative Society Analyses (CASA) has carried out register analyses examining the situation of different groups of social security recipients after a number of years. The analyses show that about half the recipients of unemployment and sickness benefit in 2002 were self-supporting 3½ years later (mid-2005). By contrast, only 25% of the cash benefit recipients and 37% of those on rehabilitation benefit were self-supporting 3½ years later. 33% of the cash benefit recipients received the same benefit, which was the case for only 7% of those receiving sickness benefit, 14% of unemployment benefit recipients and 15% of rehabilitation benefit recipients. As many as 40% of those receiving rehabilitation benefit received some other kind of transfer income (primarily invalidity benefit). Similar analyses have been made for participants in labour market policy schemes. The results are shown below:

*Table 4: What happened to the participants in labour market policy schemes (week 9 of 2002), %?*

	Participated in labour market policy scheme in 2002:			
	Wage subsidy	Work apprenticeships	Education	Tailored programmes
<i>Situation in 2005:</i>				
Self-supporting	40	36	47	32
In activation programmes	11	22	14	23
Unemployed	21	11	16	7
On cash benefit	5	21	8	26
Other	23	10	15	12
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>No. of participants</b>	<b>17,588</b>	<b>19,784</b>	<b>50,418</b>	<b>12,672</b>

Source: CASA & Socialpolitisk forening: *Social Årsrapport 2005*, p. 96.

Participants in educational schemes seem to do best when we look at their rate of self-support in the long term. This contrast with the majority of short-term effect analyses carried out in this field (cf. Arbejdsministeriet 2001), which show private on-the-job training to have the highest effect on the subsequent self-support rate. Participants in tailored programmes have the lowest subsequent rate of self-support (32%). Those participating in on-the-job training and tailored programmes are often in activation programmes 3½ years later (22% and 23% respectively), or still on cash benefit (21 % and 26 %). Compared with other schemes, a relatively large part - 21% - of the participants receiving a wage subsidy are still unemployed 3½ years later.

The various schemes also have different effects over time. Wage subsidies have an immediate

effect (which is also evident in the short-term effect analyses), which wears off over time. Work apprenticeships do not yield as good results, but the results seem to be more stable. By its nature, education does not produce immediate results, but over time it is the instrument yielding the highest effect (CASA 2005: 97-98). Arbejderbevægelsens Erhvervsråd (2006) made a similar analysis of entry and exit from various transfer income schemes, which shows considerable transitions within the group of recipients; but it also shows that schemes have different effects: some are more like a "dead end" (e.g. invalidity benefit, early retirement and cash benefit) than a "stepping stone" to the labour market (e.g. parental leave benefit, unemployment benefit and sickness benefit).

It is exactly this type of studies of individual *transitions* inside and outside the labour market that the TLM concept advocates. Labour market and social statistics typically give a static snapshot of the *aggregate number* of persons in a given scheme or programme. But what is interesting is not the specific number of people in some labour market policy scheme, but whether these people over time experience an increased attachment to the labour market.<sup>7</sup>

As we will see in the next section, in our opinion the idea of transitional labour markets offers a viable solution to how to create more, and more voluntary, dynamic movements into and out of, as well as internally in the labour market. A solution that rests on a solid theoretical foundation, as well as being highly policy-relevant.

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<sup>7</sup> In its annual reports on employment in Europe in recent years, the EU Commission has started analysing transitions in the labour market, see e.g. *Employment in Europe* 2002 and 2004.

#### 4. The theory of Transitional Labour Markets

How are European countries ever to get back to full employment again? Which institutions and strategies need to be developed or invented to curb the seemingly incessant tendency towards social exclusion? And how to ensure improved labour market flexibility and competitiveness, without at the same time eroding social protection and equity? The short answer to these questions is: TLM - Transitional Labour Markets. The concept was launched in the mid-1990s by professor of political economics Günther Schmid and his colleagues at the WZB in Berlin. The idea has gradually developed into the prevailing approach to the study of today's dynamic labour markets in Europe, as well as a recognised proposal for a new orientation of the labour market and social policy of both the member states and the EU.

The theory of TLM is a policy-relevant suggestion for how to solve the paradoxical coexistence of stressed-out people in work and out-of-work people wanting to, but not working. The idea, to sum it up in a few words, is simply to turn outsiders into insiders on the labour market. This is to be achieved by opening temporary transitions (bridges) on the road towards the regular labour market. A reduction in total working hours over an entire working life and more flexibility for insiders will lead to a redistribution of work, which will again lead to increased demand on the ordinary labour market for highly qualified and motivated outsiders to fill these job openings

According to Schmid, a return to full employment is still feasible. But two conditions need to be fulfilled. Firstly, economic policy, fiscal policy and income policy must be coordinated to bring about qualitative economic growth in both the public and private sector. And secondly, a modern concept of full employment requires that institutions and labour market policy are adapted accordingly.

Full employment is not possible, if full employment is interpreted as continuous full-time employment 8 hours a day, 5 days a week, 46-50 weeks a year for 45 years of every adult's working life. Such an interpretation is not just utopian, it also represents an outdated understanding of full employment. But if full employment is instead understood as an average working week of 30 hours, for both men and women, over a lifetime, then full employment is both realistic and achievable<sup>8</sup>. Needless to say, this means that those who work must reduce their working hours to create a better distribution of work and income between those on the labour market and those outside it. In the long term, this need not lead to lower real incomes or lower standards of living. There are two reasons why this is the case, according to Schmid. For one thing, the improved level of social integration through better work distribution will increase the "economic pie" for sharing in society because more people will be productive and fewer will need to be supported by the state. For another, life quality will improve through more leisure time, more self-determination in people's working life and greater equality between the sexes (Schmid 1998: 4). To this could be added that a less stressful working life may also lead to a longer working life, and higher average retirement age. Over a life span, an average 30-hour working week does therefore not necessarily mean shorter aggregate working time.

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8 Discussions of the TLM perspective have focused a good deal on the 30 hours a week over a working life; but according to Günther Schmid, the fundamental idea behind the TLM perspective is not 30 or any other specific number of working hours per week. The main argument is that a person is allowed to work fewer hours per week, and in return e.g. stay on the labour market for more years. The primary issue is a more flexible working time, adaptable to the individual's life situation (Personal communication with Günther Schmid, Aalborg University, 10 October 2006).

Any stages in a life cycle when working time deviates substantially from the 30-hour working week are described as “transitional employment”, and institutional arrangements permitting such stages are described as “transitional labour markets”. Short-term unemployment (e.g. seasonal or frictional unemployment) are thus to be regarded as necessary “transitions”. In a dynamic market economy, it is not possible to eliminate unemployment completely. Actually, Schmid argues that as more dynamics is needed and desirable, so is higher transitional unemployment, provided it is accompanied by bridges to transitional employment, leading to the regular labour market. The more people have faith in these transitions, the more willing they become to accept lack of security, e.g. the risk of a short spell of unemployment. Instead of focusing on fighting short-term unemployment, the goal is to avoid long-term and structural unemployment (Schmid 1996, 1998).

The traditional definition of full employment originating in the industrial era is outdated, according to Schmid, and needs to be re-defined. The original ideal of creating permanent, full-time employment for all (men!) is not only unrealistic, but old-fashioned and sex-discriminating. The post-industrial knowledge society has fundamentally changed society and the economy. Because of economic globalisation and individualisation, the causes of unemployment (and in particular long-term unemployment) are much more complex and difficult to regulate today. That is why policy models need to be modernised as well. In Schmid’s opinion, neither pure Keynesian nor neo-liberal policies have proved effective, adequate or politically desirable (Schmid & Gazier 2002).

In contrast to most dominant perceptions of social integration, which tend to see it as synonymous with integration on the labour market, TLM involves a broader understanding of social integration: social integration is more than just integration on the labour market and protection through social rights (e.g. unemployment benefit). It also includes opportunities for career development, access to resources securing the individual’s employability, and allowing the individual to participate fully in all the spheres of social life. Social integration is not just a matter of “making work pay”, but much more importantly of making transitions pay. As Schmid sees it, this requires more scope for the individual to move between different types of productive activities (family commitments, education, part-time work, retirement, short-term unemployment, regular employment, etc.)

These transitions are critical life events, offering new opportunities but also risk of social exclusion: “*they are like doors closing behind us while there is still considerable uncertainty as to the doors that might open up for us in future*” (Schmid & Gazier, 2002: 185). So, there are good as well as bad transitions. A bad transition means that doors close behind us, without new ones opening in front of us. That is, the individual gets trapped in a dead end, which may gradually lead to social exclusion from the labour market and society. Good transitions, on the other hand, means open doors and temporary passages leading to social inclusion. Transitions are like bridges or stepping stones between various positions inside as well as outside the labour market. In order to create good transitions, the fundamental assumption is that:

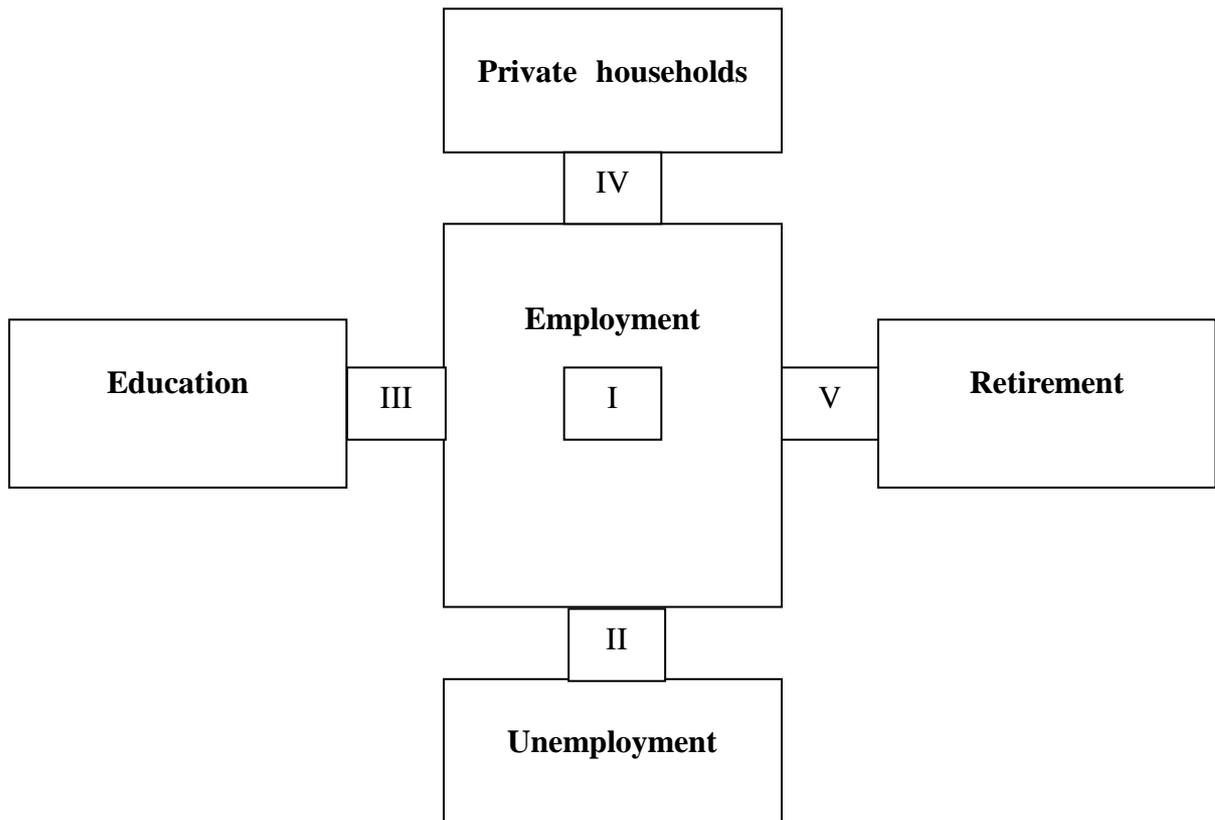
*“...the borders between the labour market and other social systems have to become more open for transitory states between paid work and gainful non-market activities which preserve and enhance future employability” Schmid 1998: 2).*

Transitional labour markets are characterised by the following four principles:

1. They combine paid work and other socially useful activities which are not appreciated in the market (such as continued training, caring for dependants, teaching children at home, voluntary work, civic activity).
2. They combine wages and transfer income (e.g. reduced wages due to reduced working hours, and partial compensation through supplementary unemployment benefit).
3. They carry rights to choose transitional employment under conditions subject to regulation (either through legislation, collective agreements or company agreements).
4. They finance employment or other socially useful activities from funds that would otherwise have been spent on unemployment benefit (Schmid 1996: 441).

Just like flexicurity, transitional labour markets is an innovative "win-win" strategy. That is, it strikes a balance between employers and employees, between labour market insiders and outsiders. As will be obvious, TLM is a normative concept for the way labour markets should be organised, to secure full employment and social cohesion. In addition, it is a useful concept to understand and describe the dynamic labour markets of today, where only a minority will be working for the same employer throughout their working lives. This makes it possible to use the concept both to gain a better understanding of developments in the Danish labour market and as a reform proposal for the way the labour market should be organised in future. The constituent parts of a transitional labour market and the five types of transitions between different positions inside and outside the labour market are illustrated in the figure below.

Figure 1. The transitional labour market



- I Transitional arrangements between short-time working and full-time employment, and between dependent work and self-employment
- II Transitional arrangements between unemployment and employment
- III Transitional arrangements between education and employment
- IV Transitional arrangements between private domestic activities and employment
- V Transitional arrangements between employment and retirement

Source: Schmid, G. (1998): *Transitional Labour Markets: A New European Employment Strategy*, WZB

An important point is that TLMs should be counter-cyclical; that is, a flexible buffer which is expanded during recessions and contracted during times of recovery (Schmid 1996: 453). In the section below, we are going to calculate the size of publicly financed and regulated schemes facilitating such transitions in the Danish labour market. As a normative concept, TLM prescribes new institutional schemes designed to prevent transitions from turning into exits to social exclusion. Instead transitions should be transformed into entries, through a wide-ranging set of opportunities for those in employment (retention) as well as for those not participating or out of work (integration).

#### ***4.1. TLM and Flexicurity: differences and similarities***

It is an important precondition that passive unemployment insurance is transformed into active employment insurance. This can be done by means of an active labour market policy that secures the employability of the individual. Just as in the literature on flexicurity, advocates of TLM recommend a development away from job security towards employment security. This recommendation is highly relevant for especially political decision makers in Germany and France, where employment protection is high, which means that it is difficult to fire (and hire) regular employees. In Denmark, on the other hand, ever since the September Compromise back in 1899, regular employees have had limited employment protection. However, especially since the unemployment benefit and cash benefit systems were expanded, this job *insecurity* has been balanced by relatively generous social security. A security that was further supplemented during the 1990s with the third leg of the so-called “golden triangle”, namely an active labour market and social policy. Basically, in Denmark it is not considered a social disaster to lose one’s job, which enhances labour market mobility (cf. Bredgaard et al. 2005). It is no secret that the TLM approach has found a good deal of inspiration in the Danish active labour market policy and the Danish case of flexicurity. But even though the Danish case in many ways is an example of how the ideas of flexicurity and TLM work in practices, we nevertheless find that the TLM theory is relevant in Denmark too, as a reform proposal to illustrate how it will be possible to organise a labour market that is more inclusive.

Advocates of TLM describe management of social risk through transitional labour markets as a way to combine flexibility and security. That is, TLM is regarded as an implementation strategy, whose goal is to provide flexicurity. In spite of the similarities between the concepts, and the fact that the ultimate goal of a transitional labour market is to provide “flexicurity”, there are substantial differences as well. Flexicurity - and in particular the Danish version of it, which is a combination of flexible employment protection rules, income security and active labour market policy – focuses its attention primarily on the “regular labour market”. That is, movements of full-time employees internally in the labour market. The flexicurity triangle does include movements between education and employment (especially continuing and further education) and between unemployment and employment (the active labour market policy); but so far it has had very little focus on the movements between private, non-paid activities and employment or between employment and retirement. The TLM concept thus offers a more holistic and comprehensive picture of movements into, out of and within the labour market than the flexicurity concept does. Therefore it seems better suited to put the spotlight on the paradoxes and problems described in the introduction relating to the people inside the labour market and those outside it. The means to create openings in the boundaries between insiders and outsiders in the labour market is a better distribution of working time over a life cycle.

Inspiration for the development of the TLM concept came from the so-called Swedish model, which used to combine “solidaristic” wage policy with an active labour market and industrial policy (the Rehn-Meidner model). However, it took quite a few years before the TLM concept caught on in its country of origin, Germany. Although the TLM approach was developed by German labour market researchers in the mid-1990s, it was not until a few years into this millennium that the concept made a breakthrough. That happened when the so-called Hartz Commission (named after the HR manager at Volkswagen, Peter Hartz) was set up in 2002, and Günther Schmid, among others, was appointed a member. The main task of the Hartz Commission

was to come up with suggestions for modernisation of the federal employment service system, which had just been through a major scandal because its staff had been caught falsifying statistics for successful job matching, to give an impression of a higher level of activity. Better job referral of the unemployed and a more active labour market policy were therefore among the main focal points of the Commission (cf. Leschke et al. 2006; Kemmerling & Bruttel 2005).

In recent years, the concepts flexicurity and TLM have been heavily promoted by the European Commission. This is evident in reports from the European expert committee on employment, chaired by former Dutch Prime Minister Wim Kok, on which Günther Schmid served as well. Social security is defined in these reports as an important precondition for a flexible labour market. The idea of high employment protection (job security for life) has been abandoned in favour of the idea of employment security, reasonable wages and decent employment conditions. Each member state is, however, encouraged to work out its own strategy to balance flexibility and security (cf. Kok, 2003). Recently, the European Commission has also embraced the idea of improving the work/life balance.

The visions inherent in the European Employment Strategy (EES) and the European Social Model (ESM) to a large extent reflect the visions inherent in TLM: finding ways and means to create and maintain a balanced society and an economy that is both productive and egalitarian, and both competitive and fair. The outcome of attempts to realise the ambitious objectives in the European employment strategy has, however, proved rather disappointing so far. This has led several of the working teams and observers to recommend lowering the level of ambition and to shift the focus to enhancing competitiveness and economic growth. According to these observers, Europe is caught in a dilemma where decision makers must choose either to follow the Anglo-American way towards unregulated labour markets, minimal social protection, flexibility and efficiency, but also a high degree of income inequality. Or continue along the Continental European road of high social security, high degree of equality, but long-term unemployment and a high level of inactivity as well.

However, TLM shows a "third way", where efficiency and equality, flexibility and security can go hand in hand (Gier & Berg 2005: 71-72). The Nordic labour markets – and in particular the Danish model – probably represent the closest practical realisation of these visions.

## 5. The Danish labour market as a Transitional Labour Market

That Denmark is time and again held up as an example of a country excelling in TLM and flexicurity is a bit of a paradox, because the Danish example is not the result of a deliberate political strategy (Larsen 2005). It is actually more a product of coincidence and age-old historical traditions in the Danish labour market model and welfare policy that Denmark today finds itself singled out as one of the prime examples of how flexibility and security are two sides of the same coin, and how it is possible to combine high competitiveness and a high level of social security. But no matter how Denmark came to hold this position, it is quite understandable that Denmark is repeatedly used to illustrate a labour market with many transitions. Because the list of public schemes potentially encouraging transitions in the labour market is quite substantial, as we are going to see in the following.

Giving a fair and accurate account of transitional labour markets in Denmark is far from easy. Or for that matter just trying to find out which schemes and arrangements encourage which types of transitions. Nevertheless, we have decided to take the plunge and try to describe the Danish labour market based on a TLM approach.

Before setting out to give a more detailed overview of the schemes that can be considered to facilitate various transitions in the labour market, we are going to give a description and some typical examples of the five types of TLM transitions.

### 1. *Transitional arrangements between short-time working and full-time employment or between dependent work and self-employment:*

By international standards, Denmark has a high level of job rotation in the labour market between full-time jobs (measured by number of job changes and seniority, Bredgaard et al. 2006). But when it comes to transitions between full-time and part-time employment, Denmark is not a good TLM example, because Denmark has a relatively low number of employees working *part-time*. Regulation of this area has traditionally been left to agreements between the labour market organisations (and especially the trade unions have resisted for fear that employees would be forced to work part-time), but recently politicians intervened with legislation on part-time employment in order to increase flexibility. Another scheme that may be partly related is *supplementary unemployment benefit* (which might, however, just as appropriately be placed under item 2 below), which makes it possible to work reduced hours for a short period with partial wage compensation via the unemployment benefit system (e.g. fixed reduced working hours, job sharing, seasonal and temporary lay-offs due to work shortages). An example of a scheme attempting to encourage transitions from dependent work to self-employment is the *entrepreneurship scheme*, which gave financial support to people on unemployment benefit wishing to start their own company. This scheme has, however, been phased out and replaced by free consultancy services for potential entrepreneurs, run by the local authorities.

### 2. *Transitional arrangements between unemployment and employment:*

The level of transitions between employment and unemployment is exceptionally high in Denmark. As many as every fifth employee is affected by unemployment every year (Kongshøj-Madsen 1999, 2005). This is attributable to the high level of mobility in the labour market mentioned already, but

the high level of *social security* in the form of unemployment and cash benefit is also mentioned as an explanation of both the high mobility and the resultant brief contact with the unemployment system (Kongshøj-Madsen 1999; Bredgaard et al. 2006). A TLM-based explanation would point out that the risk of changing jobs is reduced when the economic consequences of a potential spell of unemployment are considered to be bearable. This increases the individual's willingness to take risks (Schmid 2006). Social security (in the form of unemployment and cash benefits) thus also has an indirect effect on transitions internally in the labour market. But originally this social security measure was designed to provide a livelihood for the individual (and his/her family) to allow them to maintain a reasonable standard of living (and their competences) until the job market picked up again (Jørgensen & Larsen 2003). However, this passive strategy for income support turned out to be a dead end (in a TLM understanding) because it led to long-term unemployment and a more permanent exclusion from the labour market for large groups of employees. Part of the solution to these problems has therefore come to be more *active labour market policy* measures, e.g. wage subsidy, job placement, on-the-job training, educational activities, soft and flexible jobs and rehabilitation. It could be argued that the active labour market policy has sought to facilitate transitions from unemployment into employment through skills upgrading and motivation. Tightening the demands on the unemployed (e.g. availability requirements) has also been part of this policy. And incidentally: it is completely in line with a TLM approach to scale down more long-term initiatives (e.g. education and skills upgrading) in favour of a quicker return to the labour market in periods of high economic activity, during which the number of persons in TLMs should be reduced.

### 3. *Transitional arrangements between education and employment:*

Educational schemes in this context include people who are on their way into the labour market (*basic education*), employees enrolled in continued vocational training and education (*CVT*) and unemployed who are to be re-integrated in the labour market through skills upgrading (*active labour market policy*). Several TLM analyses have pointed out that the educational level is of increasing importance for career opportunities, and thus also for the possibilities of securing good transitions on the labour market (Ziguras & Stricker 2004, Schönmann & O'Connell 2002). Education thus helps secure a competitive labour market, and "lifelong learning" is the key to securing a high level of education. But in a TLM understanding, there is an opposite consideration to take into account: the need to reduce transitional labour markets when the economy is booming. The present Danish debate about making students graduate sooner and reducing the scope for participation in long-term educational arrangements for the unemployed could perhaps be interpreted in this way; even though it seems unlikely that the TLM concept has been used explicitly to argue the case. The public sector provides a range of education and skills-upgrading opportunities in the form of both ordinary educational programmes, and continued vocational training (e.g. adult student grants). TLM literature has paid a good deal of attention to the *educational leave scheme*, not to mention the publicly supported *job rotation scheme*, under which education of employees was combined with temporary employment for the unemployed. However, both schemes have been cut back since the mid-1990s.

#### 4. *Transitional arrangements between private domestic activities and paid employment:*

When considering working time over an entire working life, a transition can also take the form of leaving the labour market partly or completely for a period. The purpose may be to spend time at home or do voluntary work. At certain stages in a person's life they may wish e.g. to look after their children themselves or for other reasons want a different work/life balance. The classical examples of schemes supporting such wishes are *childcare leave and sabbaticals*. Both schemes have been phased out in Denmark in favour of a one-year *parental leave scheme*. Another, and perhaps not quite so obvious example, is *sickness benefit*, which is paid temporarily, usually up to 52 weeks, to people off work. The goal is their eventual return to the labour market, in part or full-time. In addition to the public schemes mentioned above, it is important to keep in mind that there is also an array of working time arrangements based on agreements on the labour market. The possibilities of more long-term arrangements in an interaction between publicly regulated and agreement-based solutions (e.g. *time banks*) are interesting to consider in relation to the TLM approach of a given working time over a life cycle instead of a fixed number of working hours every week. At present, however, such arrangements are few and far between.

#### 5. *Transitional arrangements between employment and retirement:*

Good transitions are both about entry to the labour market and exits from it. Considering exit from the labour market, it is a matter of securing a well-functioning, flexible and gradual retirement. The most comprehensive public scheme in this context is the *early retirement scheme*, which allows withdrawal before official pension age. An important aspect here is how widespread re-entry to the labour market is. The direct way to regulate withdrawal from the labour market is via the pension age and the age of eligibility for early retirement. But a number of measures based on collective agreement and company agreements, such as less demanding work, reduced working hours (resulting e.g. from senior policies) can play an important role as well. It is, by the way, worth noting that Denmark has one of the highest average retirement ages in the world (62 years). Talking about dead ends in a TLM context, an important focal point here is the connection between economic security and the possibility for demanding or accepting alterations to job functions or reduced working hours. Or in other words, the flexicurity discussion about older workers (Bredgaard & Larsen 2005).

As can be seen, there is large number of public measures that seek to facilitate various forms of transitions in the labour market today. Delimiting which schemes qualify for a description as a transitional labour market can be difficult. For instance, could a spell of unemployment and receiving unemployment benefit be described as a transitional labour market? The immediate reply in the TLM model, which sees unemployed persons on passive transfer income as excluded from the labour market, would probably be negative. On the other hand, for Denmark the argument runs that a high level of unemployment benefit produces a high level of willingness to take risks and hence higher mobility, which explains why so many unemployed people receive unemployment benefit for a short period only (about 20% of the workforce are in contact with the unemployment benefit system every year). This speaks in favour of including unemployment benefit schemes. And several other schemes could be discussed along similar lines (e.g. the early retirement scheme). Bearing these problems of delimitation in mind, below follows an overview of the major TLM-related schemes and figures for the number of persons comprised by them in 2004.

Table 4: Overview of the scope of public schemes on the Danish labour market of a nature similar to transitional labour markets, 2004

	<i>Full-time participants</i>	<i>Participants</i>
<b>Unemployment benefit*</b>	133,727	<b>392,141</b>
<b>Wage subsidy schemes</b>	30,868	<b>85,958</b>
<b>Other activation measures</b>	17,580	<b>107,981</b>
<b>Awaiting flexible jobs</b>	8,137	<b>12,252</b>
<b>Flexible and soft jobs</b>	35,279	<b>42,948</b>
<b>Rehabilitation</b>	22,751	<b>33,568</b>
<b>Ordinary educational programmes</b>	15,885	<b>74,367</b>
<b>Tailored educational programmes</b>	4,237	<b>20,665</b>
<b>Adult apprentices</b>	6,146	<b>8,884</b>
<b>Education on adult student grant</b>	54	<b>290</b>
<b>Education for immigrants</b>	2,788	<b>8,322</b>
<b>Leave for education (discontinued from 2000)</b>	2	<b>3</b>
<b>Job rotation**</b>	1,873	
<b>Voluntary un-paid work</b>	11	<b>26</b>
<b>Childcare leave (discontinued from 2002)</b>	3,468	<b>10,201</b>
<b>Parental leave</b>	54,915	<b>124,877</b>
<b>Sickness benefit</b>	68,569	<b>293,012</b>
<b>Early retirement</b>	187,247	<b>221,955</b>
<b>Partial pension</b>	1,198	<b>1,198</b>
Total number of persons in TLM schemes	<b>594,735</b>	1,438,648
<b>TLM, share of labour force (%)</b>	20.9%	
Registered unemployment	<b>176,000</b>	
<b>Registered unemployment, share of labour force (%)</b>	6.4 %	

Source: Statistics Denmark "Statistical Yearbook 2006". \*11,600 of them receive supplementary unemployment benefit, source: The Employment Ministry/Finance Ministry (2003): FFL04 analysis of reduction in short-term unemployment. \*\*Source: National Labour Market Authority, Job Centre (AF) production statistics 2004.

Making an exhaustive list of all TLM-related public schemes is next to impossible; and to make the list complete, all agreement-based initiatives securing some of the transitions described above would have to be included as well. Even with this caveat, it is still remarkable that in the schemes listed above alone, just over half a million persons (equivalent to 20.9% of the labour force) are full-time participants. However, it is not the aggregate numbers of full-time participants that are the most interesting in a TLM understanding. What is much more interesting is that the number of people who have participated in the transitional labour markets for shorter or longer periods equals 1.4 million, corresponding to about 50% of the labour force. This illustrates that there is considerable movement between positions inside and outside the Danish labour market; and it justifies the frequent use in TLM literature of Denmark as the best example of a TLM country. But much more knowledge is needed about these transitions on the labour markets seen over a number of years. This is where the TLM understanding points to a different way of evaluating such

schemes. Instead of primarily looking at the number of person in different schemes (the stocks), it is more relevant to look at how people move between the various schemes and statuses (the flows). Are "stepping stones" created leading to good transitions, or do they lead to "dead ends" of more or less permanent exclusion from the labour market? It is the quality of these transitions that matters. Not only for the life situation of the individual, including their work/life balance (being either totally "on" or totally "off" in the 1/0 labour market), but for the functioning of the labour market as a whole. Not least in order to avoid a labour market segmented into "insiders" and "outsiders", whose main characteristics are structural problems and passive income support.

## 6. Discussion and recommendations for a life-cycle policy

After this review of the theory behind TLM and the illustration of Denmark as an example, we are going to conclude by discussing the question: what can we learn from TLM? Immediately, a number of questions spring to mind: is Denmark already a TLM country? Is TLM just reinventing the wheel; is there really anything new in it? At the end of the day, is TLM nothing more than a factual description and a reform programme for regulation and flexibilisation of the rigidities of German labour market? Or is it possible for Denmark to find inspiration in the TLM approach?

Developments in Denmark and the Netherlands, and to some extent the UK, are often held up in literature as shining examples of how individual member states and the European Union can formulate an effective employment strategy. What these successful countries (in particular Denmark and the Netherlands) have in common is that they have carried out institutional reforms resembling the recommendations of the TLM approach, including institutionalisation of leave schemes and mobility, activation of income-replacing benefits, moderate incomes policies, establishment of a high-quality (continued and further) education culture in a labour market characterised by decentralisation and negotiations in networks (cf. Schmid & Gazier, 2002: 74).

According to Schmid, however, it is probably not possible to use Denmark as a role model for other European countries, because of its unique geographic and economic conditions. Chasing 'one best practice' is described as illusory. The overall message is that universal labour market policy recommendations (which are, in fact, what some TLM advocates are inclined to issue) should be avoided. It is suggested that all countries need TLM policies, but they must be customised and address the problems relevant in the specific context. In that sense, TLM is a plastic concept, adaptable to various challenges and needs. In a Danish context, we find the concept particularly relevant for attempts to find a way to create a better balance between full-time employees pressed for time inside the labour market, and the many persons outside the labour market and the labour force.

Another important point of discussion is whether a transitional labour market will lead to bridges and stepping stones between different positions inside and outside the labour market, or whether such bridges and stepping stones in reality lead to dead-end jobs. This is exactly what the so-called segmentation theorists argue: that TLM can develop into traps and dead ends that are difficult to escape for weak groups; that is, a secondary labour market of dead-end, low-paid McJobs leading nowhere. The TLM approach is criticised for making a virtue out of necessity and spreading persistent job shortages thinly among already disadvantaged groups on the labour market. Whether this is a real risk depends on how the ideals of TLM are implemented in practice. TLM is a strategy designed precisely to reduce segmentation, while at the same time increasing competition in the labour market and strengthening efficiency and equality. For example, TLM may be institutionalised by giving each employee and unemployed person an individual right to transitions (by means of e.g. a voucher system), which can be used freely throughout a person's life cycle (cf. Wilthagen & Rogowski i Schmid and Gazier, 2002). This seems to become a necessity in the labour market of the future where demands for flexibility and readiness for change will be inescapable. And it probably matches the needs of parts of the labour market for finding ways of striking a better work/life balance (e.g. career couples with young children).

Even assuming that agreement is reached about the necessity for finding a better balance between persons inside and outside the labour market and that temporary transitions provide the best solution, the next inevitable question is who is going to take on the responsibility for implementation and financing of TLM? The literature does not give any ready-made formula, and obviously the appropriate answers to such questions need to be found in the individual country, on the basis of its particular traditions, circumstances and needs.

One suggestion to find out who should take on responsibility for TLM schemes is, according to Schmid, to evaluate whether the risk connected with transitions arise out of individual (free) choice or external (forced) circumstances, and whether the consequences of this risk can be borne by the individual or whether they are beyond the capabilities of the individual, and therefore need to be dealt with collectively. On this basis, it is possible to identify four (ideal-typical) forms of responsibility: (1) individual responsibility (e.g. private unemployment insurance, pay based on seniority), (2) solidaristic responsibility (equal opportunities through social rights, e.g. income-replacing benefits, minimum wage), (3) individual solidarity (active measures, e.g. active job search, skills upgrading, time banks), and (4) collective solidarity (redistribution of resources, e.g. unemployment benefit), cf. Schmid & Schömann 2004.

It is important to understand that the TLM approach is not a fully-fledged political programme, but rather a distinctive approach to gaining a better understanding of dynamic labour markets, plus an inspiring proposal for how to organise labour markets in the future, in a better-balanced and more equitable way. It follows from the ideas behind transitions that a new form of labour market statistics is necessary, in which the interesting facts are not the static annual aggregates in various publicly financed schemes, but instead movements between such schemes. An important focal point in this context must be whether movements into, out of and internally in the labour market lead to integration, retention or exclusion from the labour market.

Aspects of it may be open for discussion but irrespective of that, it is our firm belief that the TLM concept helps raise a number of interesting questions which, at the moment, are hardly ever touched upon in the discussion in Denmark. The most important is the paradox between the insiders and outsiders on the labour market. TLM can help start a discussion about social exclusion from the labour market and the need to broaden the understanding of the regular labour market. In the present economic situation, where shortages of (qualified) labour top the agenda, such a broader understanding of labour market policy can help identify target groups which an active labour market policy could seek to integrate or retain in the labour market. Instead of focusing narrowly on the shrinking group of registered unemployed, it is important to draw attention to the large potential labour force reserve parked on temporary income-replacing public support schemes. In this context, TLM can also help rekindle the important discussion on how we approach realisation of the visions for a more inclusive labour market where there is room for everybody and everybody is needed. At the same time, a reduction of weekly working hours over a life cycle can ease the time squeeze for the persons on the labour market who feel stressed and burnt-out.

Instead of freezing a snapshot of the labour market, the TLM theory sees the labour market and the individual's working life in a life-cycle perspective. This is in line with the European Commission's guidelines for employment policy, which among other things urge the member states to pursue a life-cycle approach to working life and create more including labour markets.

Full employment and "jobs for all" has been the central political message for many decades, not least for the trade union movement. The idea of TLM can help realise this goal in a labour market whose traditional understanding of full employment has become old-fashioned and unrealistic. If full employment instead is defined as an average working week of 30 hours (or 32 or 34 hours) over a life course, where movements in and out of the labour market come to be seen as the regular pattern, it becomes a far more feasible goal. This idea of full employment helps distribute what is becoming a very scarce good: time. A new slogan could be "time for all". Time to develop skills and competences while in employment. Time to create a satisfactory family setting for raising a family while participating in the labour market. Time for kick-starting a career once the children leave the nest. And time for a gradual transition from working life to retirement.

If we do not succeed in creating a better balance between these stages in our working lives, there is reason to fear further polarisation between those who are on the labour market but have far too little time to spare for life outside it, and those who are outside the labour market but have far too much time to spare. The results are well-known: stress, burnout, a nagging sense of inadequacy, and at worst a gradual exclusion from the labour market. And vice versa for those outside: a unfulfilled desire to be part of the labour market as fully accepted members, escalating social expenditure and taxes, which in turn forces those inside the labour market to work even longer and harder. What is needed is a re-distribution of time. TLM offers a new balance between work, family, learning and other social activities, which improves the quality of life and welfare for the individual over a life cycle (Gier & Berg 2005: 5).

### ***6.1. Recommendations for a Danish life-cycle policy***

It is not possible for us to present a detailed proposal for how a TLM perspective can be implemented in a Danish context. However, in the following we are going to point out a few examples of how the TLM approach could be operationalised in practice. We will do so by illustrating some of the various forms of transitions. But first two general introductory comments.

At its very core, the TLM model rests on the precondition that a well-functioning labour market exists, in which it is possible to expand or contract transitional labour markets (in the form of various schemes) in line with cyclical developments. It is thus a central premise that the size and scope of TLMs can be adjusted over time. As Günther Schmid emphasises, it is pivotal that the needs of the labour market for labour can be met, while at the same time creating a better balance between work and family life.

Furthermore it is important to realise that the TLM perspective offers a model that can help prevent people from being excluded from the labour market. It is, however, not a model that makes it possible to bring the large group of persons already excluded and least ready for the labour market back into employment immediately. Thinking it is possible to replace members of the core labour force 1:1 with outsiders presently excluded from the labour market is naïve. Consequently it is necessary to supplement the TLM perspective with independent, targeted initiatives and measures to integrate these groups into the labour market again. What a transitional labour market can do is to help retain such persons on the labour market and secure that considerably fewer will be excluded in future.

### *Transitions internally in the labour market*

Here the primary focus is on the possibilities of working more or fewer hours. In other words, it is about flexible working hours. Obviously, some balancing is needed here between flexibility and security. From the point of view of the employees, full flexibilisation of working hours may imply involuntary reductions or increases in working hours, just as there is an immediate risk of loss of income if overtime is no longer paid out.

For the employers, there is the obvious inherent risk that an employee finds another job once it is his turn to deliver in a long-term agreement on flexible working hours. This point towards a need for general overarching solutions for regulation and administration of the rights and duties of employees in relation to working hours. It could be in the shape of a personalised account under which especially work-intensive periods qualify a person for working-hour reductions later. An account under which certain critical life events (e.g. young children, chronic disease in the family) can warrant withdrawal of such “capital” from the account. What is important in this context is the possibility of working more or fewer hours for a period in a life-cycle perspective.

### *Transitions between unemployment and employment*

As already mentioned, Denmark has a remarkably high share of its labour force affected by short-term spells of unemployment. There are several indications that the relatively generous (by international comparison) unemployment benefit system leads to a lower degree of risk aversion among employees, which also explains the high level of labour market mobility (in the form of low seniority and many job shifts, cf. also Velfærdskommissionen 2005).

It is also one of the main reasons why Denmark is able to maintain a low level of employment protection, as the issue of job security is, so to speak, removed from the enterprises. This contrasts with most other European countries, where collective bargaining or individual contracts with firms lead to agreements securing a high level of job security, e.g. in terms of long notices. And at great costs to enterprises.

Both the flexicurity and TLM literature point out employment security as a more appropriate focus than job security. Employment security is closely related to an active labour market policy, whose primary intention is to secure new (and preferably longer-term) employment opportunities in case of unemployment. But generous unemployment benefits carry a latent risk of abuse (and lack of incentives); however, there are very few indications that this is a major problem in Denmark, among other things due to the duty of the unemployed to be available for work.

The issue at stake in labour market policy is striking the right balance between on the one hand increasing the motivation (and incentive) to take a job (including a “bad” job), and on the other hand improving the employability of the unemployed in a longer perspective by means of skills upgrading. This balance will have to be sensitive to cyclical developments as well, with a greater focus on speedy job placement and less on long-term skills upgrading in times of economic boom.

In a TLM perspective, the unemployment benefit system and the active labour market policy must secure different types of transitions between unemployment and employment. They must be able to secure both a “speedy” transition, i.e. short spells of unemployment between jobs (or seasonal

work etc.), as well as improve employability in connection with longer spells of unemployment.

The important thing is that spells of unemployment can be used actively to further new transitions on the labour market, and prevent unemployment spells from turning into "dead ends" of more permanent exclusion from the labour market. Which is why good arguments can be found in favour of both the motivational and skills-upgrading elements of an active labour market policy.

However, there seems to be a tendency lately towards relying less and less on the skills-upgrading elements of the policy, which could turn into a problem for unemployed persons who are unable to find work themselves or whose competences do not match those required by the jobs available. Ruling out skills-upgrading initiatives based on a philosophy of stronger incentives and "any job is better than no job" is problematic in relation to the least employable groups, and it will lead to even more pronounced exclusion.

What seem to be needed are better methods to identify various types of unemployed and more differentiated initiatives. The goal in a TLM perspective must be a general improvement of the individual's employability with a view to new transitions. And the importance of a highly motivated and skilled "reserve pool of labour" should not be underestimated in relation to the chances of attracting (potential) new business development.

#### *Transitions between education and employment*

A number of surveys have demonstrated that one of the most important parameters in relation to both labour market attachment and favourable career development is education. In a TLM perspective, the focus must therefore be on securing as high a level of education as possible at the entry to the labour market, education and training initiatives in connection with unemployment (cf. above), and not least opportunities for further and continuing education for people in employment.

The Danish educational system is largely financed and run by public authorities. The advantage of such a system is that firms can externalise the costs of highly qualified employees, which improves their competitiveness; another advantage is that the competences acquired are general and transferable rather than firm-specific. As can be seen in several other countries, leaving it to enterprises to finance continuing training and education can easily lead to under-investments.

There will always be a certain amount of risk involved in such investments as employees may use their newly upgraded skills to find a new job, thereby depriving the firm of the return on its investment. Logically enough, firms tend to be reluctant to finance training and education in general, and when they do, they tend to go for firm-specific competences (why educate your employees for other lines of business or other firms?)

This again underlines the importance of some "overarching" management and steering of educational activities in a TLM perspective, as is still the case in Denmark. A different aspect in a TLM perspective is the opportunities of the individual to make the transition from employment to (continuing and further) education. Educational leave and job rotation schemes are examples of how to provide such opportunities. Collective agreements could be another way to secure educational rights for the individual. Again, such schemes and agreements need to be balanced against the overall economic trends. However, education seems to be such an important

competitive parameter in the labour market in general, as well as being decisive for the individual's opportunities for transitions. This speaks in favour of giving education a high priority – even when the economy is booming. And of striking a balance that secures the individual the rights to choose this opportunity during certain periods.

#### *Transitions between employment and retirement*

It is a crucial precondition for a shorter working week over a life cycle that retirement is made more flexible, typically resulting in a higher retirement age. At issue here is, among other things, securing some flexibilisation of the ways in which a person retires from the labour market. A typical pattern could be that when an employee is young, s/he will work above-average hours. When s/he starts a family and the children are young, s/he will work relatively shorter hours. Reaching middle age, again relatively longer hours; and finally, while gradually withdrawing from the labour market, relatively fewer hours again.

A condition for this gradual withdrawal is, however, that (supplementary) schemes are in place to make it possible. This means that pension schemes and working conditions must be adjusted to allow such flexibilisation. Pension schemes must allow people to work reduced hours, and more senior-friendly working conditions, matching the individual's circumstances, must be introduced (e.g. through senior policies).

#### *Transitions between private households and employment*

Part of this paper has dealt with the problems relating to on the one hand the stressed-out employees and, on the other, the many people excluded from the labour market. To do something about especially the problems of the stressed-out full-time employees, it is the transitions between employment and “private households” that are by far the most important.

It needs to be emphasised as well, however, that expansion of these transitions will to a large extent depend on the quality of the other transitions. Increasing the scope for more flexible working hours, and during certain periods of a life cycle more time for family commitments, presupposes that transitions internally in the labour market (and reducing/increasing working hours), between unemployment and employment, between education and employment, and not least between retirement and employment, all function optimally. Both to increase the scope and resources (especially in connection with flexible working hours and later withdrawal) for more family time in certain periods, and to minimise the risks always entailed by leaving the labour market completely or partially for a while.

In relation to this risk, well-functioning transitional labour markets could act as a kind of employment security. Another problem related to risk will be to ensure that transitions do not result in a gender bias: that it will be women only who end up doing all the flexible transitions between work and family commitments. This would have very unfortunate consequences for equality between the sexes, but also for the high participation rate of women in Denmark in general.

The litmus test in relation to the TLM concept will be how to put the ideas of a more flexible alternation (in a life cycle perspective) between work and family commitments into practice. One

possibility could be an individualised account, to be used at certain stages in a person's working life (time banks). It could consist of a combined savings and current account: depositing extra hours worked (perhaps favourably taxed compared to overtime payment) and withdrawing "capital" in connection with critical life events (such as the birth of a baby, serious illness etc). However, it has not been the intention with this paper to present detailed proposals, but simply to illustrate the TLM approach with a few examples of what it might translate into in practice.

With these more concrete considerations, we hope to have introduced the TLM perspective in a Danish context. The TLM perspective offers a model that both aims to create a more competitive labour market while at the same time securing a new balance between work, learning and other social activities that helps enhance the quality of life and welfare of the individual over a life cycle. In today's Danish labour market, such a balance is much needed!

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