Book Chapter Template

Labour-market reforms in Southern Europe: from Protection to Flexibility

Maria Asensio & Carla Ferreira
ISCTE - Lisbon University Institute, Lisbon, Portugal,
maria.asensio@iscte-iul.pt

Abstract

The study delves into the post-Eurozone crisis transformations within the labor market of Southern Europe, emphasizing the shift from a protective model to one characterized by increased flexibility. Notable alterations in labor regulation systems, including a decline in union density, heightened labor market deregulation, rising unemployment rates, and the proliferation of atypical and precarious employment forms, are underscored by the authors. The analysis extensively compares labor reforms across Greece, Italy, Portugal, and Spain emphasizing divergences in policies and their consequential economic and social impacts. Contrary to the conventional belief associating state intervention with market rigidity, the paper posits that robust government regulations can expedite wage adjustments and enhance overall work flexibility. The exploration of disparities between countries, rooted in pre-existing levels of state intervention in their labor markets, further enriches the discussion. Ultimately, the study contends that responses to economic challenges, such as recessions and high unemployment, manifest in wage moderation and flexible working arrangements. These responses are intricately linked to economic contexts, encompassing factors such as inflation rates, productivity levels, and trade imbalances.

Keywords: Southern Europe, Labor market reforms, financial crises, flexibility, EPL

1. Introduction

The aftermath of the Eurozone crisis in Southern Europe has triggered significant transformations in economic conditions and labour market regulations. The labor domain experienced a transformation characterized by a reduction in the density of trade union memberships, a rapid progression toward labor market deregulation, a growing division within the labor force, a resurgence of elevated unemployment rates, and a notable surge in atypical employment arrangements and precarious work situations [1]. The profound impact of the crisis in employment trends and the functioning of the labour market on countries such as Greece, Italy, Portugal, and Spain have prompted a reassessment of labour market policies [2-7]. This chapter explores the pivotal role of labour market conditions as a response to the economic challenges faced by these EU countries during and after the crisis that affected not only traditionally vulnerable groups in the labour market, such as women, youth, and migrants but also extended to other social segments struggling to secure stable, well-paying employment.

The extent of these changes poses a puzzle when considering past evaluations of Southern European labour markets as rigid and resistant to reform. It challenges preconceptions given the historically limited impact of EU conditionality in the region and the substantial role of the State in these economies [8]. There is an argument, interpreted by Blau and Khan, that challenges the conventional perception of institutional intervention in European labor markets. The traditional view portrays such intervention as a factor contributing to rigidity, wherein wages become unresponsive to economic pressures. This lack of responsiveness is believed to result in adjustments occurring more in terms of employment quantity rather than wage levels [9]. Blau and Khan, however, question this perspective. They propose that the widely held notion of institutional intervention causing labor market rigidity, where wages do not adjust according to economic conditions, may not be accurate. The argument suggests a reevaluation of this perception, indicating that institutional interventions may not necessarily impede wage adjustments. This challenges the prevailing idea that labor market institutions, by their nature, lead to wage inflexibility and subsequent adjustments in employment levels rather than wage rates. The implication is that the impact and outcomes of institutional interventions on labor markets may be more nuanced and variable than traditionally thought[1].

This chapter delves into the examination of the tools employed in shaping economic outcomes, specifically focusing on the influence of labour market strategies employed by countries and businesses to enhance competitiveness, particularly during challenging economic conditions. Contrary to conventional belief, the study contends that a higher degree of state regulation in the labour market—spanning areas such as collective bargaining mechanisms, employment protection, active labour market policies, flexicurity, or work-life balance measures—can accelerate, rather than hinder, changes to wages and flexible working conditions. The analysis highlights that robust state regulation provides governments with potent mechanisms to effectively implement wage devaluation measures and a more adaptable and responsive labour market. Conversely, in situations where state regulation is weak and employers, along with trade unions, enjoy a high degree of self-governance, their capacity to execute labour market strategies is constrained. Building upon this concept, the chapter aims to elucidate differences between countries based on pre-existing levels of state intervention in their labour markets.

This study demonstrates that wage moderation and flexibility in working arrangements are responses to economic challenges such as recessions, high unemployment, or the need to enhance competitiveness. The economic context, including inflation rates, productivity levels, and trade imbalances, can influence the effectiveness of both strategies. As we will show, the most extensive wage reduction has occurred in countries where social partners predominantly relied on higher levels of interventionism —most notably in Greece and Portugal, with Spain to a lesser extent. In contrast, Italy, characterized by a more autonomous role for employers and unions and limited levels of State interventionism, witnessed a comparatively smaller extent of adjustment [10, 11, 12]. In several cases, the reduction in wages resulted from increased, rather than lower levels of State

[1] In words of Schmidt (2002:149), while the increased participation of the State in the economic system, beyond what is seen in an ideal market-driven capitalism, might introduce certain rigidities and impede rapid adjustments to evolving market conditions, simultaneously, such State involvement can act to grease the wheels, facilitating smoother functioning of the economic system. This is particularly evident in the context of managing relationships between employers and workers.

interventionism. In Italy, the government had fewer tools available to stimulate a decline in the cost of labour.

2. Theoretical Framework: Labour market Institutions and Employment Protection Legislation

Since the mid-1980s until the European Monetary Union, globalization, European integration and tertiarization of the economy dominated the labour market reforms in Southern European countries. The traditional Mediterranean model of Labor Market Policies involved significant government intervention. It focused on robust employment protection laws for long-term workers, particularly males, with generous but limited unemployment insurance systems. Multi-employer collective bargaining was also supported. However, the model had weaknesses, such as underdeveloped social assistance for the unemployed and inactive, and a lack of active labor market policies for transition and retraining. Strong employment protection laws and rigid wage setting were criticized by EU authorities and mainstream policymakers for hindering employment creation and competitiveness in Southern European economies, leading to a push for labor market liberalization as the preferred solution [13].

It's worth noting that during this period, changes towards working time flexibility are situated in the broader patterns of work reorganization that began in the 1980s. Governments in Southern Europe, spanning various political ideologies, undertook numerous reforms with the primary goals of deregulating the labor market, making employment relations more flexible to align with the requirements of a service-oriented economy, and implementing wage moderation to address widespread inflation. In this context, scholars have differentiated between employer-oriented flexibility, which prioritizes the reduction of labour costs, the removal of legal regulations and the elimination of union-negotiated work rules and benefits, and employee-oriented flexibility, which seeks flexibility in work arrangements to better balance paid work with other, particularly household, responsibilities. Employer-oriented flexibility became widespread beginning in the 1980s and moving through the 1990s, coinciding with a noted shift away from the standard employment relationship as well as growth in non-standard and precarious forms of employment [14].

In the early 1990s, the term "flexibility" was not explicitly employed in research addressing labour market flexibility. Instead, studies predominantly concentrated on labour market institutions, primarily examining economic aspects of how these institutions influenced labour market performance. In this context, labour market institutions were broadly defined to encompass elements such as unemployment benefits, characteristics of labour unions, employment protection legislations (EPL), tax wedges on unemployment, employment rates, and durations of unemployment.

In the 2000s, labour flexibility became synonymous with employer strategies that undermined stability and security for workers [15]. This was achieved through practices such as outsourcing/contracting out and the use of temporary employment contracts, which resulted in increased control by employers over both the work and the workers. The gendered impacts of employer-oriented time flexibility were also evident, particularly in exacerbating time pressures on women workers in the public sector. These practices intensified in the aftermath of the 2008 financial crisis, affecting even highly unionized public sector workers who faced growing demands for flexibility due to government downsizing and privatization/contracting efforts undertaken by austerity-driven governments.

Government regulations have played a role in advancing the liberalization of labor market policies, with a consistent emphasis on advocating for the reform of employment protection legislation (EPL). Policymakers in Southern Europe (SE) and European Union (EU) authorities alike have frequently endorsed this approach as the solution for the poor economic growth and employment outcomes in SE economies[13].

2.1. The Sovereign debt crisis: an External Pressure or Domestic choice in EU Labour Market Reforms?

From 2010 to 2013, Southern European countries faced significant formal and informal pressures to enact structural reforms in their Labor Market Policies and collective bargaining systems. The financial turmoil known as the sovereign debt crisis in Southern Europe has brought to light the asymmetric distributional consequences of the Eurozone's new architectural framework between the northern and southern member states, for three reasons. The first factor pertains to the severity of the double-dip recession experienced in the period from 2008 to 2013. Recessions stemming from financial crises typically exhibit more profound and prolonged negative impacts, a trend corroborated by research such as that of Reinhart and Rogoff [16]. This pattern was notably evident in the European Union (EU), where the gross domestic product (GDP) contracted by an unprecedented 4.4% in 2009, surpassing the effects of the oil crisis in the 1970s [7]. The employment landscape suffered a significant blow, witnessing a decline of five million jobs during the peak crisis years. Unlike other major developed economies, the EU grappled with the aftermath of the financial crisis until 2013. This prolonged economic struggle coincided with the sovereign debt crisis in Southern European Member States, further exacerbated by the initial crisis, leading to stringent fiscal policies and cuts in public spending. Early in the crisis, the population at risk of poverty increased by 6.6% in Western Europe from 2007 to 2011. Italy experienced an 11% increase, while Spain saw a notable 23.2% rise [27]. Greece, however, suffered the most, with record negative scores in numerous social indicators. The recovery in Greece came later and has been only partial, marked by persistently low wages and relatively high unemployment, which have become enduring features of its economy.

It wasn't until 2013 that unemployment rates in the EU began to steadily recede to more customary levels. Even then, the recovery of EU employment levels to their pre-crisis benchmarks materialized only in the third quarter of 2016, a timeframe that lagged the United States (US) and Japan, which experienced such recovery in the third quarter of 2014 and the first quarter of 2016, respectively.

The second aspect involves the disparate impact of the crisis on EU Member States, affecting both economic production (measured by GDP per capita) and labour market performance**.** This discrepancy should be analyzed within the context of varying degrees of austerity measures implemented across countries. Unemployment rates experienced sharp increases, reaching peaks exceeding 25%, and persist at relatively elevated levels in nations like Greece and Spain. In contrast, Germany, along with other countries such as Austria, Czechia, Denmark, Luxembourg, Malta, the Netherlands, and Romania, maintained unemployment rates below 8% throughout the period from 2008 to 2018, with fluctuations of no more than 1 percentage point compared to pre-crisis levels [3-7].

The economic and labour market impacts exhibited notable variations within the eurozone group of countries. Membership in the common currency, rather than mitigating, tended to exacerbate the negative shocks, partly due to unsustainable financial flows and pre-crisis investment levels. Faced with the severity of the crisis, several Member States turned to short time working (STW) as a tool to manage adverse employment effects. However, this measure primarily benefited prime-age workers on open-ended contracts. Typically, those with limited labour market experience are most vulnerable during a recession, and accordingly, the crisis's labour market repercussions were particularly pronounced among the younger demographic.

At its zenith, unemployment affected one in four young people in the EU27 and the UK, rising to more than one in two in Greece and Spain. Recognizing the urgency, policymakers shifted their focus to youth, adopting a granular approach centered on social participation and human capital development. This approach culminated in the commitments of the EU Youth Guarantee in 2013, offering guaranteed training or employment to those under 25 within four months of unemployment. Prior research, particularly by Eurofound [17], laid the foundation for this policy, addressing the persistently high rates of unemployment lasting more than 12 months through initiatives like the Council Recommendation on the integration of long-term unemployed in the labour market [18].

A third factor to highlight is that the ongoing recovery has been characterized by low productivity growth rather than a 'jobless recovery,' a departure from the patterns observed after recessions in the 1980s through the 2000s. Previous recoveries were marked by persistently elevated unemployment rates but also witnessed a relatively rapid resurgence in productivity growth. In the present scenario, however, the dynamics have diverged. Employment growth has shown resilience and robustness, while productivity growth has been unusually sluggish. This phenomenon has led to reduced output growth, stagnant wages, and deficient demand. One plausible interpretation of the sustained employment growth amid weak productivity is linked to labour market deregulation and the resultant downward pressure on wages. This environment appears to incentivize employers to prioritize the recruitment or retention of human labour rather than investing in productivity-enhancing technologies [19]. While this interpretation is just one perspective, it offers a coherent explanation for the varying data on productivity, wage levels, and employment growth. Furthermore, the pattern of low productivity growth aligns with diminished investments in staff training and upskilling. The shift from a universalist to a Bismarckian welfare model inevitably left out various groups, including those not actively employed and those engaged in occasional and informal work. Many of these excluded individuals were particularly vulnerable in this new system. Concurrently with the deterioration of employment conditions, the reductions in social policies had a severe impact on the most vulnerable segments of Spanish society.
This wasn't solely a response to external pressures; in many cases, national governments took the opportunity to pursue long-desired structural liberalizing reforms. These reforms, previously on their agenda for years but considered politically challenging due to electoral unpopularity or opposition from trade unions, were now implemented. This had a profound impact, not only in terms of reduced monthly earnings for the more vulnerable workers paid at the minimum wage rate but also in the structural erosion of collective bargaining, extending to the weakening of trade unionism.Examples include the 2012 labor market reform in Spain under the center-right Rajoy government, the 2012 Fornero labor market reform in Italy by the technocratic Monti government, and the 2015 Jobs Act under the center-left-led Renzi government. Similarly, Portugal saw labor market reforms by the center-right Passos Coelho cabinet between 2011 and 2014, and Greece underwent labor market reforms initially by the center-left cabinet of Papandreou in 2010–2011 and later by the center-right cabinet of Samaras in 2012 [13].

Domestic instruments in Southern European countries

Until now, the predominant scholarly focus has centered on the new supranational framework as the primary explanation for the challenges faced by Southern European governments. The literature has tended to view reform processes uniformly, asserting that domestic politics play a negligible role due to the asymmetric power relationship, as argued by Armingeon and Baccaro[20]. They contend that within this dynamic, there is only one option, and it is imposed from outside.

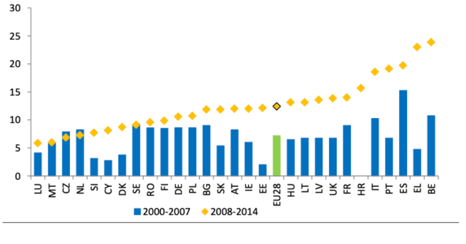
While acknowledging the limited leeway individual countries have in determining the direction of change, we argue that understanding a government's ability to enact alterations in wage reductions and working conditions remains heavily influenced by domestic politics and institutions. This is particularly important when we consider the instruments governments deploy to achieve this goal. External pressure alone, no matter how formidable, may not be sufficient to drive domestic change in labour markets where wages are predominantly set by private firms.

Examining the Southern European countries under scrutiny, significant variation emerges in the extent of adjustment, which cannot be solely explained by functional pressures such as GDP contraction, increased unemployment, or government debt levels. For instance, Italy, despite experiencing a greater decline in GDP and a higher absolute increase in unemployment than Spain over a five-year period, has undergone a smaller degree of wage adjustment. Similarly, Portugal has witnessed a more substantial adjustment even with lower unemployment levels than Spain.

Attributing differences solely to the presence or absence of adjustment programs by EU institutions is inadequate, especially considering the similarities between Spain and Portugal in the measures implemented to achieve devaluation and the difference between Spain and Italy. Ioannou [15] highlights that reforms have been more far-reaching in Spain than in Italy, emphasizing the diverging influence of the center-left as a key factor in deregulation in Spain and embedded flexibilization in Italy.

Although Greece, Italy, Portugal, and Spain have often been grouped under typologies like 'Mediterranean,' 'mixed-market,' or 'state-led' economies, they exhibit significant differences in the cooperation and coordination capacity within trade unionism and between trade unions and the State [15]. Italy, in particular, shows similarities with the North European model, characterized by a stronger coordination capacity by employers and trade unions and a smaller role for the state in collective bargaining [15].This distinction is vital, as the weaker role of the State and the stronger role of social partners in Italy provide fewer instruments to achieve changes in working conditions and wage reductions compared to the other Southern European countries. In the case of wages adjustments, a more pronounced centralization of regulatory authority in the hands of governments facilitated more substantial wage adjustments, whereas a heightened governance capacity vested in social partners resulted in less adjustment. In the subsequent section, we provide a comprehensive overview of these labour market instruments, elucidating the variations in their utilization across different countries.

Figure 1: Average number of labour market measures by country, before and after the crisis



Source: European Commission, *Labour Market and Wage Developments in Europe*, LABREF database, 2015:72

Employment Protection Legislation

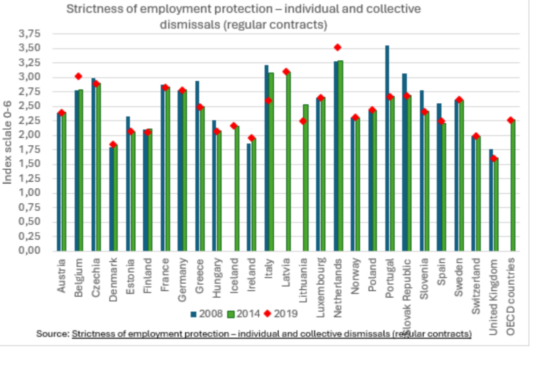
A fundamental characteristic of labour markets in Southern European countries has been the significant involvement of the State in ensuring job security through robust employment protection measures. Unlike a focus on safeguarding workers with generous social benefits, the emphasis in Southern Europe has been predominantly on preserving jobs, evident in stringent employment protection regulations and substantial costs associated with dismissals. This has resulted in highly segmented labour markets, creating a distinct division between "insiders" (typically older, male workers in permanent positions) and "outsiders" (such as young or female workers in fixed-term employment).

During the financial crisis, which primarily affected Europe around 2008 and onward, various European countries implemented a range of flexibility measures to address economic challenges. The specific measures varied from country to country, but some common strategies included Labour Market Reforms to increase flexibility. This often involved changes to employment protection legislation, making it easier for employers to hire and fire workers.

Data on the Employment Protection Legislation on individual and collective dismissals[2], between 2008 and 2019, show different responses of the European countries regarding the level of protection during and after the 2009-2013 financial crisis [22]. This seem to agree with the suggestion that in times of crisis, governments are more likely to implement reforms that decrease existing levels of regulation – rather than labour market reforms in general – and they are more likely to do so if faced by high levels of government debt [21].

Analyzing the OECD Employment Protection Index for the years 2009 to 2013 across the four scrutinized countries and comparing them with other clusters of European nations reveals that Southern European countries generally exhibited higher levels of employment protection, both for permanent and fixed-term contracts [22]. The average index values in these Southern countries increased significantly after the crisis, indicating substantial changes in employment protection, particularly when compared to other groups of countries. This shift brings the average index value in Southern European countries close to that of core European nations.

Figure 2: Strictness of employment protection – individual and collective dismissals (regular contracts)



[2] The OECD indicators of employment protection are synthetic indicators of the strictness of regulation on dismissals and the use of temporary contracts. For each year, indicators refer to regulation in force on the 1st of January. [OECD Indicators of Employment Protection - OECD]

Collective Bargaining

Reforms in the structures governing collective bargaining and wage-setting arrangements have significantly contributed to making wages more adaptable to the economic circumstances within individual firms. Between 2008 and 2022, there were notable transformations in the collective bargaining structures and wage-setting mechanisms in Greece, Italy, Portugal, and Spain. These changes were largely aimed at making wages more adaptable to economic conditions at the firm level. Several measures were implemented to decentralize collective bargaining, promoting flexibility and responsiveness. In Portugal, initiatives were taken to restructure the collective bargaining landscape, allowing for more flexibility at the firm level. There might have been changes in the criteria for trade union representativeness, although specific details are not provided. In Italy, significant alterations were made regarding the validity of company-level agreements, emphasizing the importance of agreements made at the organizational level. Workers were given the possibility to opt-out from legal and national collective agreements, providing a degree of flexibility in wage negotiations. In Spain, a shift towards firm level and lower-level collective agreements gaining precedence over higher-level agreements was observed, enhancing adaptability to specific organizational conditions. Some measures were introduced to limit the extension of expired and non-renewed contracts, contributing to a more dynamic labor market. In Greece, collective bargaining structure underwent significant modifications, favoring agreements at the firm and lower level over higher-level agreements. Some modifications in the arbitration system were implemented, potentially streamlining dispute resolution processes. Also, the introduction of a cap on the extension of expired and not renewed contracts was introduced, adding an element of temporal constraint to labor agreements, reinforcing the need for timely negotiations. Overall, these changes in Southern European countries signify a broader trend towards decentralization and flexibility in collective bargaining structures, allowing wages to align more closely with the economic circumstances at the organizational level.

Active Labour Market Policies

The notable increase in Active Labour Market Policy (ALMP) measures following the economic crisis highlights a heightened awareness of the necessity to promote employment through proactive state interventions and measures designed to improve the functioning of the labor market. Predominantly, the widely adopted tools in this context were *employment subsidies* and *training programs*, specifically tailored for individuals facing redundancy and those with lower skill levels.

Labor market dynamics in Portugal, Italy, Spain, and Greece underwent noteworthy transformations. Numerous countries, including Spain and Portugal, adopted innovative strategies to combat unemployment. These measures aimed at enhancing individual support and early activation, particularly targeting the young and long-term unemployed. In some instances, specific sectors severely impacted by economic crises, such as in Spain, received special attention. To boost efficiency, several nations revamped their institutional support networks for the unemployed. Notable changes included the reorganization of public employment services in countries like Spain. Tighter conditions for benefit receipt were imposed in some countries, linking benefits to job offers, participation in public works, or training (e.g., Spain). Finally, various countries have persistently employed employment incentives as a robust strategy to bolster labor demand and attract specific vulnerable demographics into the workforce. Many nations, including Spain, and Greece have implemented newly introduced or expanded wage subsidies and tax incentives for employers. These incentives are frequently contingent upon the recruitment of new personnel and are strategically aimed at specific and less easily employable groups, such as the young, long-term unemployed, older individuals, ethnic minorities, foreign-born residents, and mothers.

Wage Setting

Another crucial aspect that requires particular attention is the mechanism through which wages are determined.The European Union authorities and mainstream domestic policymakers attributed the poor employment creation and declining competitiveness of Southern European (SE) economies to robust employment protection laws (EPL) and inflexible wage structures. In response, they advocated for labor market liberalization as the preferred solution. This liberalization initiative initially focused on peripheral changes, gradually relaxing regulations on atypical and temporary employment contracts. Following the Global Financial Crisis of 2008–2009, the drive for employment protection liberalization extended to workers with open-ended contracts. This trajectory of reform, strongly endorsed by the EU economic governance framework and external creditors, aimed to reorient SE economies towards exports [23-24].

While minimum wages, when compared internationally as a percentage of median wages, may not be excessively high, the lack of a designated sub-minimum for certain categories poses a challenge to their employability [7]. The impact of economic challenges is particularly harsh on the younger population. There are also concerns about the automatic extension of minimum wages to all companies as agreed upon by social partners. Additionally, the substantial social security contributions impose a significant burden on the minimum labor cost, diminishing the country's competitiveness. Between 2013 and the first quarter of 2015, there was a noticeable decline in the number and scope of actions taken in Spain, Italy, Greece, and Portugal compared to previous years. This trend can be partially attributed to the fact that countries most severely impacted by the economic crisis had already implemented extensive reforms starting in 2010 [7].Between 2013 and the first quarter of 2015, there was a noticeable decline in the number and scope of actions taken in Greece, Italy, Greece, Portugal, and Spain compared to previous years. This trend can be partially attributed to the fact that countries most severely impacted by the economic crisis had already implemented extensive reforms starting in 2010. Recent measures include the introduction of new mechanisms to determine the minimum wage in Greece (as of 2017). In Portugal, the survival of expired and unrenewed collective agreements was reduced in August 2014. Additionally, the possibility of negotiating the suspension of collective agreements in struggling firms for the sake of viability and employment maintenance was introduced. In Italy, social partners signed an inter-sectorial agreement clarifying the criteria for measuring trade union representativeness, setting the stage for expanding the scope of decentralized collective bargaining. Inter-sectoral wage moderation agreements were signed in Spain for 2015-2016. The Spanish agreement also encourages the use of internal flexibility within firms to adjust labor costs.

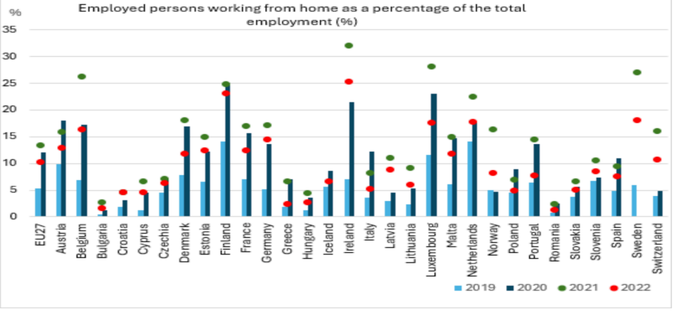
Flexicurity

The challenge of finding the appropriate equilibrium between flexibility and security in the labor market has been present long before the emergence of the 'flexicurity' concept, which gained prominence in the EU social and labor market policy discussions following the European Commission's release of common flexicurity principles in 2007 [25]. The subsequent policy discourse raised awareness regarding the significance of various components essential for constructing a well-rounded labor market model. These include a balance between flexible and stable contractual arrangements, the implementation of comprehensive lifelong learning strategies, the efficacy of active labor market policies, and the presence of modern social security systems. These concerns continue to be focal points in both EU-level and national policymaking, underscored by principles 5, 6, 7, and 12 of the European Pillar of Social Rights (EPSR) [17].

Work-Life Balance Measures

Before the COVID-19 crisis, most countries presented relatively low levels of working from home. Netherlands and Finland registered the more significant value (14,1%) and Luxembourg (11,6%), while all other countries present less than 10% of workers in this situation. The share of employed persons (15 to 64 years old) in Europe presented a substantial generalized growth in 2020 and 2021 due to the pandemic situation that led most countries to implement confinement measures. To mitigate the economic effects, flexibility working schemes like teleworking were implemented. As consequence, the percentage of employed people working from home reached figures above 20%, in Finland, Luxembourg and Ireland in 2020 and above 25% in Ireland (32,0%), Luxembourg (28,1%), Sweden (27,0%) and Belgium (26,2%) in 2021. In 2022, after the peak of the pandemic situation there was a reduction of employed persons working at home, although most countries continued to observe higher levels than before 2020. In Southern European countries the rise in working at home was not as sharp, with Portugal reaching 14,5% in 2021, Italy 12,2% in 2020, Spain 10,9% in 2020 and Greece 7,0% in 2020 [26, 29].

Figure 3: Employed persons working from home as a percentage of the total employment (%)



Source: Eurostat (lfsa_ehomp)

The most important changes in the regulation of working time in Europe in 2021 and 2022 were related to the transposition of two European directives: the Work–life Balance Directive[3] and the Transparent and Predictable Working Conditions Directive[4]. In the same period, the reduction of working time and more specifically the four-day working week have also been increasingly debated in many EU Member States [26].

Figure 4: Main statutory provisions regarding maximum weekly working hours, 2022

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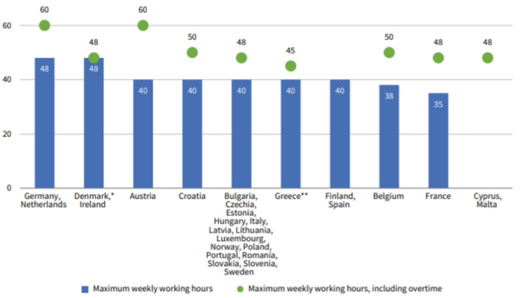
[3] Directive (EU) 2019/1158 on work–life balance for parents and cares establishes that all workers who have an employment contract are entitled to take parental leave, paternity leave or cares' leave and to make use of flexible working schemes. The directive sets minima for those entitlements.

[4] Directive (EU) 2019/1152 on transparent and predictable working conditions provides all workers with the right of information in writing on the essential aspects of their work, limits to the length of probationary periods, the opportunity to take up jobs with other employers, information in advance about when work will have to be done, prevention of abuse of zero hour contracts (contracts without a fixed amount of working hours) and free mandatory training.



Source: Eurofound (2022), The rise in telework: Impact on working conditions and regulations, Publications Office of the European Union, Luxembourg.

Telework has implications for working time, including its distribution, duration, and definition. There is a large body of empirical evidence from across Europe that suggests that workers in telework arrangements during the COVID-19 pandemic period (March 2020 until the end of 2021) worked a longer number of unusual hours, for instance, working outside a 9:00 to 17:00 schedule, than they worked from the office before the crisis and then the standard working hours agreed in collective agreements or stated in individual contracts [26].

In the remote work environment, working time can become more flexible. At first glance, this may appear to be a benefit for teleworkers, however, flexible working time may also increase employees' risk of working longer hours and working at unusual hours. The EWCTS 2021 also confirms that those working remotely are more likely to have some degree of autonomy in work organization. Extensive evidence shows that during the pandemic many teleworking employees were not able to disconnect during non-working hours, which could be one of the causes of extended working time. At EU level, the EWCTS 2021 shows that those working remotely were more likely to work overtime and to report that they kept worrying about work when they were not working. Both conditions could be associated with 'disconnection' difficulties [26].

3. Data and methods

In our analysis, we will employ case studies to empirically examine the link between the regulatory tools discussed earlier and the extent of labor market adjustments in Spain, Portugal, Italy, and Greece. Instead of quantifying the relative significance of each policy instruments, our objective is to unveil the processes through which these instruments can bring about labor market adjustments. The empirical examination relies on a diverse set of sources, encompassing quantitative indicators measuring both labor market regulation and performance, along with information from primary and secondary sources, such as government and EU reports, as well as newspaper articles. Within each country, we provide a comprehensive overview summarizing the reforms undertaken and their impacts within the various domains under analysis.

3.1. National trajectories of Labour Market reforms in Southern Europe

3.1.1. Greece

Despite recent advancements, Greece's labor market performance continues to significantly lag behind other European countries [15]. As of 2023, the total employment rate, which stood at 61.9% in 2008, remains distant from the Lisbon target. Over the years, improvements have been moderate, with the total employment rate growing by only 5.5 percentage points since 2001.

Notable signs of segmentation persist in the labor market, characterized by pronounced gender and age gaps, along with a disproportionate share of young people engaged in flexible working arrangements.

While temporary employment amounts to 11.5% of total employment, a relatively low level compared to other European countries, the share of self-employed individuals remains high at 20.5%, surpassing the EU27 and euro area averages. Among the young, the share of temporary contracts rises to 29.2%, and a significant proportion (82.5% in 2008) of those with temporary contracts report it being involuntary. Long-term unemployment remains a concern, constituting 47.6% of total unemployment [19].

Regional imbalances in Greece's labor market are not very high compared to other European countries. The difference between the region with the highest and lowest unemployment rates is 2.4 percentage points, less than the EU27 unweighted average (3.2 percentage points) and lower than the 2001 level (3.2 percentage points) [19].

In response to the economic challenges and the impact of the crisis, Greek authorities have primarily focused on reinforcing active labor market policies. This strategy is particularly targeted at specific categories and sectors most severely affected by the economic downturn, such as construction, tourism, and technical professions. The latest package of ALMPs aims to facilitate the immediate inclusion or re-inclusion of the unemployed in the labor market. To achieve this, the public employment services (OAED) are allocating significantly increased resources, exceeding 1.1 billion €, for the creation of approximately 200,000 new jobs, emphasizing opportunities for women, young people, and older workers [3-7].

A novel program has been introduced, allowing unemployment benefits to be transformed into a form of employment subsidy. Under this initiative, instead of receiving unemployment benefits, unemployed individuals have the option to be recruited for full or part-time employment. The companies participating in the program are then subsidized with an amount equivalent to the unemployment benefit. While this measure may be seen as a valuable tool to address the anticipated rise in short-term unemployment, there are concerns about its potential high cost and the risk of deadweight costs associated with its implementation.

Greece stands out among Mediterranean countries, with an OECD score on Employment Protection Legislation (EPL) for temporary contracts higher than for regular contracts. Despite having a below-EU27 average share of temporary workers (11%), a significant proportion (around 80%) of them reports being involuntary. The high prevalence of involuntary temporary work can be attributed to a high in-work risk of poverty associated with temporary contracts and a substantial likelihood of workers getting trapped in precarious jobs. The probability of remaining in a temporary contract (55%) is the highest in the EU, with only 19% of temporary contracts transitioning to permanent between 2005 and 2006. Stringent regulation of temporary contracts delays entry into the labor market, particularly for young people, who experience unemployment rates three times higher than the aggregate unemployment rate. To avoid further labor market dualism, facilitating the transition from temporary to permanent contracts requires a reform of EPL for temporary contracts coupled with a reduction in the high protection for permanent workers [27].

The wage-setting mechanism also warrants special attention. While minimum wages as a percentage of median wages are not notably high in international comparisons, the absence of a specific sub-minimum for certain categories hinders employability, particularly for the young. Concerns arise about the mechanism automatically extending minimum wages agreed by social partners to all firms. High social security contributions significantly burden minimum labor costs, eroding the country's competitiveness. Promoting decentralization in the wage formation mechanism by increasing the rate of wages negotiated at the firm level or strengthening the link between wages and productivity could be beneficial. The announced public sector wage freeze, signaling a commitment to fiscal responsibility, is a positive step. Furthermore, a targeted reduction in social security contributions for low-paid workers could stimulate labor demand. To mitigate the risks of long-term unemployment, enhancing active labor market policies and lifelong learning is crucial. More efficient public employment services are needed to facilitate better matching between labor supply and demand. Lastly, a comprehensive reform of the tertiary education system could enhance the economy's potential and address mismatches in the labor market [22]. In the private sector, a pivotal shift occurred by discarding the national collective agreement as the foundation for setting the minimum wage. Preceding the crisis, the minimum wage was set at 751€, but a new law established it at 586€ and 510€ for individuals below 25. This not only led to a substantial reduction in the monthly earnings of the most economically vulnerable workers earning at the minimum wage level but also had widespread implications for collective bargaining, thereby undermining the framework of trade unionism [15].

Working time and work organization in Greece

Greece had, in 2008, relatively limited flexibility in working time arrangements, with a significant portion of the workforce experiencing intermediate work intensity, regularity, and low work autonomy. Approximately 35% of workers did not have fixed starting and finishing times, and almost 60% had their working hours set by the company without the option for changes. This represented less flexibility compared to the EU27 average, with even more notable differences compared to countries like Sweden, the Netherlands, and Denmark [26].

Around 37% of employed individuals in Greece had some flexibility in adjusting their working hours within certain limits or determining them entirely. This percentage was lower than in Sweden, the Netherlands, and Denmark. Additionally, approximately 17% of workers in Greece did not have a consistent number of working days each week, a lower figure compared to the EU27 average [6].

Regarding team work and task rotation, Greece showed slightly lower levels of team collaboration and slightly higher levels of task rotation compared to the EU27 average. However, teams and workers involved in task rotation were less autonomous in their division of tasks compared to the rest of the EU.

In terms of company practices, approximately 51% of all companies in Greece were characterized by low flexibility, which was more than double the corresponding share in the EU, where only 21% of companies were considered to have low flexibility. This type of company was also more prevalent in Greece compared to the EU average distribution [26].

In 2005, new rules on overtime work and working time arrangements were adopted in Greece. These rules introduced two systems of working time arrangements, one based on a four-month period and another on an annual basis. The changes also included various forms of increased working time flexibility, such as reduced rates for overtime exceeding maximum working hours [7].

3.1.2. Italy

In the latter half of the 1990s, the Italian labor market experienced improvements in employment, participation, and unemployment rates [26]. These positive changes were notably seen in the substantial growth of participation rates among women and older workers, driven by both socio-demographic shifts and significant policy measures. However, the Italian labour market still grapples with relatively low employment and participation rates, marked by notable variations across different age groups, genders, and regions. The overall employment rate, standing at 58.7%, significantly lags behind the EU average of 65.9% and remains distant from the Lisbon target. This disparity is largely attributed to the lower employment rates among women and older workers. Despite a modest increase in 2008 (approximately 0.7 percentage points for both), these rates continue to be a challenge. The unemployment rate, after reaching a historically low 6.1% in 2007, experienced a sharp rise to 6.8% in 2008, indicating the impact of the global financial turmoil. Notably, this rate remained below levels recorded during the milder 2001 recession. Vulnerable groups, particularly the young (with an unemployment rate of 21.3%, up by 1 percentage point) and the low-skilled (with an 8.6% rate in 2008, up by 1 percentage point), were disproportionately affected by the economic downturn [7].

Italy exhibits a higher percentage of self-employed individuals (around 16% of total employment) compared to the EU average [22]. While most self-employment is voluntary, a portion of it resembles flexible dependent work, which conventional indicators of protection legislation may not capture fully. Part-time work is also used as a flexible contractual arrangement, chosen by women with children to reconcile work and family life. However, it is also prevalent among young women without children, indicating firms' use of part-time arrangements to increase workforce flexibility [7].

Regional imbalances in Italy are significant, with a notable gap of more than 21 percentage points in employment rates between north-eastern (67.6%) and southern regions (46.5%) [22].

The labor market underwent reforms in the 2000s that reinforced the trend towards liberalization in Italy. Notably, these reforms included the deregulation of fixed-term contracts in 2001 and the expansion of atypical employment contracts in the private sector in 2003 [13]. During the initial stage of the crisis, spanning from 2008 to 2010, the decline in GDP growth was coupled with widespread job losses. To mitigate the impact of the crisis, Italy implemented exceptional policy measures related to unemployment benefits and short-time work schemes. These measures succeeded in preventing a surge in open unemployment. Nevertheless, this counter-cyclical response to the crisis was only temporary.

Italy implemented recovery measures with limited budgetary impact, amounting to 0.5% of GDP in 2009 and 0.2% in 2010. The primary focus was on restoring confidence and providing relief to distressed firms and households [2-7]. In addition to a temporary extension until 2009 of the favorable fiscal treatment of performance-related pay, constituting 0.03% of GDP to align wages with productivity developments, the government intervened to counter the employment impact of the crisis through various measures: (i) A temporary extension of the coverage of the Wage Guarantee Fund (CIG); (ii) temporary extension of unemployment benefits coverage to workers not covered by the ordinary benefit, suspended from work during times of crisis, with a maximum duration of 90 days per year; (iii) Granting one-off payments to atypical workers in case of non-renewal of contracts over 2009-2010. (iv) Improved definition of procedures for applying sanctions in case of refusal of a suitable job offer or training proposal by the Public Employment Services (PES), with access to unemployment benefits made conditional upon an immediate declaration of readiness to work or participate in training [26].

More recently, the government introduced measures primarily aimed at reducing job losses and supporting investment. In an effort to limit collective dismissals, efforts are being made to strengthen "solidarity contracts" (Contratti di solidarietà), introduced in 1991. These contracts involve employees accepting a reduction in working time and a corresponding pay cut, with the government partially offsetting the lost wages. The newly introduced measure sets higher public support, increasing from 60% to 80% of the lost wage for workers accepting these contracts. Additionally, to encourage self-employment and entrepreneurship, workers receiving transfers under existing wage supplementation schemes (such as CIGS or mobility allowances) can request a one-off payment of the remaining allowances they are entitled to [2-7].

Italy's trajectory diverges somewhat from the other three countries. The significant Labor Market Policy (LMP) reforms implemented in 2012 and 2014 in Italy differed by blending a liberalization of Employment Protection Legislation (EPL) with measures aimed at adjusting the focus of Unemployment Benefits (UB) to extend coverage to those outside the traditional employment sphere. The Fornero LMP reform of 2012 took an initial step in this direction by slightly broadening access to unemployment assistance for atypical workers. Subsequently, the 2014 Jobs Act orchestrated a comprehensive restructuring of the unemployment protection system. This involved reducing expenditures on short-time work schemes while substantially expanding the coverage of both unemployment insurance and assistance [13].

Working time and work organization in Italy

Italy exhibits a moderate prevalence of flexible working time arrangements, along with comparatively lower work intensity, irregularity, and a diminished occurrence of rotation and teamwork in 2008. Approximately half of Italian workers operate without fixed start and end times, slightly surpassing the EU27 average of 40%. Furthermore, around 32% of employees in Italy experience variable weekly schedules, a figure lower than the EU27 average of more than 25% [7].

In terms of work hour structuring, roughly half of Italian employees have their working hours determined by the company without the option for modifications. This contrasts with the EU average of 56% and is notably less restrictive than Sweden, the Netherlands, and Denmark, where less than 40% fall under similar conditions. Similarly, about 44% of Italian workers can adjust their working hours within certain limits or entirely determine their schedules. While this reflects a degree of flexibility, it remains less than the impressive figures observed in Sweden, the Netherlands, and Denmark [26].

Italy demonstrates a relative degree of flexibility in working time arrangements but falls behind the top-performing countries in the labor market. The practice of working in the evening and on Sundays is relatively common. Work complexity is relatively low, with only around 50% of workers perceiving their tasks as intricate, in contrast to the EU27 average of 60%. Moreover, the incidence of teamwork and task rotation is among the lowest in the EU, with workers involved in these practices exhibiting less autonomy in task allocation compared to their counterparts in other EU countries [26].

When examining the distribution of companies based on flexible work organization practices, Italy stands out with the highest proportion of companies characterized by low flexibility, accounting for 40% of all companies. Relative to the EU average, Italy also has a significant share of companies with intermediate flexibility, particularly those with a notable incidence of overtime work, encompassing 26% of all companies [26].

3.1.3. Portugal

In Portugal, the narrative on labor market liberalization was reframed around some themes such as income security and social inclusion, as highlighted by Cardoso and Branco in 2018 [28].

Portugal, belonging to the Southern European countries, has historically exhibited low flexibility and adaptability in its labor market, coupled with relatively limited security and income protection. The existing labor market institutions have posed challenges for Portugal to smoothly adjust to globalization, especially following its entry into the Economic and Monetary Union (EMU). In response to these challenges, addressing rigidities within the labor market through the flexicurity framework has become imperative, aiming to enhance the adaptability of the workforce and tackle long-term labor market issues. This aligns with the primary objectives of the first flexicurity pathway [7].

A noteworthy development in this regard is the introduction of a new labor code in September 2008 [7]. This legislative change marks an initial stride towards reducing segmentation within the labor market and augmenting its adaptability. The new labor code not only simplifies procedural requirements for dismissals but also facilitates internal flexibility for companies. Additionally, it rationalizes collective bargaining processes and encourages the establishment of firm-level agreements. These measures collectively contribute to fostering a more flexible and adaptable labor market in Portugal, aligning with the broader goals of addressing economic challenges and global market dynamics [29].

In Portugal, a series of agreements between the government and trade unions played a pivotal role in decreasing unit labor costs, resulting in a decline in inflation from 13.4 percent in 1990 to less than three percent in 1999. These agreements not only influenced workplace regulations but also aimed at enhancing both internal flexibility, related to work organization, and external flexibility, facilitating the termination of employment. Although these reforms were effective in curbing inflation and aiding Portugal in meeting the criteria for Economic and Monetary Union (EMU) membership, the predominant reliance on external flexibility did little to address the persistently low level of productivity in labor markets.

The Memoranda of Understanding with the Troika led to changes in the Portuguese unemployment insurance system. These changes included a reduction in the duration of benefit receipt, a decrease in the replacement rate, and stricter means-testing for access to benefits. The intention behind these adjustments was to not only cut back on certain aspects but also to extend coverage to groups that were previously not covered. Additionally, there was a plan to expand Active Labor Market Policies (ALMPs) to support the re-qualification and relocation of unemployed workers. Unfortunately, the implementation of many of these expansive ALMP measures has been hindered by a lack of fiscal space and administrative capacity [13].

Working time and work organization in Portugal

In Portugal, in 2008, less than a quarter of workers have flexible starting and ending times, a figure lower than the EU27 average of almost 40%. For the majority (75%) of employed individuals, their working hours are determined by the company with no option for changes, indicating a low prevalence of flexible working time arrangements compared to the EU27 average. This is notably lower than countries like Sweden, the Netherlands, and Denmark, where flexibility is more widespread [7, 29].

Only one-fifth of Portuguese workers have the ability to adjust their working hours within certain limits or determine them entirely on their own. This is significantly lower than the percentages observed in Sweden, the Netherlands, and Denmark, showcasing a less flexible working environment in Portugal. Additionally, only 13% of workers in Portugal do not work the same number of days every week, contrasting with more than 25% in the EU27 [26].

The incidence of atypical work, including night shifts, evening shifts, and weekend work, is among the lowest in the EU. Work complexity, measured by the perception of tasks as complex, is somewhat lower than the EU27 average, with 55% of workers in Portugal considering their tasks complex. Autonomy at work, including the ability to choose or change the order of tasks and methods of work, is also lower in Portugal compared to the EU average [26, 29]. Furthermore, team work and task rotation are among the lowest in the EU, with teams and workers involved in task rotation being considerably less autonomous in their division of tasks than their counterparts in other EU countries [26].

Portugal stands out with the highest share of companies characterized by low working-time flexibility, accounting for 39% of all companies. This company type is also more prevalent in Portugal compared to the EU average distribution of companies [26].

Existing restrictions on working hours flexibility and low adaptability in workplace practices have resulted in limited internal flexibility, potentially impacting firms' productivity. Some flexibility in working hours had been introduced in 2003, but overall, the labor market faced challenges. The *new Labour Code* adopted in 2008 aimed to address some of these challenges. Besides simplifying dismissal procedures, it sought to enhance internal flexibility for companies, streamline collective bargaining, and promote firm-level agreements by providing more room for negotiation at the enterprise level. Specifically, the new labor code introduced annual 'working time accounts' of 200 hours and increased adaptability at the workplace, allowing for the possibility of working on 'concentrated schedules' [7, 29].

3.1.4. Spain

Spain is categorized among the Mediterranean nations characterized by limited flexibility and adaptability in their labor markets, alongside relatively low levels of security and income protection. Historical reforms in the form of a two-tier system have led to substantial segmentation within the labor market. The prevalence of fixed-term contracts has played a pivotal role in boosting employment. However, this has resulted in a pronounced divide between permanent and temporary workers, leading to adverse consequences for human capital investment [7].

While the widespread adoption of fixed-term contracts has contributed to an overall increase in employment, the frequent turnover of temporary positions offers little motivation for employers to make substantial investments in human capital. This dynamic hampers the development and enhancement of valuable skills and knowledge among the workforce, creating challenges for sustained economic growth and competitiveness.

In Spain, limited market competition allowed those within corporate circles to generate substantial profits within their sectors, often at the expense of minority shareholders. Robust employment protection measures, however, ensured relatively higher wages for unionized workers in large companies, resulting in a wealth distribution that was not overly detrimental to labor. The elevated salaries for core unionized workers played a crucial role in driving a growth model centered around demand. Although this growth model was susceptible to persistently high inflation rates, occasional restoration of external competitiveness was achieved through currency devaluations [7].

However, this model had its drawbacks. Economic structures faced fragmentation, and asymmetric state policies led to significant segmentation in terms of status and coverage from social risks between workers in large versus small firms. The divide extended to those working in the formal versus informal economy. Workers in large firms enjoyed strong Employment Protection Legislation (EPL) and access to relatively generous insurance-based unemployment benefits and short-time work schemes linked to employment and social contributions records. On the other hand, those in the informal economy faced more arbitrary employment relations and scant coverage from social safety nets [7].

Despite efforts by inclusive trade unions to advocate for temporary workers' interests, especially in Spain, segmentation persisted. The familial focus of a system providing robust protections—depending on occupational status—

primarily to male breadwinners in medium-large workplaces, at the expense of social assistance and services, also hindered female labor force participation. Historically, the state's active tolerance of informal employment has been a distinctive feature of Southern European Labor Market Policies (LMP). Authorities tolerated informal employment as a secondary segment of the labor market, essential for the competitive viability of sectors characterized by low productivity, high labor intensity, and the need for flexible adjustments in production organization. Informal employment also served as a buffer, absorbing "marginal" segments of the workforce, particularly women or young people in non-urban areas, reducing their reliance on incomplete welfare State safety nets [7].

Working time and work organization in Spain

In 2008, only 30% of workers in Spain have a work schedule without fixed starting and finishing times, which is lower than the EU27 average of almost 40%. For two-thirds of individuals employed, their working hours are established by the company with no room for modifications, indicating a limited prevalence of flexible working time arrangements compared to the EU27 average of 56%. This contrast becomes more apparent when compared to countries like Sweden (34%), the Netherlands (36%), and Denmark (41%) [7].

Merely one-fourth of employees in Spain have the flexibility to adjust their working hours within certain limits or determine their schedules entirely, a stark difference from the higher percentages observed in Sweden (60%), the Netherlands (53%), and Denmark (50%). Additionally, only around 17% of Spanish workers have varying workdays each week, in contrast to more than 25% in the EU27. Atypical working hours, particularly those involving night and evening shifts, are somewhat more common than the EU27 average, while weekend work is less widespread [7].

The complexity of work tasks in Spain is among the lowest in the EU, with only 40% of workers perceiving their tasks as complex, compared to the EU27 average of 60%. Autonomy at work is relatively low, as measured by the ability to choose or change the order of tasks, methods of work, and speed or rate of work. Furthermore, the incidence of teamwork and task rotation is among the lowest in the EU, with teams and workers involved in task rotation being less autonomous in their division of tasks than their counterparts in other EU countries [29].

In terms of flexible working time practices among companies, Spain has the highest share of companies characterized by low flexibility, accounting for 40% of all companies. This company type is also more prevalent in Spain compared to the EU average distribution [29].

Changes in the legal framework for part-time contracts in 2001 aimed at enhancing flexibility. Part-time contracts in Spain are now defined by the number of contracted hours being less than that of a comparable full-time worker. Additionally, regulations regarding working hours beyond the agreed part-time hours have been made more flexible, allowing for distribution over the year with a seven-day notice given to the worker [7].

4. Conclusion(s)

In this chapter, we have posited that the degree of State intervention in setting wage and liberalizing working-time arrangements plays a crucial role in understanding variations in labour market adjustments across Southern European countries. The presence of diverse policy tools at the disposal of governments significantly influences their ability to facilitate labour market adjustments. Consequently, we observe a general trend of labour market liberalization with some variations between Greece, Portugal, Spain, and Italy.

We demonstrated that Southern European (SE) governments, in reaction to recurring external pressures for reform, carried out diverse measures. These measures involved a step-by-step relaxation of employment protection legislation, a restricted and incomplete adjustment of unemployment benefits systems for those on the fringes of the labor market, and an overall push for wage moderation. However, active labor market policies and social assistance systems continued to be underdeveloped. Despite variations in the specifics of reforms based on country and the political orientation of reformers, a prevailing pattern of labor market liberalization is evident.

The argument presented here is also in line with a path-dependence perspective, highlighting longstanding dynamics where State power historically aimed to achieve macroeconomic goals (Baccaro & Galindo, 2018; Rhodes, 1998). Here, we demonstrate that State intervention, once an instrument of coordination, has evolved into an instrument of liberalization in more recent times[5]. Despite the reformers' intentions to enhance the external competitiveness of Southern European economies and facilitate a transition towards export-driven growth, labor market liberalization did not yield the anticipated outcomes. In reality, Southern European countries still exhibit a growing gap in terms of growth and productivity compared to core Eurozone economies and nations in the Central and Eastern periphery. While our focus has been on theoretical development through policy mechanisms, further research using larger datasets encompassing a wide range of countries is essential to test the impact of these different instruments on labour market adjustments beyond Southern Europe. Additionally, micro-level data can provide insights into the influence of each policy instrument on wages and working times and related outcomes such as inequality, as explored by Chung (2007, 2009, 2022) or Robert Knegt (2019).

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Conflict of Interest

The authors declare no conflict of interest.

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[8] As Streeck (2014) explained, from various perspectives and differing normative stances, Weber, Schumpeter, and Keynes each foresaw the conclusion of free-market capitalism, either in a peaceful or potentially tumultuous manner, during the latter half of the twentieth century. It's noteworthy to mention that Karl Polanyi, in his work "The Great Transformation" (1944), confidently asserted that liberal capitalism was a thing of the past and unlikely to resurface. Polanyi expressed the belief that a transformative process was underway within nations, wherein the economic system no longer dictated societal rules, and there was a guarantee of society's primacy over that economic system. In his words, "Within the nations, we are witnessing a development under which the economic system ceases to lay down the law to society, and the primacy of society over that system is ensured" (K. Polanyi, "The Great Transformation: The Political and Economic Origins of Our Time," Boston: Beacon Press, p. 251).

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