

# 1 Competitive and Inclusive Solidarity in Contemporary Labour Markets

## Two Ideal Types

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### Introduction

Labour market inequalities have spread across the Western world in recent decades. Key indicators, such as the share of atypical employment, illustrate the magnitude of the transformations that have occurred. In the European Union (EU), the share of young people (aged 15–24) on fixed-term contracts rose from 41.1% in 2002 to 51.0% in 2024 (Eurostat, 2025). This rise is notable given that incentives to use temporary contracts were arguably weaker than in the early 2000s, owing to the deregulation of permanent contracts in many EU countries over this period. Alongside the spread of atypical employment, other interrelated problems emerged. Workers with atypical contracts have lower collective bargaining coverage because they are over-represented in small firms and in sectors where coverage is lower (Palier and Thelen, 2010). Furthermore, their access to social protection is more precarious because eligibility for social benefits in many EU countries depends on prior contributions to social security (Palier, 2010). This problem is felt more acutely in Continental and Southern European countries due to the *Bismarckian* nature of their welfare regimes (Esping-Andersen, 1990; Ferrera, 1996). Because atypical workers tend to contribute more irregularly, they are adversely affected. Finally, their wages are, on average, lower than those of workers with permanent contracts.

Unsurprisingly, the issue of precariousness gained momentum in public debate from the 2000s, especially in the countries hardest hit by this problem, and it received increased attention after the sovereign debt crisis. Consequently, de-segmentation policies were implemented in many countries (e.g., Carver and Doellgast, 2021; Eichhorst and Marx, 2021; Marques et al., 2025). However, this was not a smooth process. While some de-segmentation policies focussed exclusively on improving the situation of precarious workers, others sought to re-regulate the labour market for the workforce as a whole. This leads to an interesting puzzle: most of the literature on de-segmentation policies defines solidarity as a new agenda aimed at overcoming dualised labour markets by improving the position of precarious workers, yet recent

experiences suggest that the process is more complex because conceptions of solidarity vary.

The existing literature often conceptualises solidarity as policies that increase the protection of the most vulnerable workers (Doellgast et al., 2018; Carver and Doellgast, 2021). Examples include revisions to labour law that further regulate temporary employment (fixed-term contracts or temporary-work-agency employment); legislative changes that seek to regulate platform work; collective agreements that contain clauses providing greater protection for precarious workers; the creation of, or increases in, the national minimum wage; special programmes aimed at converting atypical contracts into permanent ones; and reforms to social protection providing more generous support for atypical workers (e.g., making self-employed workers eligible for unemployment benefits). These measures strengthen vulnerable workers' protection against labour market risks. It is therefore a notion of solidarity focussed on policies rather than interpersonal relations. This is the understanding adopted in this book.

Nevertheless, this literature typically does not distinguish between different conceptions of solidarity. Carver and Doellgast (2021: 371) provide a good illustration. When categorising union strategies regarding precarious workers, they treat 'solidarity' as situations in which

the union was able to improve working conditions for the peripheral workforce. This includes cases in which the union simultaneously improved conditions for the core workforce, as well as those in which the conditions for the core workforce remain stable or even declined.

In other words, they do not differentiate between cases where the position of the core workforce remains stable and those where it is weakened.

We argue that the main distinction is between what we call *competitive* and *inclusive* solidarity. The latter assumes that greater solidarity entails implementing reforms that increase the regulation of atypical employment and, at a minimum, keep intact the labour market position of workers with permanent contracts. Accordingly, resisting liberalisation is a precondition for further labour market solidarity (Streeck, 2009; Polanyi, 1944). This perspective challenges the view that the key division in contemporary labour markets lies between insiders and outsiders; instead, it posits that the major conflict is between organised labour and market forces. Competitive solidarity, by contrast, combines tighter regulation of atypical employment with labour market liberalisation in other areas. It is rooted in the idea that expanding markets in some spheres may enhance precarious workers' chances of entering the labour market and accessing good jobs. It sees the insider–outsider divide as a crucial feature of contemporary labour markets. However, it differs from traditional neoliberal economics in that it regards tighter regulation of non-permanent contracts as part of a strategy to foster labour market solidarity. More regulation of non-permanent contracts aims

to establish a floor for competition in the labour market (akin to the role played by minimum wages). In addition, within this conception, active labour market policies (ALMPs) play a salient role because they assist precarious workers in job transitions. Again, this is a regulatory approach compatible with market expansion.

The main objective of the present chapter is to define these two ideal types of solidarity. The chapter begins by presenting the main building blocks of what we call competitive solidarity. Given that this literature dates back to the early 2000s, we engage with several research agendas, notably dualisation and welfare state literatures on new social risks, social investment, and flexicurity. We then set out the main features of what we call inclusive solidarity. We start by reviewing empirical studies that emphasise interdependencies within the labour force, before moving on to discuss the relationship between interdependence and de-segmentation policies, drawing on a Durkheimian understanding of social solidarity. The final section concludes the chapter.

### **Competitive Solidarity: Assumptions and Policy Toolkit**

This section reviews the dualisation literature and the welfare state scholarship on new social risks, social investment, and flexicurity. We argue that these strands share common features in how they define the key conflicts in contemporary capitalism and how they should be addressed.

#### *Dualisation: Insider–Outsider Logics*

The dualisation literature draws substantially on the economic insider–outsider tradition (Blanchard, 2006; Lindbeck and Snower, 1988; Lindbeck and Snower, 2001), and is therefore aligned with many elements of neoliberal conceptions of labour market functioning (Rubery et al., 2016).

Liberalisation involved the deregulation of employment-protection legislation, a reduction in the scope of collective bargaining, and the retrenchment of generous welfare benefits. Neoliberal economics deemed wage flexibility crucial to the proper functioning of the labour market. Neoliberal thinkers argued that these three institutions hindered labour market functioning by impeding wage flexibility (Hayek, 1960: chs 18–19; Howell, 2005: ch. 1). The economic insider–outsider literature further developed this argument in the 1980s and 1990s. In addition to emphasising the need for deregulation to ensure wage flexibility, it highlighted how regulations protect some workers (insiders) while neglecting others (outsiders), thereby increasing segmentation. At its core, this approach assumes that market mechanisms are efficient and that outsiders remain excluded from the labour market and/or trapped in precarious conditions only because institutions impede competition. Hence, the interests of insiders and outsiders are conceived as antagonistic. As Alesina and Giavazzi (2007) put it:

In Italy, Spain and France, the labour market is split. The young are hired with temporary contracts that offer no social security and no prospects [...] Reforms that eliminate this duality by making the entire labour market flexible, with an appropriate scheme of unemployment compensation, would not only reduce unemployment but, most importantly, favour the really poor and young entry-level workers. This is an example of a pro-market policy that favours the poor.

Dualisation posits that contemporary labour markets are divided into insiders and outsiders. Insiders hold permanent contracts, have access to standard social protection, and are covered by collective agreements; they therefore face better prospects for career progression and working conditions. Outsiders, by contrast, hold atypical contracts, face higher risks of unemployment, have access to lower-quality social protection and are often not covered by collective agreements. Unsurprisingly, outsiders' labour market conditions are worse than those of insiders.

Two principal arguments have been advanced to explain the causes of dualisation (Marques and Salavisa, 2017: 137–39). The first, associated with Rueda (2005; 2007; 2014), holds that dualisation results from insiders colluding with unions and centre-left parties to safeguard their position: centre-left parties maintain regulation and welfare generosity for insiders (e.g., generous unemployment benefits for workers who contribute regularly to social security and strict employment protection legislation), while worsening the position of outsiders (through deregulation of fixed-term contracts and limited investment in ALMPs). Since the 1980s, pressure to deregulate labour market institutions has intensified. Confronted with this trend, Rueda argues, the centre-left and unions have preferred two-tier labour market reforms, i.e., reforms that disproportionately affect outsiders. Unions are said to adopt this strategy because most of their members are insiders; moreover, such reforms did not jeopardise their organisational interests, notably their role in administering dismissals, which is paramount for unions in some EU countries (Davidsson and Emmenegger, 2013). By conceding on some issues (such as deregulating fixed-term contracts), unions retained influence over the direction of reform. For the centre-left, these reforms were electorally feasible because insiders constitute a core constituency. By avoiding deregulation of insiders' position, the centre-left protected its base while addressing rising unemployment, ostensibly by fostering job creation through greater labour market flexibility. In short, Rueda's contribution is closely linked to the economic insider–outsider literature, even though his focus is on the politics of segmentation; indeed, the label 'insider–outsider politics' has been used to characterise his approach. The second argument, developed by Palier and Thelen (2010), contends that labour market divisions in coordinated market economies have widened because regulations have been retained only in sectors where labour market institutions are essential to sustain institutional complementarities. Drawing on the 'varieties of

capitalism' approach (Estevez-Abe et al., 2001; Hall and Soskice, 2001), they argue that institutions such as employment protection legislation, collective bargaining, and generous unemployment benefits are crucial to protect investment in specific skills, skills central to what they term the 'core manufacturing economy.' In the expanding service sector, these institutions are less pivotal, and deregulation can therefore proceed, especially when unemployment is high and flexibilisation is viewed as necessary for job creation. This dynamic, they argue, has widened divides in countries such as Germany and France, where regulation was maintained in industry (where specific-skills investment is important) but not in services, where flexible work arrangements and low-paid jobs proliferated during the 2000s. Consequently, there were transformations in social protection, particularly in conservative welfare regimes in which access depends on past contributions (Esping-Andersen, 1990). Workers unable to contribute regularly (outsiders) were not entitled to standard benefits and had to rely on second-tier provision (e.g., minimum income schemes), leading to a dualisation of social protection (Palier, 2010). As for collective bargaining, its scope narrowed as reforms promoted decentralisation. Germany is a case in point: sectoral bargaining coverage has declined substantially in recent decades, leaving workers outside industry with much poorer coverage than in the past (Streeck, 2009: ch. 2).

Beyond their distinct explanations of dualisation, two further differences distinguish this perspective from Rueda's. First, Palier and Thelen (2010) maintain that the centre-left and unions are not necessarily pro-insider. Dualisation is less pronounced where the centre-left is stronger, such as in Scandinavian countries, because social-democratic welfare regimes protect those most in need (Esping-Andersen, 1990). Owing to their universal character, these regimes are better suited to protecting outsiders. Second, unions are not inherently pro-insider: they are more likely to champion outsiders when marginal workers form part of their constituencies, as in Scandinavia (Thelen, 2014). Despite these differences, both approaches concur that contemporary labour markets are increasingly divided and that insiders' and outsiders' interests are in tension. Both also argue that existing regulatory tools affect the two groups differently, and they agree that dualisation can constitute a stable equilibrium in the long run because a deterioration in outsiders' position does not necessarily impinge on insiders.

### *New Social Risks, Social Investment, and Flexicurity*

As noted in the introduction, atypical employment and new social vulnerabilities have risen since the 1990s. Scholarship on 'old' and 'new' social policies, social investment, and flexicurity – rightly highlighting these developments – has offered analytical frameworks and advanced reform proposals. This section engages these perspectives critically, arguing that they tend to view insiders' and outsiders' interests as being in conflict and therefore advocate de-segmentation policies that focus on the most vulnerable while

retaining some labour market flexibility to safeguard outsiders' interests and the needs of post-industrial economies.

Set against the neoliberal era of permanent austerity and retrenchment, attention to political dynamics has remained central in the welfare state literature (Pierson, 2001; 2011). At the same time, an increasingly salient strand has examined how the transition from industrial to post-industrial economies and societies spawned *new social risk* groups and how, alongside efforts to contain social expenditure, new policies catering to these strata emerged over recent decades (Armingeon and Bonoli, 2006; Bonoli and Natali, 2012; Emmenegger et al., 2012; Taylor-Gooby, 2004). Deindustrialisation, rising employment in the service and knowledge economy (Wren, 2013), and the feminisation of the labour force have unsettled family structures and destandardised employment relations, creating new protection needs. For example, work–family balance, single parenthood, care for relatives or people with disabilities, and the updating of obsolete skills. Moreover, these risks tend to accrue to the same groups: migrants, young people, families with children, working women, the atypically employed, and the long-term unemployed. The protection needs of these groups – notably low-skilled immigrant parents, low-income working mothers, and low-skilled young unemployed people – often overlap, resulting in social exclusion (Bonoli, 2006).

Measures addressing industrial-era risks – e.g., the loss of the male breadwinner's income due to old age, unemployment, sickness, or disability – are designated 'old social policies' and mostly involve income replacement via 'passive' transfers and job protection regulation. By contrast, 'new social policies' target post-industrial risks such as atypical employment, long-term unemployment, in-work poverty, family instability, and low labour market participation. These latter policies aim to foster employability and activation, with a view to returning recipients to gainful employment and/or covering new risk groups that lack protection through employment. Thus, 'old' instruments – such as passive income-replacement benefits and employment protection – contrast with 'new' measures such as: ALMPs, training and skills formation, and needs-based income support for the (long-term) unemployed (Bonoli, 2006).

Häusermann's work (2012: 117) presents a policy matrix where each policy type can undergo either expansive or restrictive reforms. This 2×2 matrix juxtaposes 'old' and 'new' social policies against 'expansion' and 'restriction.' As simultaneous expansion or retrenchment of both policy types is rarely feasible, most reform trade-offs occur in two quadrants: welfare protectionism and welfare retrenchment. Welfare protectionism expands 'old' policies while constraining 'new' ones, shielding insiders and leaving outsiders under-protected; welfare retrenchment does the reverse, extending 'new' policies and tightening 'old' ones, thereby reallocating resources towards outsiders while reducing insiders' income security (Häusermann, 2012: 117–118). Post-war expansion predominated until the 1980s, after which fiscal and political constraints – social-spending cuts, weakened labour

power, and labour market deregulation – curbed it (Streeck, 2014: ch. 1). Yet comprehensive retrenchment has also been limited by electoral costs and institutional veto points (Pierson, 1994; 2001). Hence, reform has largely proceeded within the two feasible quadrants, where the insider–outsider conflict precludes a straightforward win–win settlement.

According to Bonoli,

[t]he extreme generosity of the post-war welfare state, the rapid process of population ageing and the weak political influence of new social risk groups makes it extremely unlikely that available resources will be assigned to the development of new social policies rather than keeping the post-war welfare state.

2006: 26

Thus, these scholars tend to argue that welfare protectionism was the most common outcome of the conflict between insiders and outsiders; this aligns closely with Rueda's view that two-tier labour market reforms were the most frequent outcome. Again, on this account, no win–win solution seems feasible. Additional factors also reinforce the framing of policy development in terms of trade-offs. First, the tightening of social expenditure and the allure of social or tax dumping in the pursuit of 'competitiveness,' foreign investment, and credit – compounded by the strictures of European economic and monetary integration – permanently constrained fiscal space and generated pressure to deregulate the labour market. Second, Western European countries crossed the post-industrial threshold at different times: the Nordic and British cases in the 1970s, continental countries in the 1980s, and, finally, third-wave democracies on the Southern rim in the 1990s. Consequently, the latter faced a peculiar modernisation challenge: matching a comparatively late expansion of old social policies ('catch-up convergence') with the need to address emerging new social risks. Thus, the conflict between insiders and outsiders was particularly acute in Southern Europe because both groups were demanding expansion in the same historical period. It is also interesting to note that these scholars argue that some degree of liberalisation benefits outsiders. For instance, Bonoli (2006: 26) claims that 'employment protection legislation is not only of little use to new social risk groups, but seems actually to be detrimental to them,' on the grounds that only insiders benefit from high job security. What outsiders require, by contrast, is the opportunity to compete with insiders for jobs and access to new social policies.

Following the term *social investment* state, coined by Giddens in *The Third Way – The Renewal of Social Democracy* (1998), and Esping-Andersen et al.'s (2002) agenda-setting *Why We Need a New Welfare State*, the 'emerging paradigm' of social investment became influential in welfare state and labour market reform. It has been mainstream in European discourse since the Lisbon Agenda (2000) and the subsequent Europe 2020 strategy, and is widely used by international organisations such as the OECD, UNICEF, and

the World Bank. From the social investment perspective, social policy ought to address radically changed economic and social conditions. Knowledge drives productivity and economic growth in the post-industrial era, and the labour force must therefore adapt to ever-changing needs (Morel et al., 2012: 8). In the 2013 Social Investment Package, the European Commission called on national governments to prepare

individuals, families and societies to respond to the new risks of a competitive knowledge economy, by investing in human capital and capabilities from early childhood through old age, rather than in policies that simply “repair” damages after moments of economic or personal crisis.

(Hemerijck, 2017: 4)

Social investment is a paradigmatic ‘new social policy’ in that it seeks to modernise the welfare state to better address new social risks while shifting the welfare balance from ex-post compensation to ex-ante risk prevention. It does so via distinct welfare functions: supporting the efficient use and allocation of labour resources over the life course (‘flow’), enhancing and maintaining human capital (‘stock’), and mitigating social inequity while providing automatic macroeconomic stabilisers (‘buffer’). These functions are ‘consistent with widely shared normative aspirations of work for everyone, gender equality, and capacitating service provision as the foundations of solidarity in the competitive knowledge economy’ (Hemerijck, 2017: 19–25). Although the ‘buffer’ pillar is part of this approach, and thus passive policies are not ignored, there is a clear emphasis on the other two pillars (‘flow’ and ‘stock’). As social policy shifts from smoothing consumption (income replacement) to enhancing families’ productive capacity, the focus moves from ‘passive’ protection via cash benefits (decommodification) to facilitating labour market participation (Jenson and Saint-Martin, 2003). Long-term investment in human capital, beginning with childcare, is the preferred path to social inclusion through the labour market, ensuring future productivity gains and the skills to seize opportunities in a knowledge economy and to break the intergenerational chain of poverty (Esping-Andersen et al., 2002: ch. 2). Overall, social protection shifts from collective to individual responsibility: the emphasis on paid employment entails a commitment to job search and the responsibility to accept suitable employment. A new balance between social rights and duties is thus established (Cantillon and Van Lancker, 2012).

The much-needed attention to the plight of outsiders, working mothers, the working poor, atypical workers, youth, and the long-term unemployed is sometimes framed in ways that downplay the importance of traditional labour market institutions. This is clear in Hemerijck’s (2017: 25) contribution: ‘[r]estrictive employment protection with classical job security for insiders constrains labour market “flow” and employment growth.’ Understanding the predicament as zero-sum tends to downplay the position

of insiders. There is, therefore, a clear link between this strand and the literatures reviewed above (dualisation and new social risks).

Nevertheless, it is important to bear in mind that social investment is not a fully-fledged, coherent paradigm. This case therefore contains more varied ideas and interpretations of basic principles than new social risks. This variation can be traced back to two seminal works underpinning the social investment framework. Giddens's view of social investment, set out in *The Third Way* and ultimately replacing traditional forms of social protection, was highly influential in *Third Way/Die Neue Mitte* politics (Lister, 2004). By contrast, Esping-Andersen et al.'s *Why We Need a New Welfare State* (2002) draws on the social-democratic ideas of Myrdal in the 1930s (Morel et al., 2012) to argue, against Giddens, that social investment and traditional social protection are both indispensable; they maintain that the 'minimisation of poverty and income insecurity is a precondition for an effective social investment strategy,' and that the idea that activation can substitute for conventional income-maintenance guarantees is at best naïve optimism and at worst counterproductive (Esping-Andersen et al., 2002: 5). This inherent ambiguity has structured a lively critical discussion (see Hemerijck, 2017). Some have warned that reallocating spending from income support to activation undermines the mitigation of poverty and inequality (Morel et al., 2012; Van Kersbergen and Hemerijck, 2012). Others have pointed out that the already better-off gain when social spending is rechannelled to new social policies ('Matthew effects'); for example, middle-class families benefit disproportionately from public investment in childcare (Cantillon and Van Lancker, 2013). There is also the issue of those unable to participate in the labour market or engage in paid employment, such as people with disabilities and, more broadly, unpaid care workers. In short, despite differences within the social-investment literature, an important branch views further labour market competition (namely, less job protection and welfare generosity for insiders) combined with pro-outsider policies (investment in new social policies) as the appropriate approach for post-industrial economies. There is, therefore, continuity between some branches of social investment and the literatures reviewed above (dualisation and new social risks).

Since the 1990s, ascendant neoliberal theory has prescribed flexibilisation and deregulation of labour markets as the answer to persistent, widespread unemployment, particularly under the guise of 'Eurosclerosis.' The more atypical employment spread, the more the 'standard employment contract' was questioned as a reference for European countries. The erosion of employment and income security for many was accompanied by the segmentation of labour markets, in which well-protected core sectors coexist with relatively unprotected strata 'at the margin.' Thus, greater flexibility ought to be matched by adequate levels of security, in turn a precondition for skills improvement leading to sustainable labour market participation (Viebrock and Clasen, 2009). Rather than policies promoting either flexibility for employers or security for workers, *flexicurity* aims to do both,

treating flexibility and security as complementary rather than contradictory. For Viebrock and Clasen (2009: 307), it charts a ‘third way’ between the flexibility of ‘Anglo-Saxon’ labour markets and the strict job security of (Southern) European countries, or between the flexibility of liberal market economies and the social safety nets of the traditional Scandinavian welfare states. As in some branches of social investment, this literature assumes contradictions between the interests of insiders and outsiders. The idea of flexicurity goes back to labour market reforms in the Netherlands and Denmark (Wilthagen and Tros, 2004). In the mid-1990s, the Dutch sociologist Hans Adriaansens introduced the concept with reference to the Dutch Flexibility and Security Act and the Act concerning the Allocation of Workers via Intermediaries. Both sought to add ‘flexibility into the labour market by relaxing dismissal laws and the rules to start a temporary work agency [...] while generating a higher level of security for employees in flexible jobs’ (Keune and Jepsen, 2007: 5). Dutch flexicurity combines atypical, flexible work with social-security rights aligned with standard employment (Van Oorschot, 2004), and has been described as ‘normalising non-standard work’ (Viebrock and Clasen, 2009: 315). Largely unconcerned with atypical forms of employment, Danish flexicurity builds on (i) flexible standard employment (low employment protection); (ii) extensive unemployment benefits offering income security; and (iii) ALMPs for skills formation and activation of the unemployed (Keune and Jepsen, 2007: 6). This mix – high occupational and geographical mobility via low employment protection, compensated by generous unemployment benefits and ambitious ALMPs aimed at skills formation and activation – came to be known as the Danish ‘golden triangle’ of labour market policy (Madsen, 2004: 101). Job security is replaced by employment security (Viebrock and Clasen, 2009: 313).

The influential 2007 European Commission interpretation starts from the pressure to adapt to the ever-changing demands of the global economy and the need for competitive European national economies (Bekker, 2012). Transitions between jobs and labour market statutes (employed, unemployed, inactive) are becoming increasingly common, so labour markets should adapt. As workers manage frequent transitions by remaining employable, security must be provided as a bridge to render mobility acceptable. Moreover, it is argued, flexicurity addresses enduring issues of labour market segmentation and precarious employment. Specifically, the European Commission (2007) outlines five key elements: contractual arrangements offering adequate flexibility for workers and employers; ALMPs to support transitions between jobs and from unemployment and inactivity; lifelong learning to boost employability; social security ensuring that all workers are adequately supported during absences from the labour market, easing mobility and transitions; and the involvement of social partners to achieve efficacy and legitimacy through consensus.

As with the dualisation, new social risks and social investment literatures, the insider–outsider split is also central to the flexicurity debate. The

seminal work of Wilthagen and Tros (2004: 170) makes this clear in defining flexicurity policies:

an essential element of our definition pertains to weaker groups, either in or outside the labour market. This means that policies or measures that enhance labour market flexibility and exclusively increase (employment, income, or social) security of stronger/insider groups are not to be counted as flexicurity policies or measures.

### *Competitive Solidarity: Summary*

There is a common thread across the strands of literature reviewed in this section: the labour market is increasingly divided, and this division generates growing conflicts within the labour force. Moreover, these literatures posit a tension between labour market regulatory tools. While employment protection legislation for permanent contracts and passive labour market policies (unemployment benefits and early retirement) matter to insiders, they are less salient for outsiders. Outsiders benefit more from new social policies (e.g., ALMPs, investment in education, lifelong learning) and from tighter regulation of temporary contracts. At a time when expanding both sets of policies appears difficult, these authors view a mix of flexibilisation policies (which mainly affect insiders) and pro-outsider policies as the most feasible strategy. Solidarity, in this framing, means protecting outsiders by lowering the level of regulation for insiders. We call this *competitive solidarity* because greater market competition in some spheres forms part of the agenda (Streeck, 2004: 25). There are four reasons typically advanced. First, deregulation in some areas permits re-regulation in others. For instance, reduced generosity in unemployment benefits may allow governments to invest more in ALMPs. Another example concerns employment protection legislation: if job security for permanent contracts decreases, there is greater scope to regulate atypical employment more strictly, because the risks of job destruction are less acute when permanent contracts are less rigid. Second, deregulation for insiders narrows the regulatory gap between the two groups, enabling them to compete for the same jobs. Third, 'productive' social policies assist outsiders in flexible labour markets, notably by speeding up transitions between jobs; the favoured policy mix is compatible with greater labour market flexibility. Finally, it is argued that knowledge-intensive economies require higher degrees of labour market competition; greater flexibility accelerates this transition and thus boosts job creation, helping outsiders to enter the labour market. Despite commonalities with a purely neoliberal economic approach, there are differences. Competitive solidarity regards tighter regulation of non-permanent contracts as part of a strategy to foster labour market solidarity. More regulation for non-permanent contracts aims to establish a floor for competition in the labour market (akin to the role of

minimum wages). In addition, within this conception of solidarity, public spending – particularly on ALMPs, education, and lifelong learning – may play a meaningful role in job creation.

### **Inclusive Solidarity: Interdependence and Re-Regulation**

Recent studies suggest that workers with standard and atypical contracts do not necessarily have contradictory interests. We review these contributions and show that the notion of interdependence is central to the debate. We then deepen the discussion by drawing on Durkheim's conception of social solidarity. If the interests of the two groups are not contradictory, implementing de-segmentation policies implies resisting liberalisation and re-regulating the labour market for all workers. We conclude the section by summarising the main features of inclusive solidarity.

#### *Interdependence in Practice: Mechanisms and Actors*

Several recent studies argue that contemporary labour markets are characterised less by conflict of interests than by convergence, because workers are interdependent. We begin by explaining how interdependence affects individual workers' behaviour before considering its implications for unions and political parties.

Allowing atypical employment to spread through two-tier labour market reforms triggers its further expansion, which in turn puts pressure on workers with standard contracts (Baccaro and Benassi, 2017; Dorigatti, 2017; Eichhorst and Marx, 2021). When atypical employment grows rapidly, it also affects those with stable arrangements, because their conditions worsen in the face of large numbers of jobseekers willing to accept low pay and poor conditions. A classic example concerns former public utilities – such as telecommunications or postal services (Marques, 2015: ch. 5; Holst, 2014; Kornelakis, 2016) – where the spread of atypical employment led to deteriorating conditions for standard workers and increased pressure for collective dismissals. Before privatisations, most workers in these companies were directly employed on good terms. Many firms operated internal labour markets in which progression was based on seniority and job stability was very high (Doeringer and Piore, 1971; Grimshaw et al., 2001). After privatisations, challenger firms adopted different workforce strategies; agency work became common as deregulation permitted new hiring forms, and internal labour market structures were no longer used to manage staff. Competitive pressure forced former public firms to restructure substantially: they turned to outsourcing, reduced direct employment, and revised collective agreements that had guaranteed seniority-based progression. Studies also report that the spread of atypical employment extended to industry and negatively affected permanent employees (Benassi, 2017; Holst, 2014). In short, the diffusion of atypical employment can harm workers with standard contracts, fostering

greater solidarity across the two groups as both experience deteriorating conditions.

Interdependence can also operate through the weakening of standard workers' position, which in turn harms atypical workers. As Tsakalotos (2004) argues, reforms that undermine employees with permanent contracts shift power towards employers, prompting regulatory change that damages all workers over time as labour markets become more unequal. Rubery et al. (2016: 240–41) add that, although standard workers may face more competition from precarious workers in flexible labour markets, many atypical workers belong to groups vulnerable to discrimination (e.g., women, ethnic minorities, disabled, and older workers). Exposing them to more frequent hiring competition increases encounters with prejudice and stereotyping. Emmenegger (2009: 135–136) notes household level channels: outsiders are often women or young men who are economically dependent on male insiders. If insiders' position is weakened, outsiders' position may deteriorate too. He further argues that dualisation – as a two-segment, reductionist approach – rests on limited mobility between groups, whereas people's economic fortunes are far more volatile. Atypical workers may reasonably expect to access more stable jobs over time; deregulating permanent contracts therefore also harms them, especially where such access is a realistic prospect. Taken together, this evidence supports the argument that convergence of interests can emerge.

Interdependencies also shape unions' positions. First, the expansion of atypical employment tends to weaken unions because density falls: atypical workers are harder to unionise. Not surprisingly, even when unions initially accept two-tier reforms, they often shift position once the long-term effects become apparent. Marques and Fonseca (2022) show that one of Spain's most representative confederations (General Workers' Union) agreed with the socialist party to implement a two-tier labour market reform in 1984. It quickly recognised the negative consequences, including a sharp drop in unionisation and the erosion of unions' legitimacy as class actors. It subsequently opposed further deregulation of temporary contracts. Interdependencies are at work here: permanent workers cannot safeguard their position if their primary representative, unions, are weak and unable to resist liberalisation. Moreover, the decoupling of unions and the centre-left (Howell, 2001; Piazza, 2001) increased the need to address precarious workers' concerns. Faced with this, unions had to rebuild organisational power; the size of atypical employment made these workers a necessary organising target. If standard workers wish to defend their position, they must attract the support of the most vulnerable, again encouraging convergence of interests.

For political parties, interdependence is also relevant. The rise of atypical employment influences party positions, with implications for standard workers. As the number of atypical workers grows, their electoral weight increases (Schwander, 2018). This poses two challenges to centre-left parties. If they focus solely on insiders, as the dualisation literature suggests (Rueda, 2007), other parties may attract these voters. On the left, radical-left parties

acted as spokespersons for these workers during the 2000s; their electoral rise in some countries understandably concerned both centre-left and centre-right parties (Hall, 2007: 82–83). This was evident during austerity in Southern Europe, with parties such as *Podemos* in Spain and the *Bloco de Esquerda* and *Syriza* in Portugal and Greece, respectively. Unsurprisingly, some centrist parties enacted reforms increasing regulation of temporary contracts, for example, Portugal’s 2019 reform (Marques and Fonseca, 2022). Some populist parties also sought to attract these workers. When the *Movimento Cinque Stelle* in Italy formed a coalition with the *Lega Nord*, it passed a law that substantially tightened regulation of atypical contracts (Eichhorst and Marx, 2021). In some instances, tighter regulation of atypical employment coincided with looser regulation of permanent contracts (e.g., Spain in 2001 and 2006, under centre-right and centre-left governments, respectively). In others, reforms improved the position of both groups (e.g., Italy under the *Lega Nord – Movimento Cinque Stelle*). This illustrates interdependence: as the number of precarious workers rises, parties cannot ignore their demands, and the resulting reforms may improve or worsen conditions for those on permanent contracts.

To sum up, recent empirical studies show that the interests of the groups are not necessarily contradictory and that there are strong reasons for key actors – unions and political parties – to represent precarious workers, especially where atypical employment is extensive. We now link interdependence to de-segmentation policies.

#### *From Interdependence to De-Segmentation: A Durkheimian Perspective*

Émile Durkheim’s understanding of social solidarity is useful here, because interdependence, which he sees as a crucial building block of solidarity in contemporary societies, helps define what we call inclusive solidarity. We argue that the literature reviewed in Section 2 typically treats labour markets as segmented into groups that do not interact. From that perspective, deregulation affecting atypical workers has no consequences for the core workforce; dualisation is viewed as a stable equilibrium, and solidarity is conceived as intra-group rather than transversal. Drawing on Durkheim, we distinguish between approaches that treat segments as non-interacting fragments, thereby rendering solidarity across segments unlikely, and those that recognise interdependencies between segments, where cross-segment solidarity is possible.

In *The Division of Labour in Society* (1893), Durkheim analyses how societies are created and maintained. Social solidarity is necessary to prevent societies from falling apart, and its nature evolves over time. He identifies two types of solidarity: mechanical and organic (1893: chs 2–3). Mechanical solidarity is solidarity by likeness: in ancient societies, individuals were similar in terms of work tasks, education, values or religion, and solidarity emerged from similarity. Durkheim treats this as an ideal type, contrasted with organic solidarity. When providing real examples of mechanical solidarity, he refers

to ‘segments’: closely integrated, locally situated groups, relatively isolated from others, leading a life of their own and presupposing separation from the outside. Many ancient societies, he argues, were composed of such segments (e.g., clans). Organic solidarity is different. In contemporary societies, greater complexity arises because individuals differ more. The division of labour – driven by population growth and rising ‘material and moral density’ (more people within a given territory and more intense communications and exchanges) – produces social differentiation and a new basis of solidarity. Rather than elimination through competition (as in the animal kingdom), differentiation provides a peaceful solution to the struggle for life: more people survive because each performs a different function. Solidarity emerges because individuals are interdependent. The farmer needs the blacksmith’s tools; the blacksmith needs the farmer’s produce. Cooperation arises because people need one another, unlike in ancient societies, where solidarity rested on similarity.

Applied to de-segmentation, the Durkheimian notion of interdependence is helpful. Where interests converge because of interdependence, de-segmentation policies follow a different logic. Rather than focussing narrowly on outsiders and increasing labour market competition, they entail re-regulation for the entire workforce and do not heighten competition. In this understanding, the main divide in contemporary labour markets is not insiders versus outsiders but workers versus employers (Table 1.1), since employers are the principal actors pushing for deregulation (commodification of labour), which affects those on standard and atypical contracts alike. Workers resist this by demanding greater regulation (decommodification of labour) (Polanyi, 1944). Many scholars argue that, unlike in the post-war era, when employers consented to higher regulation (Korpi, 2006), employers altered their strategies from the 1980s as political, economic, and social

*Table 1.1* Linking labour market divides to de-segmentation strategies: two ideal types

<i>Ideal Types</i>	<i>Key Divide</i>	<i>De-Segmentation Strategy</i>	<i>Primary Regulatory Instruments</i>
<b>Competitive solidarity</b>	Conflicting interests between insiders and outsiders	Pro-outsider policies; increased labour market competition	New social policies; further regulation of atypical employment
<b>Inclusive solidarity</b>	Conflicting interests between workers and employers	Re-regulation for the entire labour force; reduced labour market competition	Traditional labour market institutions (employment protection legislation, passive labour market policies, and collective bargaining)

*Source:* Authors’ elaboration.

conditions changed (Glyn, 2006; Streeck, 2009; Baccaro and Howell, 2017). This understanding of solidarity rests on three pillars: interdependence among workers; intensifying conflict between workers and employers in contemporary capitalism; and de-segmentation as re-regulating the entire labour market (strengthening traditional institutions such as employment protection legislation, passive labour market policies, and collective bargaining).

It follows that the greater the interdependence, the more likely solidarity across segments becomes. Interdependence is greater where atypical employment is more prevalent. It is also reinforced where the professional activities of precarious and permanent workers are closely connected – as can occur in public administration or industry when precarious and permanent workers operate side by side – thereby fostering interdependence between the two segments.

### *Inclusive Solidarity: Summary*

The starting point for this conception of solidarity is that, although labour markets are segmented, this does not necessarily imply that workers' interests are contradictory. Indeed, owing to their interdependence, deregulatory policies affecting workers with atypical contracts inevitably also affect the conditions of those with permanent contracts (and *vice versa*). Labour market segmentation is not a stable equilibrium but a phase within a broader process of labour market flexibilisation. Furthermore, this ideal type rejects the notion of a conflict among labour market regulatory tools. What is needed is the strengthening of traditional institutions – such as employment protection legislation (for both permanent and temporary contracts), passive labour market policies, and collective bargaining – which benefits both precarious and standard workers. From this perspective, the key conflict in contemporary capitalism is between workers and employers: employers push for market expansion (deregulation), whereas workers demand stronger regulation. We call this *inclusive solidarity* because market expansion is ruled out (in contrast to competitive solidarity). Less labour market liberalisation is the best strategy for addressing growing labour market inequalities (Glyn, 2006; Streeck, 2009). It involves implementing de-segmentation policies that entail re-regulating the labour market for all workers, including those on standard contracts. A complete rejection of neoliberal economics lies at the core of this perspective.

### **Concluding Remarks**

This chapter has developed a theoretical framework for studying labour market reforms implemented in Portugal and Spain during periods of progressive coalitions, but the framework can also be applied to labour market policies in other geographical and historical contexts. As ideal types are abstract categories, we should not expect to identify policies that fit perfectly

into either of the two broad analytical categories (Hay, 2020). The empirical chapters of this book seek to locate policies along the continuum between the two extremes (competitive solidarity versus inclusive solidarity). The case studies therefore relate the content of each reform or policy to the two ideal types defined in this chapter.

Chapter 2 operationalises the framework in three steps. First, it specifies two governing social blocs (Centrist–Employer and Left–Union) and treats bloc composition as a necessary (though not sufficient) determinant of whether reform trajectories gravitate towards competitive or inclusive solidarity. Secondly, it contrasts the veto structures of the two principal decision arenas, arguing that tripartite social concertation embeds a consent constraint whereas parliamentary law-making contains no institutional employer veto. Thirdly, it conceptualises the EU as a conditional external selector whose liberal or social tilt modulates the feasible scope of change. Bringing these together, Chapter 2 arrays eight stylised combinations of bloc, arena, and EU stance, and derives expectations about when settlements will tend towards competitive or inclusive solidarity.

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