THE WORLDS OF FLEXICURITY-LABOUR MARKET POLICIES IN EUROPE

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In the past, European integration has concentrated first of all on profound economic integration, creating the Single Market with common rules and regulations throughout the European Union. European integration has been more limited in the labour market and social field, where the national state remains the dominant level of regulation. Although linguistically somewhat strange, "flexicurity", the combination of labour market flexibility and security for employees, has become recently a much praised cornerstone of European labour market policies. Obviously, in an environment with rapid technical progress and frequently changing market conditions, employers need to manage their labour force flexibly. In order to achieve this flexibility without creating an unbearable situation for employees, security is the second pillar of the concept. As such, the concept looks like an innovative European way of consolidating economic and social interests, although some argue that much flexibility is gained while the security aspect is being neglected. Flexicurity forms a part of efforts to experiment with new forms of governance in the social and employment law of the European Union. It is compatible with attempts to introduce policies at supranational level that can influence self-transformation processes at the level of Member States in order to reach overarching economic goals defined by the Lisbon agenda. It is central in the debate over the reform of labour law systems since it is a key, if not the key concept in the 2006 Green Paper on modernising labour law in the European Union. The concept has been successfully adopted in some European countries, notably Denmark and the Netherlands. The experience in these two countries will thus be described in some detail, followed by a review of flexicurity-type policies in other European countries. The current paper is realized in the doctoral programme entitled "PhD in economics at the standards of European knowledge-DoEsEc", scientific coordinator Prof. PhD. Gabriela Drăgan, institution the Academy of Economic Studies Bucharest, Faculty of International Business and Economics, period of research 2009-2012.

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I. Introduction

One of the main challenges the European Union is currently facing is how, in the era of globalization and ageing, to live up to European citizens' expectation of providing a distinct European Social Model.

At the European level, the desire is expressed to maintain a solid balance between social and economic goals. The vexed question is how this model should be further developed in a concrete manner. As of 2006, this challenging question has specifically been dealt with under the heading of "flexicurity". The objective of flexicurity strategies is to combine employment and income security with flexibility in labour markets, work organization and labour relations. This approach should transcend the simple trade-off between flexibility and security, where the former is seen to be in the exclusive interest of the employer and the latter in the interest of the employee. In a flexicurity strategy, flexibility and security should not be seen as opposites, but as mutually supportive labour market components.

Although initiated and formulated at the European level, for several reasons, the flexicurity approach has to be developed into concrete policies and regulations at the Member State level.

II. Flexicurity in Denmark

The Danish model of flexicurity rests on the combination of three elements: flexible labour markets, generous unemployment support and a strong emphasis on activation. This combination has become known as the "golden triangle"of Danish labour market policy (see, e.g., Clasen and Viebrock 2008: 440). In a nutshell, the model promotes high occupational and geographical labour mobility via low employment protection, compensated by generous unemployment benefits and ambitious active labour market policies aimed at skill improvement and activation of the unemployed. The Danish model combines high external-numerical flexibility (little protection against dismissal) with high levels of income security (generous unemployment benefits) and high levels of employment security (labour market policy based on a right for retraining). Crucially, the concept of job security is replaced by employment security (European Commission 2006: 5). Danish flexicurity policy might also be described as embracing all four components singled out by the EU, as it brings together flexible work arrangements with effective social security, active labour market policies and lifelong learning. Illustrative are policies introduced in the first half of the 1990s (and subsequently revised and scaled back), such as paid leave arrangements for childcare and sabbaticals, as well as for continued and supplementary professional development and training. The flexicurity idea here is that such policies can be beneficial to the firm, employees (on training leave), as well as unemployed persons because employers receive a grant which covers the cost of hiring an unemployed person replacing employees on leave (Wilthagen 2007: 62).

The role of the social partners in this model is pivotal. The liberal employment protection system with its relatively easy hiring and firing of workers became acceptable for trade unions due to the existence of a generous and state-supported but mainly trade-union based unemployment insurance system. Vice versa, for employers generous unemployment benefits became acceptable as they facilitate flexible responses to shifting market demands by laying off workers (Clasen and Viebrock 2008: 434). The third element in the form of active labour market policy is crucial as it supports the flow of workers between unemployment and employment by upgrading the skills of unemployed people through training.

As a model associated with a positive labour market performance it has attracted considerable international interest from policy makers and academics alike. Since the early 1990s, employment rates in Denmark in both the public and the private sector increased substantially and unemployment declined from more than 12% in 1993 to just about 5% in 2001. This trend has been attributed to the successful combination of flexibility measures, often linked to a globalized liberal market economy, and a traditional Scandinavian welfare state with its extensive systems of social security protecting citizens from the negative consequences of structural changes-hence "flexicurity". Another notable feature of the Danish system is the avoidance of a low-wage segment of the labour market (the "working poor"), which is typical for many liberal economies as such the US.

III. Flexicurity in the Netherlands

The key feature of Dutch flexicurity is the combination of atypical, flexible types of work with social security rights which are similar to those for persons in standard employment. In short, the approach can be described as "normalizing non-standard work"(Visser 2003: 42; Wilthagen 2007: 3-5). Measures have been taken to spread work, care and education more evenly over the lifecycle. A fiscally supported voluntary savings scheme enables workers to save a percentage of their wage to cover periods of leave for care, education or other reasons (European Commission 2006: 6-8). Active labour market programmes have been extended and regulations have been introduced to provide temporary agency workers with employment protection, rights to training, wage guarantees and supplementary pensions (Wilthagen 2007: 10). In short, the position of

workers on temporary contracts has been strengthened without compromising labour market flexibility (European Commission 2007: 5).
The Dutch model of flexicurity has to be understood also in connection with changes to the system of dismissal law and regulation. In the Netherlands, a rather complicated dual system of dismissal law existed which granted strong protection for workers employed under traditional employment contracts while workers in flexible employment, in particular temporary agency workers, were faced with a high level of insecurity. Aiming to reconcile the interests of employers and workers, and strengthening both competitiveness and social protection (Auer 2002: 36), in 1997 the so-called "Flexibility and Security Bill"addressed this problem, introducing flexibilization (in the form of a slight reduction of dismissal protection in standard employment), far-reaching liberalization of the temporary work market and improving types of security (e.g. more employment and employability security for non-standard workers). However, critics have pointed out that whereas part-time workers have gained from better social protection, other groups such as so-called "flex-workers"have remained disadvantaged (see Visser 2003: 45).
Recognizing once again the four components of flexicurity (flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, modern social security systems) as outlined by the European Expert Committee on Flexicurity (2007), there is perhaps less emphasis on activation strategies than in the Danish case and a more important role for other aspects such as temporary work agencies. However, as in Demark, flexicurity policies have been portrayed as a prime cause for the positive labour market performance in the Netherlands (see, e.g. OECD 2006: 16). Similarly, the role of the social partners and social dialogue in developing and legitimising flexicurity policies has been emphasized in both countries (see, e.g., Visser 2003: 34-37).
In sum, both Denmark and the Netherlands illustrate that alternative ways of combining flexibility with security are not only theoretically but also practically feasible. It has to be noted, however, that what is now called "flexicurity"is not the result of a rational policy design in either country, but the outcome of gradual processes over time, as well as political struggles and compromises (Auer 2002: 70).

IV. Flexicurity in other European countries

While Denmark and the Netherlands have been at the centre of the debate on flexicurity, many other European countries have introduced policies or initiatives explicitly aimed at reconciling flexibility with security. Clearly, such initiatives cannot be reviewed in full here. However, a few examples from different European regions with different welfare state and labour market regimes have been selected here as illustration of the multiplicity of pathways to flexicurity as suggested by the European Commission. Here, I will refer to relevant policies in Austria, Central and Eastern European countries, Ireland and Spain.
A frequently cited country which has introduced successful flexicurity policies is Austria (European Commission 2007: 10). The Austrian approach is characterized by average levels of employment protection and unemployment benefits relative to the EU-15 countries, relatively high spending on active labour market programmes and a reliance on decentralized public employment services. Similar to other countries, the trend in Austria has been to shift an erstwhile emphasis on job security to employment security. Auer (2002) claims that despite Austria's tighter employment protection system and a lower generosity of unemployment benefits, the actual trade-off between employment protection at firm level and social protection at macro level seems to work just as well as in Denmark (Auer 2002: 38). One facilitating factor here might be the deeply entrenched social partnership which smoothed the process of labour market adaptation and helped to promote the idea of flexicurity.
Initiatives to increase both flexibility and security have included life long learning measures. For example, in 1998, it was made possible for employees to take paid leave for up to 12 months for

further education without additional costs for the employers. Other policies include the right for parents of young children to switch to part-time work, covered by full redundancy protection and the right to revert back to the previous working time (European Commission 2006: 14-15). Another policy component is the easing of qualifying conditions for severance pay, which itself was reformed. Whereas in the former system workers would loose accumulated rights to severance pay when changing jobs, entitlements within new system are transferable, thus reducing disincentives to labour mobility. Furthermore, Labour Foundations are easing the transition between jobs in case of threatened mass dismissals, applying principles of early intervention and joint action by all public and private parties concerned (European Commission 2007: 11; OECD 2006: 26).

In many Central and Eastern European countries, economic recovery has often proved elusive or unsustainable, with negative consequences for employment (Cazes and Nesporova 2007: 14). Despite important cross-country differences, unemployment is still high and participation rates even declining in some countries. The sudden exposure to global market competition has forced enterprises to rationalise production and contain labour costs. This mainly took place in the form of downsizing, introducing fixed term contracts or resorting to informal employment. Addressing firms' flexibility needs measures were facilitated by still weak or newly established labour market institutions and policies. Tendencies towards increasingly flexible forms of employment and high informal employment and the consequent weakening of workers' employment and social security position put pressure on governments to find a better balance between the flexibility demanded by firms and effective assistance for employees (Cazes and Nesporova 2007: 23). The International Labour Office (ILO) has sponsored a large initiative to spread best practice on flexicurity in transition economies.

Legislative and institutional reform processes were thus influenced by typical Western labour market institutions and policies such as collective bargaining systems, labour taxation, unemployment benefit schemes and active labour market policies. The outcomes have been diverse across transition countries, influenced by economic performance, trade union strength, social dialogue and national cultures. For example, the Baltic States and some Central European countries have implemented flexibility/protection patterns similar to Western Europe, further supported by the EU accession process. By contrast, troubled by military conflicts and economic problems, labour market rigidities in the Balkan countries have persisted, as well as weak employment and income security for workers. Overall, given a low demand for labour and the perception of high job insecurity, there are considerable obstacles towards increasing labour mobility and flexibility in transition countries. Cazes and Nesporova (2007) conclude that stricter employment protection has at times contributed towards improved economic activity and employment performance, and positive effects have been identified for collective bargaining and active labour market policy, but there are indications of labour market segmentation between insiders and outsiders too (Cazes and Nesporova 2007: 80).

In contrast with transition countries, Ireland's employment growth has been remarkable, both in terms of in part-time and full-time jobs, mainly in the private sector (Auer 2002: 56). Unemployment benefit levels are modest but spending on active labour market programmes comparatively high, including subsidized employment. Similarly to Austria, Denmark and the Netherlands, public employment service structures have been changed dramatically in a move towards decentralization, localization and greater scope for private placement. Although Ireland has overcome past problems of high unemployment and a slow economic growth, a problem remains in low educational levels of older workers. In 2006, the so-called "Towards 2016"agreement was reached between the social partners to take up this challenge in a comprehensive way. It identified the need for participation, productivity and activation, with a special focus on the long-term unemployed, youths and those who are furthest from the labour market. Skills upgrading has been aimed at lower-skilled and vulnerable workers. Funding has

been increased for workplace learning and tackling illiterate and innumeracy problems (European Commission 2007: 18). In 2005, a "National Workplace Strategy" was launched with a view to managing change and innovation in a knowledge-based society. A key focus is on a good co-ordination between the different departments and agencies as well as the social partners with regard to policies of employment, labour market, training, education, social security and enterprise development (Wilthagen 2007: 42).

Finally, a policy process based on social dialogue facilitating flexicurity policies can be observed in Spain. Going back to the 1980s, reforms of a restrictive system of dismissal protection increased flexibility at the margins through liberalising fixed-term contracts and temporary work agencies, while regulations concerning core jobs remained virtually unchanged. Ensuing employment growth was mainly restricted to the flexible "outsider" labour market and transitions from fixed-term or part-time to open-ended or full-time contracts remained difficult, thus encouraging segmented labour markets. Fixed-term workers represent about a third of the total employment (European Commission 2007: 21) and mainly consist of the young. They often receive lower wages and have only limited access to internal further training (Wilthagen 2007: 129).

The strong growth of fixed-term employment not only gradually transformed the Spanish labour market, it also improved the political influence of fixed-term (and part-time) workers, thereby facilitating attempts at modifying employment protection (Valdés Dal-Ré 2004: 256). Indeed, subsequent reforms eased dismissal regulations of the insider labor market and introduced security elements for fixed-term employees, albeit not fully overcoming the dual character of the Spanish labour market. For example, following a breakthrough in Spanish industrial relations at the end of 2001, the social partners agreed on the need to reconcile flexibility and security (Valdés Dal-Ré 2004: 258). Since then, policy makers have been able to exploit potential policy complementarities not available before. Most labour markets reforms in Spain were formulated in trilateral negotiations and often implied trade-offs, such as easing dismissal protection in exchange for stricter regulation of temporary agency work . For example, in May 2008, the social partners signed a comprehensive agreement to curtail the excessive use of fixed-term contracts. Since then, employees having signed two or more fixed-term contracts with the same company and having worked in the same post for more than 24 months, automatically acquire an open-ended contract. In addition, while spending on passive and active labour market policies used to be comparatively low in Spain, activation policies began to be implemented in 2002, stimulated by EU recommendations and funding.

For flexicurity to work in Spain, it must first challenge the startling levels of unemployment and gain the consent of social partners. The implementation of flexicurity via the Labour Market Reform Package was strongly resisted by social partners, in particular the trade unions. This resistance culminated in a general strike in September 2010. In some the largest issue facing the implementation of flexicurity in Spain are the trade unions. Trade union support for further flexicurity implementation will be necessary if further labour market reforms are to transform the Spanish labour market.

V. Conclusions

Flexicurity as a concept fits well into the debate on a European Social Model. It gives guidance for welfare reform processes at the level of the Member States who have to balance existing systems of welfare and employment rights and institutions with demands for new forms of employment.

There is a danger, however, in the current debate at EU level. Just as with the notion of the European Social Model, the flexicurity concept can lose its meaning and become empty and then be used in a superficial manner. Despite the Commission's efforts to translate the flexicurity concept into concrete policies through the identification of "common principles", it cannot be

denied that there is a tendency in the current Barroso Commission to downplay social protection and to concentrate efforts on issues of transparency and the marketing of coordinated policies, instead of substantive discussions of policies. However, the success of coordination, including how flexicurity policies affect the welfare regimes of the Member States, ultimately depends on the ability of European policies to become reflexive by adequately taking into account the needs and conditions of self-regulation in the Member States themselves.

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