Flexicurity: A New Paradigm for Labour Market and Employment Regulation?

Prof. Ton Wilthagen
Tilburg University, the Netherlands

www.tilburguniversity.nl/flexicurity

wilthagen@uvt.nl
Two possible (types) of answers to this question

• Yes!: because everybody is talking about and it has become a key issue and goal within the EES and national employment strategies

• Depends! if we can make flexicurity work (in practice) – answer is subject to empirical, multidisciplinary research and evaluation.
Outline of this presentation

- Two nexuses
- Research questions
- What is flexicurity?
- Why flexicurity?
- The main challenge for flexicurity
- Flexicurity for workers and firms
- Five components of flexicurity
- Wider context of flexicurity
- Flexicurity pathways
- Some conclusions
- Research agenda
On the one hand there is strong demand for further flexibilisation of labour markets, employment and the work organisation,

while at same time an equally strong demand exists for providing security to vulnerable groups of employees and to other outsiders in the labour market, and preserving social cohesion in our societies.
The Coordination – Decentralisation nexus

- Coordination is deemed necessary in view of challenges and issues of integration (global markets and other boundary-crossing issues)
- Decentralisation is deemed necessary in view of challenges of diversification (culture, preferences, tailor-made approaches)
A twofold nexus: two situations of ‘double contingency’
1. What are the origins and preconditions of flexicurity policies?

2. Which specific legal and non-legal forms do flexicurity arrangements take?

3. Which international similarities and differences do we find in the emergence of flexicurity strategies?

4. How do EU, national, sectoral and company levels interact in the case of emerging flexicurity strategies?

5. How about the effects of flexicurity strategies?
What is flexicurity?

A policy strategy to enhance:
• at the same time and deliberately,
• the flexibility of labour markets, work organisations and employment relations on the one hand,
• and security – employment security and income security – on the other.
• Key principles that underpin a flexicurity strategy are that flexibility and security should not be seen as opposites, but can be made mutually supportive.
Why flexicurity?

• Need for new securities that respond to the insecurities related to modern economies and labour markets.

• Need to enhance European citizens’ and companies’ trust in future employment opportunities, in the development of human capital, in decent work and labour market developments and in a supportive business climate and increased business potential.
The main challenge for flexicurity

- Despite favourable developments, unemployment still too high in most MS and unevenly distributed, but at same time many vacancies remain unfulfilled.
- Compared to the EU's main competitors, a considerable productivity gap, both in terms of productivity per worker and productivity per hour worked.
- Due to labour market segmentation, large share of European workers lack adequate security levels and underinvestment in human capital is significant.
- At-risk-of-poverty rates still too high and vary considerably between countries, from around 10% of population to above 20%.
### Five components of flexicurity: five signs for any path to follow

- Flexible and secure **contractual arrangements**
- Effective **active labour market policies**
- Reliable and responsive **lifelong learning systems**
- Modern **social security systems** providing income support and facilitating mobility
- Supportive and productive **social dialogue**, mutual trust and highly developed industrial relations, crucial to introducing comprehensive flexicurity policies.
Flexicurity can be in the interests of both workers and employers

- Workers need ‘active’ flexibility in order to combine work and private responsibilities;
- Companies need flexibility to anticipate and respond to changing market demands;
- Security is not just protecting the worker against losing his or her job but about building and preserving ability to enter, remain and progress in employment throughout life-cycle;
- Security for firms is about preserving and improving market position, loyalty and productivity of their workforce and job creation potential.
Wider context of flexicurity

- Flexicurity not a panacea
- Should be pursued in wider context of sound macro and micro economic politics
- Investments in flexicurity have to be made but in long run the benefits will almost certainly outweigh the costs
- Scope of labour market regulation and employment rights is broader than aspects looked at within flexicurity. Encompasses rights such as representation and consultation, regulation of working conditions and non-discrimination that should apply to all workers.
Political and institutional structure, capacity and development

Production and employment structure and development

Flexibility modalities

Flexibility/security issues

Flexicurity arrangements

Mix and use coordination mechanism; (de)central

Security modalities

Cultural values, trust

Flexicurity pathway

Mutual learning
Employment regimes and the flexibility-security nexus
Working-time flexibility and employment security (Chung and Muffels, forthcoming)
## Coordination mechanisms and the provision of flexibility and security

<table>
<thead>
<tr>
<th>Coordination mechanism</th>
<th>Associations</th>
<th>Networks</th>
<th>Hierarchies</th>
<th>State</th>
<th>Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>social partners</td>
<td>social partners</td>
<td>networks of firms, clients, suppliers etc</td>
<td>hierarchies (individual) firms</td>
<td>state at various levels</td>
<td>markets including submarkets</td>
</tr>
<tr>
<td>collective agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crucial condition for Mechanism</th>
<th>Mutual trust</th>
<th>Mutual interests</th>
<th>Reflexivity/ good employership</th>
<th>Legitimacy and enforceability</th>
<th>Scarcity and information</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Type of flexibility Provided</th>
<th>- Wage</th>
<th>- External</th>
<th>- Functional</th>
<th>- External</th>
<th>- External</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Functional</td>
<td>- Internal</td>
<td>- Internal</td>
<td>- Internal</td>
<td>- Wage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of security provided</th>
<th>- Job</th>
<th>- Employment</th>
<th>- Job</th>
<th>- Job</th>
<th>- Job</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Employment</td>
<td>- Combination</td>
<td>- Combination</td>
<td>- Income</td>
<td>- Employment</td>
</tr>
<tr>
<td></td>
<td>- Combination</td>
<td></td>
<td></td>
<td>- Combination</td>
<td>- Combination</td>
</tr>
</tbody>
</table>
Preconditions for Flexicurity Strategies (1)

- Platforms for
  - co-ordination
  - consultation
  - negotiation (at central and lower levels)

- Role of social partnership and trust (negotiated flexibility)

- Extended scope of collective bargaining

- Acceptance of employment security rather than job security
Preconditions for Flexicurity Strategies (2)

- Decentralisation of labour market policy (co-ordinated decentralisation)
- Need for certain “architects”
- Sense of urgency and basic levels of flexibility and security
- Favourable labour market conditions? Country size?
<table>
<thead>
<tr>
<th>flexibility</th>
<th>security</th>
<th>Job security</th>
<th>employment security</th>
<th>Income security</th>
<th>Combination security</th>
</tr>
</thead>
<tbody>
<tr>
<td>external-numerical</td>
<td>flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>internal-numerical</td>
<td>flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>flexible or</td>
<td>variable pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
More ways lead to Rome

- Good flexicurity practices not necessarily limited to one country or cluster of countries
- Synergies may involve wide range of flexibility/security modalities
- Explicit flexicurity ‘package deals’ not widespread. Flexicurity as strategy vs outcome
- Different actors at different levels may trigger flexicurity strategies, although the national government and social partners appear key players (law and collective agreements are main vehicles). Countries matter!
- Not one road or pathway towards flexicurity! (‘Varieties of flexicurity’)

"Varieties of flexicurity"
Types of flexicurity

• Flexicurity covers transitions, adjustments and solutions within an enterprise (internal flexicurity)

• as well as transitions from job to job between enterprises and between employment and self-employment (external flexicurity).

• Both types of flexicurity should include measures that maintain and improve work capacity and offer possibilities to reconcile work and family life and to promote gender equality.
Flexicurity does not imply atypicality

- Flexicurity challenges the idea that permanent contracts, i.e. of indefinite duration, are obsolete and that non-permanent employment is the future.

- The objective rather is to reduce the gap between the two, enabling smooth and timely transitions from unemployment into a job and promote progress into better employment.
Embarking on flexicurity pathways

- Common **principles** of flexicurity need to be developed but presuppose alternative flexicurity **pathways**

- One size of policy-making does not fit all. There is not one way that leads to Rome (or Copenhagen!). Seeking **inspiration** (from flexicurity practices across EU) rather than **imitation**

- Flexicurity policies should **reflect** and **respect** diversity and path dependence in EU.
Developing pathways

- Idealtypical, but based on real starting situations in MS – more pathways can be relevant to MS.

- Departing from different challenges: outsiders in labour market, insiders, opportunity gaps among workforce and benefit dependence/informal work.

- Mapping out pathways/steps serves to help each MS in constructing and developing own pathway.
Mapping out four pathways

1. Reduce gaps between non-standard and standard employment by making standard contracts more attractive to firms and social security more inclusive

2. Reduce gaps between standard and non-standard employment and enhance companies adaptability by developing and strengthening transition security
3. Address opportunity and security gaps among the workforce by embarking on a higher road towards a knowledge-oriented economy by deepening investments in skills.

4. Enhance employment opportunities for benefit recipients, prevent long-term welfare dependence, regularize informal work and build up more institutional capacity for change.
## Suggesting steps within pathways

<table>
<thead>
<tr>
<th>Pathway</th>
<th>Sign</th>
<th>Contractual Arrangements</th>
<th>Active Labour Market Policies</th>
<th>Life-long Learning systems</th>
<th>Modern Social security</th>
<th>Supportive Social Dialogue</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Broadening social security, more attractive permanent contracts</td>
<td>Possible</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Improving transition security (internal/external)</td>
<td></td>
<td></td>
<td>steps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Reducing opportunity gaps for specific groups</td>
<td></td>
<td></td>
<td></td>
<td>with</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Integrating benefit recipients and informal workers into labour market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>references to examples</td>
<td></td>
</tr>
</tbody>
</table>
### Approaches to contractual arrangements

- **Danish approach:** flexibility of normal work

- **Dutch, Spanish and Slovenian approach:** normalization of non-standard work (‘track tenure’ approach)

- **Other systems:** emphasis on ‘internal flexicurity’, e.g. development of working-time accounts in Germany
<table>
<thead>
<tr>
<th>Approaches to Active Labour Market Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Finish and Swedish approach: transition or change security.</td>
</tr>
<tr>
<td>• Austrian approach: turning severance pay into transition budgets.</td>
</tr>
<tr>
<td>• French approach: securing re-employment.</td>
</tr>
<tr>
<td>• Lithuanian approach: extending the scope of ALMPs.</td>
</tr>
</tbody>
</table>
Some conclusions

- Flexicurity pathways should reflect and respect diversity within the EU.
- Flexicurity should be developed as a positive sum game, as opposed to a zero or negative sum game where only one party wins and the other loses. Change can be best designed as integrated and broad policy packages.
- Flexibility and security should be seen as mutually reinforcing so as to provide a quality response and adjustment, based on European values, to the challenges of globalisation and demographic change.
# Current research focus on flexicurity

<table>
<thead>
<tr>
<th>Aspect</th>
<th>team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies and preconditions of flexicurity</td>
<td>TAGC</td>
</tr>
<tr>
<td>Critical conditions Danish case</td>
<td>CARMA, FAOS</td>
</tr>
<tr>
<td>Performance of flexicurity systems/ regimes</td>
<td>WSI, Tilburg, ETUI</td>
</tr>
<tr>
<td>Security aspects of flexible work</td>
<td>NiederR, WSI, TAGC</td>
</tr>
<tr>
<td>Flexicurity across life-course</td>
<td>Tilburg, NiederR</td>
</tr>
<tr>
<td>Flexicurity in Eastern/Mid EU</td>
<td>Tartu, ILO</td>
</tr>
<tr>
<td>Application of flexicurity in restructuring</td>
<td>LENTIC, Tilburg</td>
</tr>
<tr>
<td>Flexicurity older workers</td>
<td>Amsterdam/CARMA</td>
</tr>
<tr>
<td>Flexicurity new industries</td>
<td>Tilburg, LENTIC</td>
</tr>
<tr>
<td>Legal aspects/European policy</td>
<td>Amsterdam/Tilburg/Maastricht</td>
</tr>
<tr>
<td>Principles, concepts, checklists</td>
<td>CARMA, Tilburg, CoE, Tartu</td>
</tr>
</tbody>
</table>

TAGC= Tilburg, Amsterdam, Groningen, CARMA team
Research agenda (1)

- Do we have enough data for country-comparisons? Too many countries are insufficiently represented. Time to move beyond North-western Europe!
- Longitudinal data, e.g. for life course approach, are only now being collected and developed
- Social partners and states are important but research should also focus on markets, firms, networks in contributing to flexicurity
- More focus on the ‘methodology’ of flexicurity (processes, bargaining)
- Time to develop designs for proper effect evaluation studies and improve indicators
Not enough attention paid to informal systems of flexibility and security. How does informal economy relate to formal economy?

Theories on flexicurity should be further developed: reflexive governance and coordination; multi-level studies

Legal aspects of flexicurity need to be addressed more

Same goes for cultural/values aspects

More attention to relationship between inclusion and exclusion in view of flexicurity systems (“flexicurity for all?”)