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Flexicurity Practices in the EU – Which Way is Up?

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1. Introduction

1.1 Flexicurity goals

Flexicurity has been an official flagship policy of the European Union since 2007, incorporated in the Lisbon Strategy, and it is currently strongly embedded in the EU’s 2020 Agenda, the European Employment Strategy, the policy initiatives on New Skills and Jobs\(^1\) and is an element within the so-called Euro Plus Pact.\(^2\) The goals of flexicurity can be summarized as follows:

- Contribute to highly competitive social market economy with employment opportunities for all, high level of protection and social cohesion (Lisbon treaty)
- Promote inclusive labour markets and job creation, fight segmentation and guarantee income insecurity
- Prevent structural unemployment and mismatches (also in terms of skills)
- Enhance companies and workers adaptability

Without a doubt, the ‘external’, i.e. economic context of flexicurity has strongly changed since flexicurity policies were definitely put on the agenda from 2005/2006 onwards and certainly since the initial development of the concept since the mid 1990s. As of 2008 the economic and labour market situation in the EU has significantly worsened. There is a strong need for an adequate response to cyclical and short-term developments without losing sight of structural and long-term developments

1.2 Aim of the paper

The aim of the paper is to describe and analyze the development and design of flexicurity policies and practices, the impact of these policies and practices – the ‘state of flexicurity’ – also in the light of the new or ongoing challenges flexicurity policies should be able to deal with (sections 2-3). This analysis will be situated against the current Common Principles of Flexicurity (hereafter CPF).\(^3\) Also, the paper will take stock of the views on flexicurity, notably among the social partners in the EU (section 4). Finally, the paper will sum up some conclusions and outline some possible directions for future adjustment and progress (“flexicurity 2.0”) in the last section (5).

1.3 Assessing flexicurity policies and outcomes

For starters it needs to be clear that the distinct effect of flexicurity policies is not easy to measure. This is a key methodological issue with strong implications for policy-making.

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\(^1\) COM(2008) 868 final
\(^2\) COM(2010) 682/3
\(^3\) COM(2007) 359 final
European labour markets, companies and workers are impacted by various external factors and shocks, including the current crisis, which has had a tremendous effect on European workers and companies. Policy efforts, in terms of institutions and policies, translate into a certain state of flexicurity (A) which, in its turn, generates certain effects (output), impacted by the national context and external factors. These effects result in certain challenges (outcome) where new policy efforts – flexicurity as a policy strategy – are expected to respond to. These new efforts are shaped by the path dependency of every single country and will lead to a new state of flexicurity (B), which may require new efforts (and so on; the policy cycle).

Considering the vast differences in country practices and challenges, the European Commission rightfully does not believe in a one-size-fits-all approach. Therefore the European Commission has suggested (in its 2007 Communication on flexicurity) a set of flexicurity pathways, based on the work of the European Expert Group on Flexicurity (2007), addressing different challenges and possible solutions in Member States. As such these pathways were not taken up in the Common Principles of Flexicurity as adopted by the Council.

The concept of flexicurity pathways suggest different roads countries can take to improve their labour markets, based on different challenges, priorities and possibilities. Flexicurity pathways can be designed and implemented across the four policy components, defined by the European Commission, which need to be taken into account as a whole:

1. Flexible and reliable contractual arrangements (FCA);
2. Efficient active labour market policies (ALMP) to strengthen transition security;
3. Systematic and responsive lifelong learning (LLL);
4. Modern social security provisions that also contribute to good mobility in the labour market (MSS).

Moreover, a supportive and productive social dialogue and highly-developed trust-based industrial relations should serve as a general precondition or process variable to make such a flexicurity system work. These components will be kept in mind when analyzing the flexicurity practices in the EU in the next section.

2. The state of flexicurity in the EU

2.1 Practices and outcomes

In this section I will give a brief summary of recent key findings – based on empirical-statistical research - on the state of flexicurity in the Member States, using various indicators and data sources, where possible in a longitudinal perspective. The emphasis will be on the more recent studies. This evidence points to main differences and similarities across Member States and clusters of countries.
The first key questions here are: what are the trends regarding flexibility and security in EU labour markets and how ‘balanced’ are flexicurity outcomes? Unfortunately, the impact of the crisis can only be assessed marginally as important EU datasets, including SILC (Statistics on Income and Living Conditions) do not yet cover the years after 2008.

The second question is about practices, what are the practices that can serve as examples of a response to new or ongoing challenges?

2.2 The state of flexicurity varies strongly across clusters of Member States – promising practices exist

Research – policy oriented as well as academic – on labour market flexibility on the one hand and (social/income) security on the other already has a long-standing tradition, with growing interest and output from the mid 1990s onwards. However, studies on some understanding of an integrated concept of flexicurity started to develop no sooner than in the early 2000s (see Bertozzi and Bonoli, 2009, Viebrock and Clasen 2009), accompanying the development of EU policy-making on flexicurity (see Bekker, 2011). Various indicators have been proposed and applied, showing the multi-faceted (some will say ambiguous) nature of the flexicurity concept.

After an initial number of rather different attempts, there basically are now two approaches when it comes to using indicators: one approach that seeks to operationalize the so-called components of flexicurity as distinguished by the European Commission as mentioned in section 1 already; and one that follows the so-called flexicurity matrix, as developed by Wilthagen (Wilthagen and Tros, 2004). This matrix combines four key forms of flexibility with four key forms of security.

Within these approaches more static (stock variables, institutional variables) or dynamic (flow data) research designs are used. Within both approaches the main focus has been on identifying clusters of countries – either based on welfare state typologies (as established by Esping-Andersen and others) or geographical clusters of countries.

Milestones are the endeavours on measuring flexicurity in the Employment in Europe reports of 2006 and especially 2007 (European Commission, 2006; European Commission 2007), the 2007 studies by Eurofound (Eurofound, 2007a and 2007b) and the work of the Employment Committee (EMCO, 2009). Muffels (see e.g. Muffels, Wilthagen and Chung, 2010) has developed a research line where flexibility/security and flexicurity were measured from a dynamic perspective, using micro-level panel data, with added data on institutions.

The European Commission recently facilitated a first comprehensive study to develop composite indicators on flexicurity (European Commission/JRC-IPSC, 2010), a methodologically highly complex operation. The study is based on the four components of flexicurity mentioned earlier on. Using these indicators also this study to a certain degree confirms the existence of geographical clusters in terms of flexicurity modalities and outcomes. Other recent confirmations of the typical differences of the state of flexicurity across clusters of EU Member States include Ciuca et al. (2009) and Laporsek et al. (2011).
By and large, leaving aside the great many nuances and details, these studies provide the following picture.

2.3 Practices and challenges in the North

Nordic Member States are characterized by relatively high scores in all four dimensions, especially in active labour market policies and life-long learning. Levels of both flexibility and security still highest compared to other country clusters.

- Unemployment has gone up (Denmark), also among youth (Sweden) but is still relatively low (the Netherlands)
- Adjustment has taken place through quick separations (Denmark), reduction of working hours (most), transition security (Sweden and Finland), flexible labour forces (the Netherlands).

Continuing challenges concern the financing of ALMP, MSS and LLL; less security might reduce flexibility and put a burden on weak groups.

Examples of promising practices dealing with the typical challenges within this geographical cluster are:

- Transition security for weak groups: Step-in jobs in Sweden (*Instegsjobb*) offered to migrants. These jobs have duration of 6 months, with possibility of extension to 24 months. Employers can have 80% of related costs subsidized. Migrant is required to take course in Swedish Language for Immigrants (CPF 1, 2, 5, 6).
- Constructive social dialogue: *Flexicurity Committees* were established in Finland at the sector and company level and identify the needs for amendments in the labour market to cope with the economic crisis and changing working environment (CPF 7)

2.4 Practices and challenges in the Middle

Continental Member States are featured by intermediate-to-upper level scores on active labour market policies, modern social security and life-long learning with varying performance in the dimension of flexible and reliable contracts. Overall there are large differences in ranking among those countries, with France performing quite well and Germany close to the lower end.

- Levels of internal flexibility are higher than external flexibility, mobility is relatively low, intermediate-to-upper level scores on ALMP, MSS and LLL
- Unemployment increased (much) less than expected and is low (Austria, Luxembourg, Belgium, Germany)
• Adjustment mainly through reduction of working hours (formal schemes, Germany), temporary unemployment scheme (Belgium), employment pools (Austria)

Continuing challenges include the need to increase mobility and warrant financial sustainability and effectiveness of ALMP, MSS and LLL.

Examples of promising practices in this cluster are:
• LLL: the Employment Bridge Bavaria (Beschäftigungsbrücke Bayern) in Germany to ensure employability and vocational training for young skilled workers and engineers (CPF 1)
• Job creation through company networks: Austria has so-called Implacement Work Foundations (Implacement Arbeitsstiftung) to remedy structural problems in regional labour markets with fast growing sectors with little labour supply (CPF 1,5)

2.5 Practices and challenges in the West

The Anglo-Saxon Member States display varying performances with the UK scoring intermediate-to-upper level with regard to flexible and reliable contracts and Ireland scoring low in this dimension. These positions are reversed in the areas of modern social security and active labour market policies.
• Levels of flexibility remain higher than security, though investments in LLL are up
• Unemployment has risen strongly (IE), or less then expected seen GDP drop (UK)
• Adjustment through quick separations, reduction of working hours (but informally), wage flexibility, returning home of migrants

Continuing challenges within this cluster are the prevention of long-term unemployment, poverty risks and access to LLL.

Promising practices from this point of view are e.g.
• Transition security: the UK Early warning system, the Rapid Respond Service (RSS) and the Response to Redundancy Programme (R2R) by Job Centre Plus and Skills Funding Agency (see Borghouts, forthcoming) (CPF 5)
• LLL: Skillnets in Ireland funds and facilitates training through 60 networks of private sector companies, in a range of sectors and regions. Each network delivers training that is relevant to specific industry and member company needs (see Ekosgen, 2011) (CPF 1)

2.6 Practices and challenges in the South

The southern Member States show divergent performances. Regarding flexible and reliable contracts Spain is close to the bottom end, among other things to the high level of involuntary
fixed-term jobs. Performance on modern social security is intermediate to upper level and the scores on active labour market policies and life-long learning are intermediate-to-lower. Levels of flexibility remain higher than security and there is limited scope for AMLP and LLL

- Unemployment is very high, especially among youth (Spain, Greece), mobility is low (with the exception of Italy), labour market dualism is high
- Adjustment follows mainly through flexible segment of the labour market; the stepping stone to open ended contracts is not solid

Continuing challenges include the need for job creation, the manifest risk of long-term unemployment, the prevention of a lost generation and overcoming the two tier labour market

Examples of promising practices are the following:

- Overcoming two-tier LM: in Italy there is the Solidary Contract (Contratto di Solidarietà), modified in 2009: company-level arrangements based on the principle of solidarity among current employees who reduce working hours in order to avoid dismissals or to allow recruitment of new employees (CPF 1.4)
- Strengthening LLL: Spain has concluded National Agreements on Continuing Training that facilitate demand-driven training schemes within (groups of) enterprises in sectors of industry, with extra credit for small enterprises (see Borghouts, forthcoming) (CPF1)

### 2.7 Practices and challenges in the East

Finally, the new Member States show a lot of variety and might be less seen as a coherent cluster.

- They have lower positions in all dimensions, with Slovenia and Poland being exceptions in FRC, Cyprus in MSS and Czech Republic and Malta in LLL.
- They have witnessed a strong increase of unemployment, very high (but falling) in Estonia, Latvia and Lithuania below average in Czech Republic, Malta, Romania and Poland
- Adjustment has mainly been managed through redundancies and short-time working (with limited income support)

Continuing challenges pertain to the prevention of long-term employment, realizing increased scope for MSS, ALMP and LLL and enhancing institutional capacity (social dialogue) in the labour market.

Promising practices include

- A flexicurity response to the crisis: Poland introduced the 2009 “Appeasement of crisis effects Act”, promoting an integrated package of flexicurity aspects (CPF 1)
• Job creation at local level: Latvia has designed Local Plans for Measures on Promoting Employment at the regional and local level through involving local governments (CPF 1)

Evidently there have been many other examples of national-level initiatives, reforms and measures that, perhaps less “systemic and systematic”, can be labeled flexicurity, although this label is certainly not applied by default. These measures have been documented by various sources (Wilthagen, 2007; Pedersini, 2008; European Industrial Relations Observatory; National Reform Plans of EU Member States; European Commission Report of the 2008 Flexicurity Mission/European Commission, 2008; Mandl and Salvatore, 2009 on public initiatives in tackling the recession; Hurley et al., 2009 on restructuring in recession; Employment in Europe, 2010 on employment protection and unemployment benefits reform; Voss and Dornelas, 2011 on social partners initiatives). The European Foundation in Dublin – Eurofound – is currently preparing a study on flexicurity practices and has registered some 200 practices across the European Union, using the already mentioned flexicurity matrix as an analytical tool. A number of the examples mentioned above is taken from this study and will be more fully described in the final report.

3. How are flexicurity policy responses designed and what are the main outcomes?

3.1 The advantage of highly developed industrial relations

Highly developed industrial relations systems no doubt represent a big advantage in achieving balanced policy packages and outcomes, assuming (as the OECD has recently indicated in the case of Austria – OECD, 2011) that the social partners continue to take joint responsibility for the necessary reforms. Yet, the success of flexicurity as originally conceptualized does not lie fully and exclusively in the hands of social partners and the industrial relations systems. In some countries state regulation (or the absence of thereof) appears just as influential. The various coordination mechanisms - states, markets, associations (social partners), hierarchies (firms), networks and communities - can all contribute to well-balanced flexicurity.

3.2 The regional level is gaining importance

Our analysis is focused on national and cross-national examples, but labour markets to a large extent are of a regional character. There is a growing awareness in European regions that regional coordination and governance, including businesses, education and training institutions and local government – the so-called triple helix approach – is key to preserving a well-functioning labour market, innovation and growth opportunities for business and employment security for people. A good example here is the so-called Brainport region in the South East of the Netherlands, one of the cornerstones of the Dutch economy (with Eindhoven as the main
This top technology region accommodates high tech companies as Philips, FEI, DAF Trucks and ASML, a leading company in the provision of lithography systems. Here the triple-helix approach has resulted in a positive climate for both large international companies and small and medium-sized enterprises, that are part of the business chain (e.g. as suppliers).

3.3 Buffer systems reducing employment sensitivity

It can be noticed that the actors at the various levels of the labour market have been rather active and creative in trying to respond to the shocks caused by the financial and economic crisis. One of the prominent findings and experiences in the past three years has been – in comparison with other periods of crisis - the level (or elasticity) of employment was much less affected than the drop in GPD and business demand (Eurostat, 2009). As a result, unemployment levels in many countries did rise significantly less than was expected when the crisis became manifest.

Letschke and Watt (2010) examined how countries, depending on their institutional configurations, dispose of “buffer” systems that can reduce employment sensitivity in the case of an economic crisis. Denmark is highly sensitive due to its low level of employment protection legislation, comparable to the United Kingdom, but it can absorb income and employability shocks for people by way of its social security and active labour market policies system. The latter two systems are less developed in the UK, which, as the authors presume, may have adjusted notably via wage flexibility as employment levels were certainly affected, but less than predicted. Spain has suffered great employment losses and these were not prevented by its strict dismissal protection system. The country also could not work with the average-working-hour-buffer, as short-time working schemes were absent. In fact, almost all adjustments took place in the flexible segment of the bifurcated Spanish labour market and the limit package of effective active labour market systems (such as public employment services) could not do much to buffer the effects for the people involved. Germany also has a relatively strong employment protection system, but, as already noticed, extensively used its working-time schedules (short-time working, working-time accounts) in its highly skilled industrial sectors that were affected by the crisis. That way the country avoided any rise in unemployment during the first years of the crisis and got itself a position in the “Champions league” of EU Member States with the lowest unemployment figures.

3.4 The main outcomes: large differences and security is lagging behind

Clearly, flexicurity policy components translate very differently across countries and country clusters. This remains the most important conclusion to date regarding the actual state of the
art of flexicurity. Further on, from an overall point of view, it can be observed that flexibility is developing more strongly than security, or put otherwise, in various Member States security has difficulties in catching up with flexibility/flexibilization. As a result the risk of labour market segmentation has become more urgent. The OECD (2010:173) has issued a clear warning against a labour market development where the insiders are left immobile and flexibility is pursued through a massive use of temporary contracts:

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A growing body of evidence suggests that productivity growth and innovation tend to be smaller in countries where labour market flexibility is reached through an overwhelming use of temporary contracts while maintaining compressed reallocation rates of workers on open-ended contracts (...) the evidence suggests that temporary workers are less likely to participate in job-related training (...) are more prone to workplace accidents (...) and tend to provide less effort when the probability of conversion of their contract into open-ended relationships is low (...), although they might be more motivated when the latter is high (...)”

According to the European Commission (2011) one of the causes of further labour market segmentation can be found in the half-hearted reforms undertaken in European labour markets in the 1980s and 1990s to enhance flexibility in order to increase firms’ productivity and workers’ employability. In some countries these reforms were conducted at the margin as political considerations withheld governments from relaxing employment protection legislation (EPL) for all segments of the labour market. Reducing EPL only for new entrants appeared to be the easiest approach when confronted with strong political obstacles to reform.

4. Flexicurity views

4.1 Culture and values matter

Evidently, views on flexicurity are crucial to the acceptance and certainly the implementation and thus the added value of the concept. Much depends on the political, institutional, economic and also cultural context and development of a country. E.g. it has been argued that the flexicurity model is hardly sustainable in countries displaying weak public-spiritedness because the unemployment insurance design evokes moral hazard issues that are much harder to overcome in countries where individuals are more prone to cheat over government benefits (Algan and Cahuc, 2006).

4.2 Wide support for balanced flexicurity; less satisfaction with implementation

In flexicurity policy-making the views of social partners, other stakeholders in the socio-economic realm and national governments are key. As underlined in the Common Principles on Flexicurity, the EES Guidelines and other policy fundamentals, a constructive social dialogue is a
precondition of the development of well-balanced and effective flexicurity policies, as the capacity of national government policies is limited and can not be expected to have the same depth and richness in responding to the needs of workers and business as collective agreements and other social dialogue outcomes.

Yet, it is a known fact that diverging views on flexicurity exist among European stakeholders (Burgooon and Dekker, 2010; Dekker, 2011). This was the case during the development of the EU’s flexicurity policy (Bekker, 2011) and it is still the case (Keune, 2008; Burroni and Keune, 2011).

For this reason the European Commission launched a flexicurity mission after the acceptance of the Common Principles of Flexicurity in 2008, paying awareness raising visits to five Member States: France, Sweden, Finland, Poland and Spain (European Commission, 2008).

A recent study undertaken by the European social partners (Voss and Dornelas, 2011) clearly indicates the variety of national social partners’ perspectives on flexicurity. These different views also impact the way flexicurity is developed or – in some cases – opposed. Although every single flexicurity measure as such does not necessarily have to be balanced, as it may restore a certain existing unbalance, there is a strong sense that overall flexicurity policy should produce a sound balance between on the one hand the need for enhanced flexibility/dynamism/adaptable/efficiency and on the other hand such goals as security/protection/stability/social cohesion. This ambition is at the heart of the flexicurity concept as it was initially developed at the national and European levels. Consensus on flexicurity depends on broad definitions regarding the content of policy packages and broad involvement of all stakeholders (see Wilthagen, 1998, European Expert Group on Flexicurity, 2007, Bekker, 2011). The report contains extremely relevant conclusions and lessons for the future of flexicurity, namely that

- “Provided flexicurity is implemented in a balanced (italics TW) way, an overwhelming majority of employers and a certain majority of trade unions believe that flexicurity has the potential to provide win-win-situations (...)
- (...) at the same time, an overwhelmingly majority of trade unions (...) state that flexicurity has not offered a balanced approach for workers, whereas a small majority of employers disagrees with this statement (...)
- (...) In some countries there is a clear understanding that both flexibility and security are desirables for both enterprises and workers (...)
- (...) In a number of countries, the prevailing view is that increases in flexibility occur at the expense of security and increased security causes reductions in flexibility. This creates the notion of (...) a trade-off between workers and employers.
- (...) the development of (...) win-win situations of flexicurity is facing certain challenges, not only caused by the 2008 global financial and economic crisis (...) in particular in countries, where the last decade has been characterized by strong pressure towards
liberalization of labour law regulations and more flexible forms of employment, it has proved very difficult for social partners to develop a joint understanding and common view on flexicurity that is based on win-win visions.”

An earlier study (Pedersini, 2008) showed similar results with respect to the diverging views on flexicurity in industrial relations. These views also define the role and involvement of the social partners in flexicurity policy-making. Social partners in particular contribute to the ‘political dimension’ of flexicurity, via involvement in national level policies, but with some notable exceptions, the role of collective bargaining and of service provision is far less common.

5. Some conclusions and possible directions for flexicurity

5.1 The next stage of flexicurity

The state of flexicurity and the key messages reported in this paper give reasons to reflect on Europe’s next stage of flexicurity. The European Commission and all European stakeholders are already exploring and discussing the future of flexicurity, among other things at the Stakeholder Conference on behalf of which this paper was written. Below I suggest some basic themes and directions that might be considered. There is a hunger to learn from flexicurity practices in other countries. But concrete initiatives have to be taken, preferably with broad views to combine (forms of) flexibility and security in a sustainable way.

5.2 In all country clusters of EU directions for a next level of flexicurity can already be observed – mutual learning is key

As argued in this paper flexicurity translates differently in the various clusters of Member States identified in this paper. Also the challenges vary in these clusters. However, research that aims at identifying flexicurity practices does show that ‘next practices’ can be observed that exactly respond to these challenges. Mutual learning programmes, as already exist within EU-policy-making, could therefore be targeted to specific practices and solutions that address major flexicurity issues in groups of countries. This can increase policy-learning in a focused manner.

5.3 In various Member States there is a need to step up the security dimension of flexicurity, especially for flexible workforces

In a number of Member States people in non-standard employment are strongly relying on (additional) private insurance and facilities or forms of mutual support (guild-like, community or family based) as social security and training and education systems have not developed to the
full or are not accessible for these groups (see Alphametrics, 2009). These forms of security are rather expensive or currently have limited scope.

Social partners in countries with extensive collective agreements could decide to include, e.g. on the basis of opt-in arrangements groups that are currently not or no longer covered. This will also restore the support for and participation in these collective schemes (such as pensions) that are currently on the decline (on the one hand because growing groups are not included and on the hand because the labour force is shrinking);

Realistically speaking it might be quite hard to drive back non-standard employment at this point in time. One of the explanations for the growth of non-standard work is that it is not merely demand-driven, although many companies are stepping up their flexibilization strategies, aiming at a flexible shell of 30 percent of more of their workforce. Workers’ preferences, especially among younger generations, are also changing. This not only applies to part-time employment, which in countries as the Netherlands is a highly preferred and normal way of combining work and private life, but also for a proportion of self-employment. Especially in service economies contractual diversity will rise and we might already have passed the peak of wage employment. Furthermore, it should also be concluded that cross-border, transnational mobility and migration are here to stay – and are vital to our societies.

This implies that sustainability strategies in the labour market should not exclusively rely on building security ladders from non-standard to standard employment. Governments can step in and provide national/uniform schemes for vital securities without differentiating between groups of workers, including training, pension and work & care schemes for all. However, broad, inclusive schemes tend to offer rather minimum levels of rights and provisions (e.g. in some liberal countries), unless governments and tax payers are willing to put in a substantial contribution (such as in the Nordic countries). In some countries more universal security could possibly be achieved by introducing uniform open-ended contracts (contrat unique) which offer more flexibility than current employment contracts but that build gradually build up securities at the same time (see also European Commission, 201b and the New Skills and Job Communication). It is not realistic to expect that non-standard contracts could be fully banned, legally, at the same time. The open-ended contract must be made sufficiently attracting in order to make it preferable over atypical contracts.

Importantly, one should not overlook financial systems for mortgages and loans. As long as these systems are exclusively open to people working on open ended employment contracts, many groups in the labour market, especially the young, will have a hard time financing a house. Currently banks have grown much more risk averse and the creditability and eligibility of non-standard workers is not likely to become stronger.

All in all the idea could be to turn around the idea of an employment contract into a ‘labour market contract’, on the basis of people’s membership of the working population, just like we need to redesign unemployment insurance as ‘employment insurance’. Employment rights need to be divorced from the individual employment relationship. Basic entitlements should be afforded to all who participate in the paid workforce, however marginally (Fredman, 2004).
Moreover, a universalized flexicurity scheme should not only operate within national borders, but also across these borders. All this can be part of the next stage of flexicurity. At the same time it should be acknowledged that there can be a clear tension between making flexible employment more secure and thus costly, on the one hand, and job opportunities for the low-skilled through this kind of employment on the other.

5.4 More capacity and mutual risk management can be obtained by new alliances between (local) government, social partners, networks of companies (notably SME’s) and communities

Both the Common Principles and the components of flexicurity stress the preconditional role a supportive and productive social dialogue and highly-developed trust-based industrial relations play within the process of making flexicurity system work. Social partner organizations, the social dialogue and collective bargaining systems are not free from pressure, notably as a result of declining trade union membership rates. This development might induce a loss of regulatory capacity, also in the area of policy – which could be small or large, depending on the national situation of the Member State. At the same time many new Member States still need to manage building up more institutional and social dialogue capacity, even though formal structures might be in place. Moreover, as already stressed, the growing flexible workforces are not or only partly represented in and covered by the existing collective systems for labour market coordination and social security organization. Therefore, more carriers for flexicurity are needed than the traditional social partner organizations as they can no longer or not yet carry the full load of labour market facilities and reforms to cater to the needs of the total workforce, including self-employed people. This calls for new alliances between all stakeholders in European labour markets. Notably the networks, business networks, i.e. regional networks of SME’s but also networks throughout the value chain, including large companies, Original Equipment Manufacturers (OEM’s), and suppliers and communities, e.g. communities of self-employed people, could contribute to increased regulatory and organizational capacity (“economy of scale”) and mutual risk management in the labour market.

5.5 Job creation and preserving sustainable jobs is an ever important focus of flexicurity

Flexicurity can certainly cater to more and better jobs to the extent that:

- Existing, sustainable jobs are maintained and saved by temporary measures such as short-time working and social security benefits;
- Workers are facilitated to make a timely transition to a new job in demand sectors, once the necessity arises, aiming at decent conditions in the new job, where necessary supported by temporary income supplementation and retraining (see Borghouts, forthcoming); some of these transitions could be temporary in the sense that workers
might move to other sectors in their region that are characterized by a different business cycle and later on return to their former jobs;

- Employers, private and public, are incentivized and supported with the right conditions (active support, but also forms of no-risk insurance) in creating new jobs and hiring workers; this requires flexible and reliable contracts and e.g. the use of temporary wage subsidies to compensate for productivity deficits workers might have at the start of the job. That way ‘in-work’ securities can be offered, instead of passive income support in the form of traditional social security benefits. Another strategy consist of job-carving, i.e. splitting up existing jobs into high and less demanding tasks, the latter allowing for new opportunities for currently unemployed people;

- Especially small and medium sized enterprises (SME’s) are supported to further collaborate and coordinate their HR and employment policies – this way several ‘near-job vacancies’ within individual firms can be ‘added up’ or combined and develop into full vacancies; in a similar way near-redundancies can be prevented from developing into real redundancies by maintaining jobs through joint employership among SME’s; the French legal concept of multiple employership (groupement d’employeurs) can serve as an inspiring example here and so-called employment pools, job pools, flex pools or transition pools are active among SME’s in various sectors and Member States;

- Coordination is stimulated within European regions between business, local government and training and education institutes (triple helix approach) as to jointly develop both business potential and employment security in the region, guaranteeing that key sectors of industry and services can dispose of the right amount of workers with the right skills at the right moment – well-organised regions can thus offer a ‘job guarantee’: not a guarantee for a particular job with a particular employer, but the guarantee of keeping a job in the region;

- Workers are encouraged and aided in maintaining the right skill and qualification levels, enabling them to remain productive in their current job and equipping them with the skills to take on the new jobs to come;

- Labour markets are made more transparent and the information on both labour demand and labour supply is deepened by adequately revealing the actual competences workers and non-workers have to offer and the competences required by employers (one single ‘language’ in the labour market); this will allow for better and quicker job matching and will turn unfilled vacancies into real jobs; e-Matching, e-Portfolio systems and systems for accreditation of prior learning are useful here;

- People are helped by modern social security and active labour market policy to make the transition from inactivity to the regular labour market, erasing existing disincentives and offering support through forms of retraining and child-care facilities;

- People are facilitated in setting up sustainable forms of self-employment and micro entrepreneurship, creating, as advocated above access to basic securities (training, disability benefits insurance, pensions) and preventing the emergence of working-poor;
• Labour markets, wage and skills levels and taxes on a labour are managed in an overall way so that foreign investors and employers are attracted and will be offering new job opportunities or insource work that was off-shored and outsourced in the past.

• ‘Social return’ and contract compliance strategies are developed in order to stimulate firms to hire and work with workers that have a less strong position in the labour market.

5.6 The crisis shows that various productive modalities of flexibility and security work: internal and external

It would be wrong to conclude that the crisis has heralded the “end of flexicurity”, due to the fact that internal flexibility, e.g. in the form of short-time working arrangements, has been widely and fairly successfully used in many countries. Flexicurity is about all productive modalities of flexibility (also flexibility for workers) and security, including well-designed combinations of on the one hand working-time flexibility and social security on the other. No. 5 of the Common Principle of Flexicurity rightly states that internal and external modalities of flexicurity are equally important. The EU’s Agenda for New skills and jobs confirms the eclectic nature of flexicurity. Both external and internal flexibility have their merits and limits, depending on the state of the labour market and the economy, and should be handled with care and in an evidence-based way.

5.7 It’s all about the implementation and balancing of flexicurity ...

Currently, flexicurity policies and policy-making have arrived at a stage that implementation efforts should be stepped up further. The question is whether a real alternative to flexicurity exists, or at least for the set of integrated policies that lie behind the concept (Auer, 2010). The hybrid, multi-sided and broad approach of the concept guarantees the interest of both employers and workers and their representatives. Alternative concepts that merely focus on one dimension can probably not achieve this. Flexicurity is well in line with Europe’s overall ambition to maintain and further develop a competitive social market economy with full employment and high levels of protection, as formulated in the Lisbon Treaty. Keeping the balance between flexibility and security and contributing to employment opportunities for all is key (see European Social Partners, 2010). The flexicurity promise has not been broken, as some argue (Hoffer, 2011; Fredman, 2004), but there is much work needed and it requires the involvement of all European stakeholders to fulfill it.
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