

Flexicurity - State of the Art in European Research

SUMMARY OF PRESENTATIONS

June 9, 2006, University of Copenhagen

Professor Ton Wilthagen

Flexicurity: how can it be conceptualised and measured in a comparative perspective? (Part I)

Professor Ton Wilthagen emphasised in his presentation that it is important to discuss how we define the concept of flexicurity, the type of indicators needed to measure flexicurity as well as the development of basic principles that enable us to apply the Danish flexicurity model to other European countries. Contemporary research on flexicurity was also discussed in the presentation, and areas where further research is needed was emphasised. With respect to the definition of flexicurity Professor Wilthagen argued that flexicurity often is perceived as a type of policy or a political strategy. He also emphasised that it was important to distinguish between flexicurity as a normative and a research concept. Regarding the need to develop indicators to measure flexicurity, it was argued that the way to develop various indicators for flexicurity is first and foremost to define the concept and then identify the preconditions for flexicurity. Trust was here identified as an important precondition for flexicurity. Professor Wilthagen then moved on to identify some of the problems related to the measuring of flexicurity which are listed below.

- *To concentrate on areas where flexicurity fails to deliver:* particularly to focus on those actors who are included or excluded from the system such as immigrants.
- *Is it possible to transport the flexicurity systems:* the European Commission wants this, but it is, for instance, difficult to go Dutch or Danish in Hungary due to their different systems of regulation.
- *The different roles of flexicurity:* functional and internal flexicurity, where should the focus be.
- *How does flexicurity effect the economic situation:* research is still relative meagre in this area.
- *Lack of comparative data:* data is only available for a few countries and primarily from Western countries; data on the long-term effects are often unavailable.
- *Need to focus on a broader scope of actors beside social partners:* social partners are the key actors, but a need exists to look at other actors who also coordinate and contribute to flexicurity.
- *Need to focus on the informal economy:* there is a lack of emphasis on the flexicurity within the black market economy. Indeed, research is biased towards the formal economy.
- *Lack of theoretical concepts:* there is a need to develop the theoretical aspects of

the definition of flexicurity.

After highlighting the different problems Professor Wilthagen discussed different coordinations and inclusive as well as exclusive mechanisms of flexicurity and argued that some mechanisms were more appropriate than others depending on the topic. He then presented an overview of the research on flexicurity and emphasised the areas where further research was needed. Here it is key to identify the critical conditions of the Danish case as well as how the application of the security aspect of flexicurity could be applied to different companies including the development of a guiding strategy for other companies and how individual workers could enter new jobs. Research is also needed in the logistic sector, where focus should be on how flexicurity is applied in for instance the transport sector. Further research was also needed with respect to analysing the legal aspects regarding flexicurity as well as the gender dimension of flexicurity. Various principles needed to be made into a flexicurity check list and the concept of flexicurity should continue to be developed in both the political and academic sphere.

Professor Ruud Muffels

Flexicurity: how can it be conceptualised and measured in a comparative perspective? (Part 2)

Professor Muffels discussed the definition of political concepts, the way to measure the outcome of flexicurity in terms of weighting the balance between efficient labour market flexibility and a certain level of employment and security. He also talked about the trade off and the double bind between flexibility and security. The basis for his research is the ECHP data set where he has used longitudinal data from 14 old EU member states. Sweden was excluded due to the lack of longitudinal data. Flexicurity was defined as a dynamic concept as the labour market is constantly changing. A dynamic definition was also needed to measure the long-term effects of flexicurity. The dynamic definition includes legal aspects, the effects of labour market mobility and job mobility. With respect to the life course proofing of flexibility, it is necessary to look at the long term effects of for instance work/life balance where career breaks and part-time work can have significant implications on people's lives over time. Professor Muffels then presented a range of dynamic indicators which would be able to measure three long term effects of flexibility. These included a focus on job-to-job mobility (internal and external labour market mobility), the professional status mobility, and the move from contract-based work to a permanent job or selfemployment. Afterwards a range of indicators related to work security were presented; these included employment stability in terms of workers staying in the labour market, but not necessarily in the same job, the exit versus re-entry of the labour market, income security and effects on well-being. Income security and effects on well-being were not included in the first part of the project but added later. Political indicators were also discussed in terms of the effect of HRM policies, labour market and social security policies. Indeed, the take up rate was perceived as crucial for the outcome, as a policy hardly is worth anything if people do not use it. Professor Muffels then moved on to discuss the trade off thesis. He also mentioned the flexicurity thesis and emphasised how flexibility and security were interdependent. The job security and flexibility in the labour market was then listed for a range of countries, where Professor Muffels concluded that Denmark and Holland had a high level of

employment security, while employment security in Spain and Portugal was low. Furthermore, the flexibility of jobs was high in the UK, Belgium, Spain and to some extent in Denmark and Holland. There were, however, some methodological problems with the data but the main conclusion was that liberal and social democratic countries do not vary significantly when it comes to job flexibility.

Associate Professor Søren Kaj Andersen

Flexicurity and collective bargaining - some comparative remarks

Søren Kaj Andersen departed from the Danish case. He presented four forms of flexibility *external numerical flexibility* (hiring and firing), *the internal flexibility* (flexible working hours, overtime, part-time work, where local partners have increasingly been delegated competencies to regulate these forms of work at local level in recent years), *functional flexibility* (e.g. flexible organisations) and lastly *wage flexibility*. Different forms of security was also discussed and included; *job security* (to retain a specific job), *employment security* (remaining in paid work), income security (including pensions beyond working life), and combination security (the ability to combine leaves with security). He then moved on to discuss how the scope of collective bargaining has expanded in the Danish industrial relation system. This has happened simultaneously with the increased decentralisation of the collective bargaining process. The decentralisation of bargaining has *per se* paved the way for a more flexible regulation at company level. The increased scope of the bargaining agenda has introduced new security elements on the bargaining agenda. Together these two developmental trends have facilitated what can be characterised as flexicurity. However, the development emphasises the need for co-ordination. First a vertical coordination within the bargaining system where especially trade unions and shop stewards are faced with the need to match management representatives in company level bargaining in order to secure balanced trade-offs between flexibility and security. Second, the horizontal coordination between social partners and the political system has become still more important as welfare issues, like pension, training, maternity leave, etc. are now on the social partners' bargaining agenda. Søren Kaj Andersen argued that the obvious conclusion is that it takes strong social partner organisations to secure well functioning coordination – vertically as well as horizontally. Still, looking at industrial relation system where the social partner organisations do not play as dominant a role as in the Danish case it will still be relevant to analyse these processes of coordination. Concerning the vertical coordination we might look for how e.g. legislation facilitates worker representation at company level, which in interplay with national level regulation can secure balanced trade-offs. Further, it might be the case that the political system plays the more dominant role in the horizontal coordination of labour market/welfare state policies. Nevertheless, to analyse vertical and horizontal processes of coordination and thereby the interplay between the political system and social partner organisations is needed in order to understand preconditions for and the specific content of flexicurity.

Professor Hartmut Seifert

Flexicurity: A German Perspective

Professor Seifert started his presentation by arguing that the concept of flexicurity is primarily an academic concept in Germany. Policy-makers do not use the concepts. An important reason for this is that the majority of German economists and policy

makers are orientated towards the neo-classic paradigm, which argues that recent labour market problems are due to the rigidities within the labour market. He then went on to argue that also the unions ignore the idea of flexicurity. This is partly because the unions fear that they lose power if they give concessions without receiving security. The unions in Germany are deeply convinced that macroeconomics is needed to boost economic growth and employment. They fear that if they give in to increased flexibility at microlevel they might lose sight of the macro-economic approach. Accordingly, Professor Seifert argued that in the analytical perspective it is crucial to link the macro and micro levels. Professor Seifert also talked about how to define the concept of flexicurity and argued that there is a need to combine flexibility with the interest of workers for security and income. Different forms of flexibility was then listed and Professor Seifert also identified different criteria for social security such as a decent income, entitlements to social security benefits, stable employment and access to further training activities. He then moved on to present different components of flexicurity where emphasis was on strengthening the internal rather than the external flexibility because it will limit structural change. He also mentioned that functional flexibility such as life long learning should be strengthened in collective agreements. Reforms of provisions for old age (basic provision) and increased focus on TLM are also needed. The conclusion was that there is a need to successfully link macro and micro levels and empirically demonstrate that flexicurity can create win-win situations.

Professor Andranik Tangian

Monitoring flexicurity policies in Europe from three different viewpoints

In his presentation Professor Andranik Tangian talked about the tradeoffs between flexibility and security, how to trace the trade-off can be seen from three different viewpoints: the neo-liberal, the trade union and the welfare state viewpoints. He started the presentation by defining the concept of flexicurity and moved then on to talk about the different ways of defining flexibility in terms of external and internal flexibility, functional flexibility, wage flexibility and externalisation flexibility. He then listed a range of security definitions such as job security, employment security, income security and combination security. To make a quantitative analysis of flexicurity a set of indicators are needed both for flexibility and security. A matrix with nine indicators, which intended to monitor flexicurity, was then presented and discussed before Professor Tangian moved on to describe the main characteristics of the three different viewpoints. It was emphasised that each country has its own trajectory, but that there is a quite uniform move towards flexibility without security no matter what viewpoint is taken. Professor Tangian also argued that firm-level flexicurity is indirectly funded by the taxpayers (social security). A range of figures was presented to show this, and the main conclusion was that the gains of flexicurity were smaller than the losses and the winners fewer than the losers. In addition, Professor Tangian also argued that a trend is occurring in Europe where all countries had a decline in social security except from Poland. As a result, one could argue that there exists a race to the bottom in Europe due to institutional developments. The main conclusion was that the different indexes presented allowed us to monitor flexicurity and that flexicurity did and does not hold up to its political promise.

Professor Per Kongshøj Madsen

Learning flexicurity - Towards a set of "common principles"?

Per Kongshøj Madsen started his presentation by arguing that flexicurity is an important issue. He then gave some general advices regarding flexibility and security, where his main points were that flexibility and security are not contradictory concepts. He also argued that it is more important to protect mobility rather than jobs and that there is a need to link flexicurity with macroeconomics in order to understand how flexicurity can be linked to economic competitiveness. Here it is also, according to Professor Kongshøj Madsen, important to note that one model does not fit all. Some preliminary thoughts about the flexicurity strategy for policymaking were then presented. Here it was argued that such a strategy should include specific traits of flexicurity policies and that it is possible to have common principles for the policy processes. The main conclusion was that it is important to show that you might have win-loser situations in the short term, but in the long term a win-win situation should appear (the temporal dimension). In addition, Professor Kongshøj Madsen also argued that it is important to think about what good policies are in abstract terms and what the specific policy processes are like. Professor Kongshøj Madsen then presented some common principles, which consisted of three elements: design of policy, the process and the outcome. It was argued that it is the interplay between these three elements that determine the possible trade-offs and different win-win situations with respect to flexicurity. The process refers to all relevant actors and whether the losers will be compensated in the short term perspective anticipating they will become winners in the long run (as it is a challenge that flexibility and security can be different in timing). The outcome aims at improving employment as well as improving the quality of life for the weakest groups on the labour market. A hierarchy was then presented with first the three main elements, then guidelines, and finally a toolbox of best practices.

Discussion

During the discussion different questions were asked on how to solve the problem of small companies with no union representatives and increased decentralisation. Here it was argued that it represented an important problem and that it was one of the dangers regarding increased decentralisation. Discussions also took place with respect to how people, who move from one job to another could do so and at the same time maintain their current wage levels. This problem was also addressed regarding young adults. It was though argued that this is not a one of the main problems, if one looks at the long terms effects. Young people often collect experience in different jobs and this contributes to their employability and employment security in the long run. Finally the challenges by increasing internal flexibility at company level were discussed. Retraining and restructuring (i.e. increasing functional flexibility) could raise problems for employers who might be met with higher demands on wages if the employees increase their competencies. Increasing functional flexibility could also raise problems for the employees in the long run, since retraining at company level often focus on firm specific skills which may not contribute sufficiently to the employability and employment security.

FAOS

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