The road towards adaptability, flexibility and security

Discussion paper

Ton Wilthagen* and Martijn van Velzen**
Tilburg University

Abstract

This paper deals with the flexibility and security dimensions of the concept of adaptability: a concept that is key to the European Employment Strategy. The paper discusses the relationship between flexibility and security as a new nexus, possibly leading to a state of “flexicurity”. Next a comparison of employment regimes, national systems and good practices is presented in view of this flexibility-security nexus. The aim of the paper is to shed light on the complicated question whether a typical road exists toward adaptability and well-balanced flexibility and security in and outside the labour market.

1. Introduction

Adaptability represents a key concept within the European Employment Strategy. Flexibility and security in the labour market are considered two major dimensions of adaptability. If we picture adaptability as a road to be followed by the EU member states, flexibility and security are two main vehicles, which should be used in tandem. However, from a policy point of view urgent questions arise about the road toward adaptability. Is there one – either high or low – road towards to adaptability or do many paths lead to Rome, as the saying goes? Is there a good road map available that has already proved effective in some member states? Can other member states, e.g. the new member states, use and copy this road map, in a process of mutual learning, or does the notion of path dependency hinder them in doing so? Is there one archimedical point from which developments and progress along the road of adaptability can be noticed and monitored? – a question very relevant to the European Employment Strategy.

The ambition of this paper is not to give a final judgement on these complicated matters. Rather, the aim is to show how different modes, combinations and equilibria of flexibility and security exists in different employment regimes and national employment systems. By analysing these modes we may find some clues and directions in terms of starting points, preconditions, examples and good practices in our quest for adaptability, flexibility and security.

* Ton Wilthagen holds a chair in institutional and legal aspects of the labour market at Tilburg University (Faculty of Law), the Netherlands. He is director of the international Flexicurity Research Programme and Head of the general policy research programme of OSA/the Institute for Labour Studies, also at Tilburg University. E-mail: wilthagen@uvt.nl Web: www.tilburguniversity.nl/flexicurity

** Martijn van Velzen is a postdoc researcher with the Flexicurity Research Programme at Tilburg University (Faculty of Law, Department of Social Law and Social Policy), the Netherlands. E-mail: velzen@uvt.nl
2. Adaptability in the European Employment Strategy

The member states of the European Union and a fortiori the European Union as a whole are currently facing a double expectation (Wilt Hague and Tros 2004). 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 employees, especially to vulnerable groups of employees and outsiders in the labour market. The pursuit of a (new) balance between ‘flexibility’ and ‘security’ is especially manifest within the European Employment Strategy. The 2001 European Employment Guideline 13, under the Adaptability pillar, explicitly addressed both flexibilisation and security goals, as it invited the social partners to negotiate and implement at all appropriate levels agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, achieving the required balance between flexibility and security, and increasing the quality of jobs.

And in the Council Decision on the revision of the Employment Guidelines it is stated that

Providing the right balance between flexibility and security will help support the competitiveness of firms, increase quality and productivity at work and facilitate the adaptation of firms and workers to economic change.

The current European Employment Guidelines contain three overarching objectives, including “Improving quality and productivity of work”, which encompasses “flexibility and security”. Moreover, Guideline 3 “Address change and promote adaptability and mobility in the labour market” stresses that:

Member States will facilitate the adaptability of workers and firms to change, taking account of the need for both flexibility and security and emphasising the key role of the social partners in this respect.

The views of the European Commission on actually striking a good balance between flexibility and security are fairly optimistic. In the European Commission’s overview of industrial relations in Europe for the year 2000, it is contended that ‘all member states have tried to improve flexibilisation in the labour market by launching active employment and vocational training policies. Modernising the way in which the labour market operates means finding a new balance between flexibility and security. This is reflected at community level in the framework agreement on part-time work, concluded by the social partners’ (European Commission, 2000:83).

This notwithstanding, some studies are fairly pessimistic regarding new trade-offs regarding flexibility bargaining. As Ozaki (1999: 116) states firmly on the basis of a comprehensive comparative study: “the flexibilisation of the labour market has led to a significant erosion of workers’ rights in fundamentally important areas which concern their employment and income security and the (relative) stability of their working and living conditions. Regarding the trade-offs arising from flexibility bargaining, there has not been an attempt to drastically change the present paradigms of economic and social policy.” Blank and Freeman (1994: 36) concluded 10

---

years ago that “there is little empirical evidence for large trade-offs between labor market flexibility and social protection programs in general.”

In its 2003 report, the European Employment Taskforce sees the ability of firms and workers to adapt to changing (labour) market conditions as a prerequisite for the creation of more jobs in the European Union. This ‘adaptability’ essentially is about simultaneously realising flexibility and security. According to the Taskforce, firms need to become more flexible in order to respond to fluctuation in the demand for goods and services. In addition, firms must respond to the growing demand for job quality, which is partly defined by a worker’s personal preferences both in the work and in the domestic sphere. Workers need to be more flexible so that they can continue to be employed if job requirements or labour market conditions change. Enhancing worker employability involves a worker’s readiness to constantly upgrade his or her skills.

In order to create support for flexibility, workers need security, as also pointed out by the Taskforce. In the view of the Taskforce, security is about building and preserving people’s ability to remain and move up in the labour market. It is thus not limited to job security. It is also related to decent pay, access to lifelong learning, working conditions, protection against discrimination or unfair dismissal, support in the case of job loss and the right to transfer acquired social rights when moving jobs. A similar line of suggestions can be found in the OECD’s just published Employment Outlook 2004 that urges governments to combine job strategies with other social objectives, including an individual’s need for job security and work-life balance.

The simultaneous demand for both flexibility and security as laid down in the Taskforce report is referred to as the ‘flexibility-security nexus’ (Wilthagen 2002). Policy strategies that deliberately seek to strike a balance between flexibility and security are labelled ‘flexicurity’ strategies (Wilthagen and Tros 2004). In other words: flexicurity strategies are trade-offs between degrees and modes of flexibility and security. The main message of the flexibility concept is that in modern labour markets flexibility should (also) be defined in terms of security as well as that security should (also) be defined in terms of flexibility. Put differently, flexibility and security are not incompatible but should rather be seen as two sides of the same coin and as mutual preconditions. The implication that follows this point of view is that flexible labour markets need more rather than less security, be it different types of security, and that secure labour markets can not be achieved without certain types of flexibility.

Here in this paper flexibility is identified in four areas: functional flexibility, internal numerical flexibility, external numerical flexibility, and wage flexibility. Similarly, four domains of security can be distinguished: job security, employment security, income security, and what we refer to as ‘combination security’, or the work-life balance: a form of security that enables a worker to combine his or her job with other – notably private – responsibilities and commitments than paid work. In figure 1, a matrix is presented that shows the various trade-offs and combinations of forms of flexibility and security.

---

2 Cf. Streeck (1988), who posits that where flexibility is gained, rigidities need to be created.
Figure 1 *Flexibility versus security trade-offs*

<table>
<thead>
<tr>
<th>Flexibility</th>
<th>Job security</th>
<th>Employment security</th>
<th>Income security</th>
<th>Combination security</th>
</tr>
</thead>
<tbody>
<tr>
<td>external-numerical flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>internal-numerical flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>functional flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>flexible or variable pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This matrix can be used as an analytical tool to identify and indicate developments within both flexibility/flexibilisation and security/social protection and, first and foremost, to map out the possible relationship or, more specifically, the trade-offs between forms of flexibility and forms of security.

Besides the various domains of flexibility and security that may be involved in a trade-off, flexicurity strategies can vary at least three other dimensions:

1. The levels at which flexicurity strategies are initiated (national, regional, local, industry, or company level);
2. Actors involved in the flexicurity strategies (state, regional and local government representatives, social partners, individual firm, individual employee);
3. Codification of flexicurity strategies (law, collective labour agreement, social pact, social plan, individual contract, HRM policies).

Using these three dimensions together with the flexibility and security domains, policy initiatives in several EU Member States can be labelled as good flexicurity practices, thereby shaping necessary preconditions for adaptability. Several of these practices are summarised further on in this paper. First, we turn to a comparison of employment regimes and national systems in order to explore and map out the flexibility-security at that level.
3. Flexicurity in employment regimes and national employment systems

In academic research attempts are being made to connect the idea of a flexibility-security nexus with the typologies of employment or welfare regimes. In the area of the labour market and the welfare state Esping-Andersen’s 1990 classification of “the three worlds of welfare capitalism” is by far the most influential (Esping-Andersen 1990). He discerns a liberal welfare regime, a social democratic welfare regime and a conservative welfare regime on the basis of key defining dimensions: the degree of decommodification and modes of stratification or solidarities. This typology met with much acclaim but also triggered critical accounts, empirical studies (e.g. Goodin et al. 1999 on “the real worlds of capitalism”) and proposals for revision and adjustment, not least by the author himself. In the literature amendments were proposed such as adding a ‘Latin-Rim’ and ‘Southern’ model of the labour market.

In another publication, Esping-Andersen (1999) concedes that such a typology mirrors the political and ideological impetus that dominated a certain stage in the historical evolution of the systems. Thus the typology becomes static as it reflects the socio-economic conditions that existed earlier, notably in the 1960s and 1970s, known under the heading of industrial mass production and class-oriented social systems in which the interests of male manual workers were served dominantly, also known as the breadwinner model prioritising the stability of head’s income and head’s employment status. In proposing a revision, Esping-Andersen stresses the significance of the role of families that might operate as a buffer against income loss and work insecurity. This of course affects his political account of welfare regimes but so far did not convince him to modify his original typology. Others (Ferrera 1996; Bonoli 1997) argue that a fourth (Antipodean or perhaps Mediterranean) regime should be distinguished to take account of the particular role the family plays in these Southern regimes. As Esping-Andersen (1999: 94) concludes “the final judgement is not in yet”.

Nevertheless, in our opinion typologies of regimes, be it welfare, employment or labour market regimes, are a valuable tool for exploring and scrutinising the flexibility-security nexus. In this approach, strongly driven by quantitative data, e.g. based on the European Community Household Panel (ECHP) countries are “clustered” together on the basis of certain indicators of flexibility and security. Muffels et al. (2002), for instance, explored the relations between “employment regimes” and performance indicators with respect to flexibility and security, based on 1994-1996 ECHP data. Flexibility was defined in terms of the likelihood of transitions within the labour force between various employment statuses. “Work security”, as the authors labelled it, was characterised as the likelihood of transitions from unemployment into part-time and permanent employment as well as the likelihood of transitions from employment into unemployment. In this study the liberal regime stands out as a regime that combines a high level of labour mobility and flexibility (although not much higher than the corporatist or social-democratic regimes) with a low level of work security. The social-democratic regime is characterised by a high level of work security but a (somewhat) lower level of labour market mobility. However, these regimes do not fit as nicely in the ‘ideal-type’ as this conclusion might suggest: the liberal regime also has fairly high levels of employment security and social-democratic countries have fairly high levels of labour mobility and flexibility. The convergence hypothesis might find some ground in these findings.

The authors also find that the Southern regime can and should be quite clearly distinguished from the other regimes in terms of its performance with regard to safeguarding a high level of

---

3 This section strongly draws on Muffels et al. (2002).
flexibility and work security. The Southern regime clearly performs worse in both dimensions, i.e. seen from the evidence of the data set used (8-10 years old now). Although the share of flexible jobs is rather high, upward mobility into permanent jobs is lower in the South and downward mobility (from work into exclusion) is higher. A stylised picture of the results of the study would look like the following:

Figure 2 Employment regimes and the flexibility-security nexus

Evidently, regimes differ and the differences concern the particular trade-off or balance between flexibility and security within the distinct regimes. Knowing that regimes matter in explaining differences in labour market performance, the question arises how to interpret these differences. Is it through the level of incentives, the generosity of the benefit system, the policy co-ordination mechanisms, the system of industrial relations (wage bargaining) or the emphasis on the family that these regimes perform differently or is it a mixture of these factors? The fact that the flexibility-security nexus varies across regimes is not self-evident, as many commentators contend that the flexibilisation and reform of the labour market is to a high degree triggered by and within a context of enhanced international competition (Ozaki 1999). This implies that these very trade-offs must originate in particular traditions, sets of institutions and mixes of co-ordination mechanisms and that different trade-offs are being accepted, facilitated or promoted within the distinct regimes. Further research, based on longer wave data sets is soon to be completed. Unfortunately these data will not yet enable us the answer the question whether a special - fifth - type of regime has to be distinguished in order to take into account the particularities of the East and Middle European post-socialist member states or that these countries can be classified within the existing typology.

Tangian (2004) has made a first attempt to establish a “flexicurity index” of European countries, thus trying to measure the “state” of flexicurity in these countries. In Tangian’s paper the definition of flexicurity is limited to flexible employment: “Flexicurity is the employment and social security of atypically employed, that is, other than permanent full-time” (Tangian 2004: 12). Own estimations and OECD data are used to assess different aspects and levels of security. In the econometric analysis the Netherlands show the highest rate of flexicurity and
Sweden display the highest “all security”, i.e. security for all workers. Denmark often referred to as a typical flexicurity country is less prominent, i.e. average in this study, which can possibly be explained by the low rate of dismissal protection. Portugal shows the lowest level of flexicurity, followed by Czech Republic and the United Kingdom. The United Kingdom followed by Spain also displays the lowest levels of “all security”. Sweden and Italy rank number one and two when it comes to the highest level of “norm security”, i.e. the security for “normal” permanently employed, full-time employees. Spain and the United Kingdom show the lowest levels of norm security. In Portugal, Poland and Italy the atypically employed have the least security compared to the normally employed.

In the European Employment Strategy indicators have been developed to assess flexibility and security in the member states. In particular three indicators are relevant to our analysis.

The first indicator (key indicator 4 within the EES) pertains to the number of transitions between non-employment and employment and within employment by type of contract during one year. Here Eurostat uses the ECHP data as the source. The particular table, taken from the First Draft of the Indicators for monitoring the Employment Guidelines 2004/2004 compendium has been included in the Annex of this paper. This table shows that in Luxembourg, Belgium and Portugal the highest amount of people that is employed in 2000 is still employed in 2001 (respectively 96%, 95% and 95% against the EU-15 average of 93%). Spain and Ireland rank last (91%). In Austria, Germany and Spain the highest share of unemployed persons is in paid work after one year (53%, 52% and 52% against the EU-15 average of 41%). With respect to the transition of inactive persons into paid employment Denmark is the absolute forerunner (24% against the EU-15 average of 14%) and Greece and Italy perform worst (7%).

The second indicator, based on Labour Force Survey data, regards the diversity of contractual and working arrangements (key indicator 15 within the EES, see table in Annex), including, the total numbers of employees in part-time and/or fixed-term contracts plus the total of self-employed as a percentage of persons in employment. This indicator also takes into account the reasons reported by workers for engaging in certain working arrangements.

The Netherlands appear to have the highest proportion of part-time, fixed-term and self-employed workers (51%, against the EU-25 average of 37.3%), mainly due to the very high part-time work rates (35.7%, against the EU-25 average of 14.2%); part-time work is no longer considered atypical work in this country). Spain ranks second (44.8%), mainly due to the high rate for fixed-term work (25.9% against the EU-25 average of 9.3%). Interestingly, the Netherlands also have the highest number of persons with a part-time job that did not want a full-time job (27.5%), whereas in France a relatively high share of workers have a part-time job because they could not find a full-time job (3.5%). Fixed term workers in Spain, however, most often state that they could not find a permanent job (17.5%). In Slovenia fixed-term workers most often indicate that they did not want a permanent job (4.6%).

The third indicator regards transitions by type of contract, based on ECHP data (key indicator 16, see table in Annex) - not including the new member states - taking into account transitions between non-employment and employment and within employment by type of contract between 2000 en 2001. France and Luxembourg have the largest share of workers with a permanent contract that still have a permanent contract one year later (94%, against the EU-15 average of 90%). Spain (87%), Germany and Ireland (both 88%) have the lowest proportion of workers that still have a permanent contract after one year. The transition from fixed-time work to permanent work develops most smoothly in Luxembourg (62% of persons against the EU-15 average of
32%), Portugal (49%) and the UK (47%). Finally, the transition from non-employed to permanent employed occurs relatively easy in the Netherlands (14% of persons, against the EU-15 average of 8), the UK (13%) and Denmark (12%).

Another way to compare countries is to make a more qualitative assessment of the main focus and the shifts in focus regarding policies in the area of flexibility and security. Figure 3 presents a very rough and tentative assessment of the focus of national policy-making for a limited number of countries based on the matrix included in figure 1.

Figure 3 The flexibility-security nexus in national policy-making

<table>
<thead>
<tr>
<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 flexibility</td>
<td>Spain</td>
<td>Netherlands, Denmark</td>
<td>Central and Eastern EU Member States</td>
<td></td>
</tr>
<tr>
<td>internal-numerical flexibility</td>
<td>Belgium, Germany</td>
<td>Netherlands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>functional flexibility</td>
<td>Germany</td>
<td>Japan</td>
<td>Germany, Denmark</td>
<td></td>
</tr>
<tr>
<td>flexible or variable pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Further explanations are necessary here. We can only give a few, considering the limited space available in this paper. For instance, in the case of Spain both external numerical flexibility and job security do not apply to the same categories of workers. On the contrary, the trade-off here involves a type of bifurcation of the labour market: core or normal workers enjoy a high degree of job security whereas a peripheral group faces a high degree of external-numerical flexibility. Another example is the use of internal-numerical flexibility. In Germany and Belgium this pertains notably to over-time and shift work, while in the Netherlands part-time work represents the major form of internal-numerical flexibility.

4. Adaptability and ‘flexicurity’: an overview of European practices

Figure 4 gives an initial overview of attempts by a range of member states to balance various domains of flexibility and security\(^4\). While these attempts may be labelled ‘good practices’, it is probably more prudent to call them ‘promising practices’. Most of the practices are of recent date and still need to come to full bloom. Some practices that have been initiated several years ago, such as the Austrian part-time retirement scheme, are likely to be revised by the government.

The table provides us with the insight that flexicurity strategies are not necessarily limited to one country or one cluster of countries. Furthermore, the practices show that trade-offs may involve a wide range of flexibility/security nexuses (see also Figures 1 and 3). Of interest is also the fact that different actors at different levels may trigger flexicurity strategies, although the national government and social partners appear to be the key players in establishing these strategies. This is also illustrated by the way flexicurity is codified: the law and collective agreements are the main vehicles through which flexicurity is realised.
### Figure 4 Overview of flexicurity practices

<table>
<thead>
<tr>
<th>Country</th>
<th>Level</th>
<th>Actors</th>
<th>Codification</th>
<th>Characteristics</th>
<th>Trade-off</th>
<th>(Expected) Outcome/Effects/Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>National</td>
<td>Government</td>
<td>Law</td>
<td>“Altersteilzeit”: introduction of “part-time retirement schemes” in 2000: female workers aged 50 and up and male workers of age 55 and older are allowed to cut back working hours by 40 to 60 percent without losing a proportional amount of income.</td>
<td>Internal numerical flexibility/wage flexibility – job security/income security</td>
<td>Estimated 37,000 people in part-time retirement scheme. Government plans to cut back use of these schemes.</td>
</tr>
<tr>
<td>Finland</td>
<td>National</td>
<td>Several unions and employers’ associations</td>
<td>Recommendation to modify Working Hours Act of 1996</td>
<td>“Working-Time Banks”: extra hours worked and holiday entitlements can be stored and ‘withdrawn’ by the worker as free time or additional income.</td>
<td>Internal numerical flexibility – combination security</td>
<td>Opposition by the confederation of blue-collar unions, which considers the recommendation to mainly benefit employer flexibility.</td>
</tr>
<tr>
<td>Germany</td>
<td>Company</td>
<td>Social partners</td>
<td>Collective agreement</td>
<td>Unions reached an agreement with carmaker DaimlerChrysler and with technology firm Siemens to suspend layoffs in exchange for longer working hours. The union at DaimlerChrysler also agreed to forego a pay increase.</td>
<td>Wage flexibility/internal numerical flexibility – job security</td>
<td>An estimated 6,000 (DaimlerChrysler) and 2,000 (Siemens) jobs in Germany are saved until the end of 2006.</td>
</tr>
<tr>
<td>Italy</td>
<td>Industry</td>
<td>Social partners in the call-centre industry</td>
<td>Collective agreement</td>
<td>Employers and unions representing workers at 32 call centre firms reached an agreement to provide so-called ‘co-ordinated freelance workers’ (a hybrid of self-employment and permanent employment) with increased security and entitlements to training. The agreement has led to further regulation of this atypical employment relationship, discouraging the use of freelance workers as cheap alternatives to permanent employees.</td>
<td>Functional flexibility – employment security</td>
<td>N/A</td>
</tr>
<tr>
<td>Country</td>
<td>Level</td>
<td>Actors</td>
<td>Codification</td>
<td>Characteristics</td>
<td>Trade-off</td>
<td>(Expected) Outcome/Effects/Responses</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------</td>
<td>---------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Latvia</td>
<td>National</td>
<td>Government</td>
<td>Amendment to Labour Code of June 2001</td>
<td>Prior to termination of employment, employers are obliged to assess whether such</td>
<td>functional flexibility - employment security</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>employees are able to work in another job in the same enterprise</td>
<td></td>
<td>Employers are opposing the suggested new rules for layoffs and unions strongly oppose the</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>liberalisation of temporary work.</td>
</tr>
<tr>
<td>Norway</td>
<td>National</td>
<td>Government</td>
<td>Proposed law</td>
<td>In the National Budget 2004, the government proposes to change the lay-off</td>
<td>external numerical flexibility – employment</td>
<td>Unknown number of jobs are protected until December 2005. Workers forego 3.9 % and 3.3. %</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>regulations and the restrictions on temporary work to promote more efficient</td>
<td>security</td>
<td>increases between 2003 and 2005.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>use of the labour force. The final proposal will not be brought before</td>
<td></td>
<td>This is an ongoing development that in February 2003 saw the agreement of both unions and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>parliament before spring 2005.</td>
<td></td>
<td>employers on the need to balance flexibility and security, possibly leading to future regulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>that definitely remedies the predicament of part-time workers.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Company</td>
<td>Social partners</td>
<td>Collective agreement</td>
<td>Autoeuropa and its works council agreed to postpone mass layoffs in exchange</td>
<td>wage flexibility/internal numerical flexibility – job security</td>
<td>This is an ongoing development that in February 2003 saw the agreement of both unions and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>for halted wage increases and a restructuring of holiday and monetary</td>
<td></td>
<td>employers on the need to balance flexibility and security, possibly leading to future regulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>allowances.</td>
<td></td>
<td>that definitely remedies the predicament of part-time workers.</td>
</tr>
<tr>
<td>Spain</td>
<td>National</td>
<td>Government, unions and employers associations</td>
<td>Various social agreements that were enacted</td>
<td>Bipartite and tripartite agreements, sometimes involving only one of the social</td>
<td>internal numerical flexibility – employment</td>
<td>This is an ongoing development that in February 2003 saw the agreement of both unions and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>during 1994-2001.</td>
<td>partners and the government, have led to a series of laws aimed at improving</td>
<td>security.</td>
<td>employers on the need to balance flexibility and security, possibly leading to future regulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>the legal status of the many part-time workers in Spain.</td>
<td></td>
<td>that definitely remedies the predicament of part-time workers.</td>
</tr>
<tr>
<td>Country</td>
<td>Level</td>
<td>Actors</td>
<td>Codification</td>
<td>Characteristics</td>
<td>Trade-off</td>
<td>(Expected) Outcome/Effects/Responses</td>
</tr>
<tr>
<td>---------</td>
<td>----------------</td>
<td>------------------</td>
<td>----------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td>Sweden</td>
<td>Industry/company</td>
<td>Social partners</td>
<td>Collective agreements</td>
<td>“Career Transition Agreements”: employees in the wake of dismissal take part in an active transition process that may start before they are given notice. Work is based on an intensive co-operation between the managing authorities (employment security councils) and the people concerned, analysing personal assets and qualifications, identifying needs for upgrading knowledge in response to concrete needs of potential employers. The agreements can also provide financial compensation for the part of the salary that exceeds the unemployment benefit ceiling. Compensation may also be paid for a limited period to employees who find a new job with a lower salary.</td>
<td>external numerical flexibility – employment security/income security</td>
<td>N/A</td>
</tr>
</tbody>
</table>

N/A= not available
5. Conclusions

What does the comparative evidence presented in this paper suggest with respect to the road towards adaptability, flexibility and security? Clearly, systematic knowledge on the flexibility-security nexus is still scarce. The samples of countries and cases selected here in this paper are quite limited. In the literature there is ample evidence on labour market flexibility on the one hand and security on the other, but researchers traditionally were not inclined to look at these issues in tandem or they started from the view point that either flexibility or security was to be favoured.

A first conclusion to be forwarded is that no country or cluster of countries has a monopoly on either flexibility or security, let alone on both. Zero flexibility or zero security countries do not exist, at least not in this part of the world. The question then is whether typical flexicurity countries or regimes exist and the same question can be put forward with regard to “inflexicurity” countries. In the analysis of employment regimes, as opposed to national employment systems, the social-democratic/Nordic regime, including for that matter the Netherlands (which also has strong corporatist roots) seem to stand out in performing on both dimensions. However, the liberal regime also ranks high on both dimensions, followed by the corporatist regime. The southern regime, however, seems to be lagging behind in both areas, especially in the area of security.

Second, a closer look at individual countries, in a comparative perspective, may reveal more clues. In Tangian’s flexicurity index (Tangian 2004), the Netherlands appear as the country with the highest flexicurity, while Portugal is ranked as the country with the lowest flexicurity. This picture is in line with the regimes analysis.

Third, the evidence collected by the European Commission on behalf of the European Employment Strategy shows a lot of variation. In Luxembourg, Belgium and Portugal job or employment security is strongest and Spain and Ireland rank last. Thus it could also be argued that labour market adaptability in Spain and Ireland is relatively well developed, although this causes workers to lose employment to a higher degree. Austria and Germany, typically seen as corporatist countries, are relatively good at reintegrating unemployed people back into the labour market. In the case of Germany this may come as a bit of surprise given the structural nature and relatively high level of unemployment in this country. Denmark is no doubt outstanding when it comes to reintegrating persons labelled inactive. The variety of labour contracts and work arrangements is most developed in the Netherlands and Spain, due to the emphasis in these countries on respectively part-time work and fixed term work. Importantly, however, in the Netherlands this variety seems to match the preferences of workers whereas Spanish workers have less of a choice in this matter. In Luxembourg, Portugal and the UK the route from a fixed-term contract towards a permanent contract is the shortest, while the non-employed are most likely to get a permanent contract in the Netherlands, Denmark and the UK. The UK, as a “liberal” country thus proves to have a dynamic labour market with respect to a change (and improvement) of employment statuses and does offer flexibility and security in that way.

Fourth, the qualitative analysis of flexibility and security policies in a limited number of countries reveals more details on the typical combinations and balances of flexibility and security. The Netherlands and Denmark strongly rely on external numerical flexibility and employment security rather than job security, be it that in the Netherlands the emphasis lies on “regulated” temporary work and in Denmark in much freedom for the employer to hire and fire. The Netherlands also uses internal numerical flexibility to a great extent, in the form of part-time work and Denmark also has an elaborated system of functional flexibility (in the past e.g. the job rotations schemes). Denmark is also known for its active and dynamic social security system, aimed at a prompt reintegration of
people back into the labour market, while at the same time keeping up high replacement rates. It also gives, as does Sweden, a prominent role to combination security.

Fifth, the good practices described in this paper indicate that innovative examples of balancing flexibility and security can be found in various countries, at various levels, with various actors involved and in various forms of “codification”. Therefore, a deterministic view on adaptability and flexicurity is not in place. Elsewhere it has been argued (Wilthagen and Tros 2004) that decentralised though co-ordinated labour market policies and the involvement of social partners are important preconditions for flexicurity policies, at least in Denmark and the Netherlands.

To sum up: although a detailed road map to obtain adaptability, flexicurity and security can not be presented yet, a number of clues and directions can tentatively be identified. A system of employment security, rather than job security, combined with enhanced levels of external and internal numerical flexibility seems an important focus point. Such a system should be directed by the social partners and other labour market actors at both central and decentral levels, be as far as possible geared towards the preferences and needs of workers and supported by a dynamic and supportive system of income/social security (also in terms of benefit rates) and combination security.

Functional or internal flexibility can and should be added here as well, notably in terms of employability, multi-skilling and life-long learning. Yet, so far the potentials of functional flexibility in view of adaptability have not been mapped out as fully as those of external flexibility. Evidently, functional flexibility can contribute to employment security, but it has still insufficiently been demonstrated how external and functional flexibility can be linked in an optimal way (think e.g. of the problem of training supply for flexible workforces, Van Velzen, 2004). Dore (2004) has drawn attention to the difference between what he calls “allocative” and “productive” efficiency and he presupposes a trade-off between these forms of efficiency. He distinguishes between two contrasting mindsets that go along with the two types of efficiency: the market mindset, aimed at promoting mobility and market relations and the organisational mindset, valuing organisational stability and personal security. If we manage to combine these mindsets the future for the European Employment Strategy will look bright.
References


