

Flexicurity: perspectives and practice





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In the last ten years, flexicurity has been adopted by the European Commission as a European labour market strategy through a set of common policy components and guidelines. The aim is to tackle the challenges of globalisation, ageing populations and relatively low employment rates, especially for the most vulnerable groups of workers. In 2007, the European Commission Communication on flexicurity¹ recalled the need to fight labour market segmentation and placed the emphasis on labour market transitions supported by employment security and external flexibility. It was argued that dynamic labour markets with protected transitions, both between jobs within the labour market and between unemployment and employment, would offer more employment opportunities and upwards transitions for all, which would especially benefit the most vulnerable workers in the labour market.

As a consequence of the global financial and economic crisis, European labour markets have been hit, although unevenly across different countries, sectors and segments of the workforce, reflecting in many cases high levels of labour market segmentation. Segmented labour markets arise when the labour force is split between a group of relatively protected workers (insiders) and a group of workers that is relatively unprotected (outsiders), either in unemployment or more exposed to it due to discontinuous employment experiences, limited access to training or fewer opportunities to move up the job ladder.

Governments and social partners have put in place measures to counteract the negative impact of the crisis on employment, like shorttime working arrangements, underlining the importance of flexicurity measures aimed at job security and internal flexibility within companies as a way to face the current challenges. The current context also reinforces the need to put forward measures that facilitate

European Commission (2007), Towards common principles of flexicurity: More and better jobs through flexibility and security, COM(2007) 359 final, Brussels.

the access of the most vulnerable groups of workers to employment and improve their labour market attachment.

The public and policy discussion on flexicurity again has gained momentum, with the debate centring on whether flexicurity remains a useful labour market strategy for Europe, feasible in economically difficult times or even a way out of the downturn. The main question is whether flexicurity is still valid in the new context of limited job creation and whether it will help Europe in attaining its objective to reach an employment rate of 75% by 2020.²

Eurofound wants to contribute to the flexicurity debate by sharing the results from two forthcoming studies which identify and analyse flexicurity initiatives stemming from two different levels: policies adopted by governments and social partners at the national, regional or sectoral level,³ as well as measures put forward by companies for vulnerable groups of workers, namely, young people, older workers and women.⁴ Even if these initiatives are hardly ever labelled 'flexicurity', they address both the flexibility and security dimensions of European labour markets. These studies do not intend to find evidence regarding the impact of flexicurity as a tool to remedy the crisis and its validity for the years ahead, but to show that flexicurity policies and measures have been developed across European countries before and during the crisis.

2 European Commission (2010), Europe 2020: A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final, Brussels.

³ Eurofound (forthcoming), *The second phase of flexicurity: An analysis of practices and policies in the Member States,* Eurofound, Dublin.

⁴ Eurofound (forthcoming), *Flexicurity in times of crisis*, Eurofound, Dublin.

Public and policy discussions on flexicurity



Policy context at European level

The flexicurity concept stems from the national reform programmes of Denmark and the Netherlands adopted in the 1990s, which emphasised employment security in terms of a shift from passive job protection policies to a new policy mix of looser employment protection with income protection for the unemployed and high spending on active labour market policies. This new reform approach started to show its impact towards the end of the last century through record low unemployment figures in these two countries, which attracted much attention from policymakers, including those at European level.

Concrete steps towards a more explicit adoption of the approach at European level were first taken by the European Commission in 2007 with the formation of an expert group on flexicurity and through a follow-up communication, in which a set of principles regarding flexicurity were defined. These principles were adopted by the European Council by the end of 2007. The European Commission's definition of flexicurity is rather broad, incorporating four policy components:⁵

flexible and reliable contracts through modern labour laws, collective agreements

European Parliament (2007), 'Flexicurity: Resolution on common principles', 2007/2209(INI), 29 November 2007, available at http://www.europarl.europa.eu/RegData/seance_pleniere/textes_adoptes/provisoire/2007/11-29/P6_TA-PROV(2007)11-29_EN.doc#_Toc184465579

⁵ European Commission (2007), *Towards common* principles of flexicurity: More and better jobs through flexibility and security, Office for Official Publications of the European Communities, Luxembourg.

and work organisation (from the perspective of both the employers and workers);

- comprehensive lifelong learning to ensure the continuous adaptability and employability of workers, particularly the most vulnerable;
- effective active labour market policies to help people cope with rapid change;
- modern social security systems including broad social security provisions that help people combine work with private responsibilities.

Social partners have played a significant role in shaping the flexicurity policy agenda, though with somewhat diverging views, mirroring the different interests of their members. Two areas of agreement in political discourse concerning the flexicurity concept have been reached to date. First of all, a 'constructive social dialogue' is crucial for the design and implementation of flexicurity measures both at macro and micro (company) level.⁶ Secondly, it is acknowledged that the European labour market is diverse, and a single flexicurity approach does not fit all models.7 Rather, individual national pathways, considering economic, social and labour market developments as well as institutional characteristics, need to be developed. For this reason, the European Commission provided eight common guidelines in line with which each Member State should design and implement its own tailored flexicurity policy.

These common guidelines are as follows:8

- The main four policy components underlined in the above-mentioned definition should be involved.
- 6 Ibid.
- 7 European Expert Group on Flexicurity (2007), Flexicurity pathways: Turning hurdles into stepping stones, available at http://ec.europa.eu/social/BlobServlet?docId=1519&lan gId=en
- 8 European Commission (2007), Towards common principles of flexicurity: More and better jobs through flexibility and security, Office for Official Publications of the European Communities, Luxembourg.

- The rights and responsibilities of all actors in the labour market (employers, workers, job-seekers, public authorities) should be balanced.
- Flexicurity should be adapted to the internal dynamics and labour market institutions of each Member State.
- Flexicurity should aim to reduce the divide between labour market insiders and outsiders.
- Internal as well as external flexicurity should be promoted while enabling secure transitions from job to job.
- Flexicurity should offer equal opportunities for vulnerable groups, including women, migrants, older workers, young workers and disabled people, and should offer possibilities to combine work with family life.
- Flexicurity requires a well-developed social dialogue and climate of trust between social partners and public authorities.
- Flexicurity policies should take into consideration the budgetary costs and contribute to sustainable budgetary policies.

Policy debate following the crisis

The policy debate about flexicurity in the early 2000s was mainly driven by insufficient job creation in times of stagnant but rather positive economic and labour market conditions. Towards the end of 2008, however, the most severe economic recession since the post-World War II period⁹ hit Europe. As a result, layoffs became necessary in most of the Member States, and the demand from trade unions to ensure job security rather than developing 'employment security', as suggested by the flexicurity concept, intensified. Under these circumstances, the debate on flexicurity has been revitalised, this time driven by mass job losses and increasing unemployment. The

⁹ IMF (2009), World economic outlook (WEO): Crisis and recovery, available at http://www.imf.org/external/pubs/ft/ weo/2009/01/pdf/text.pdf



question of whether the flexicurity approach can cater to the new and pressing needs of labour markets during and after an economic crisis has been raised by scholars, social partners and policymakers.

It is sometimes claimed that flexicurity is a concept that functions well only in 'fair weather' and is less suitable when an economy faces recession. In both Denmark and the Netherlands, however, it was the experience of mass unemployment in the 1980s that galvanised the concerted efforts towards their flexicurity models. In other words, flexicurity was hatched in foul weather. Nevertheless, the Danish style of flexicurity in particular, with its emphasis on external transitions, does require generating a high level of job vacancies, which is much easier in good times than in bad. It has come under a lot of pressure in the current recession as its success depends upon its resilience in maintaining activation spending when public funds may be limited, the avoidance of long-term unemployment and other phenomena which would slow down the hiring of the unemployed when recovery comes. Obviously this hinges crucially on how long the recession lasts in Denmark.

Contrary to some public perceptions, flexicurity is not just about external transitions. In recession, some Member States like Germany and France came into focus as they have been relatively successful in bypassing the negative effects of the recession on labour markets by implementing flexicurity through, for example, short-time working schemes and fostering internal flexibility and job security. This shows that flexicurity can also be applied in times of economic downturn and should be seen as a dynamic approach that is adjustable to changing economic conditions.¹⁰

The policymakers at European level share the view that flexicurity remains an appropriate labour market strategy. This was confirmed at the July 2009 European Council, which emphasised that flexicurity policies should adapt to the prevailing economic conditions. It also underlined that priority should be given to those policies that enable job creation and a high level of employment as well as combating segmentation in a broader sense.¹¹ The Council furthermore provides some suggestions to Member States about possible flexicurity practices:¹²

- Retain employment through alternatives to redundancy such as flexible working hours, temporary adjustment of working time and other forms of internal flexibility.
- Create a better entrepreneurial environment through a labour market where necessary flexibility and security is balanced; better regulation; new benefit systems; adjusted non-wage labour costs; better regulation and less administrative burden.
- Enhance activation measures through active support policies and income support for those who are hit by the recession while maintaining the incentives to return to the labour market.
- Increase investment in human capital through retraining, skills upgrading and skills matching, not only, but especially, for low-skilled workers and those in part-time or other flexible types of employment.
- Upgrade the effectiveness of the public employment services through a proactive approach to facilitate transitions, more human-resources-focused services, early identification of skill needs, job search assistance, guidance and training, and cooperation with other employment agencies, training service providers and social partners.
- Remain within the gender mainstreaming framework.

¹⁰ Eurofound (2010), ERM report 2010: Extending flexicurity – The potential of short-time working schemes, Office for Official Publications of the European Communities, Luxembourg.

¹¹ Council of the European Union (2009), Flexicurity in times of crisis, Council conclusions, Luxembourg.

¹² Ibid.; summarised

- Facilitate free movement of workers within the European Single Market in accordance with the Treaties.
- Implement adequate responses to changing circumstances within the framework of the flexicurity approach through promoting flexible and secure transitions from unemployment to employment and from one job to the other while supporting reliable contractual arrangements for those at work.
- Integrate all flexicurity pillars through focusing on reducing segmentation and improving the functioning of the labour market.
- Enhance the quality of working life and increase productivity.

Integrated flexicurity policies are still recognised by the EU as playing a key role in modernising labour markets and contributing to the achievement of the 75% employment rate target set by the Europe 2020 strategy.¹³ Within the flagship initiative 'An agenda for new skills and jobs', the European Commission together with the European social partners will work on defining and implementing the second phase of the flexicurity agenda. Member States should implement their national pathways for flexicurity by considering how employment protection legislation and labour market policy can be further reformed to ensure a proper balance between employment growth and job quality, to reduce labour market segmentation, and to foster upward mobility and the optimal development of workers' talent.14

The flexicurity matrix

The most commonly used systematisation of flexicurity is the so-called 'flexicurity matrix' launched by Wilthagen and Tros.¹⁵ The matrix provides a framework for the state of the labour market/employment policy in a country, whereby a degree of (both external and internal) numerical, functional and wage flexibility allows for labour markets' (and individual companies') timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity on the one hand. On the other hand, a degree of security that assists workers with a weaker position especially in their labour market participation and social inclusion should be provided.¹⁶ In their four-by-four matrix, Wilthagen and Tros differentiate between various forms of flexibility and security and provide various combination policy options that can be used while designing labour market policies,¹⁷ as seen in Table 1.

Each cell of the matrix can be populated with policy and company measures relevant to intersecting types of flexibility and security, where each measure refers not to a trade-off but to a win-win situation in the sense of balancing less job security by providing other forms of security. Wilthagen and Tros point out in their several works that the enhancement of such a win-win situation thus necessitates a welldeveloped social dialogue tradition that will collectively bargain to achieve this balance.¹⁸

The flexicurity matrix has been also used as the basis for working definitions to analyse the identified initiatives for the two recent Eurofound projects on flexicurity. These working definitions are partly wider than those explained in the original matrix.

¹³ European Commission (2010), Europe 2020 – A strategy for smart, sustainable, inclusive growth, COM(2010) 2020, Brussels.

¹⁴ European Commission (2011), 'Flexicurity', available at http://ec.europa.eu/social/main.jsp?catId=102&langId=en

European Commission (2011), 'Mr. László Andor, EU Commissioner responsible for Employment, Social Affairs and Inclusion, opening speech of the Conference on the Future of European Labour Markets' (speech/11/167), press release, 10 March 2011.

¹⁵ Wilthagen, T. and Tros, F. (2004), 'The concept of 'flexicurity': A new approach to regulating employment and labour markets', *Transfer*, Vol. 10, No. 2, pp. 166– 186.

¹⁶ Ibid.

¹⁷ Wilthagen, T. and Bekker, S. (2008), 'Flexicurity: Is Europe right on track?', in Hendrickx, F. (ed.), *Flexicurity* and the Lisbon Agenda, Social Europe Series, Vol. 17, Intersentia, Antwerp & Oxford.

¹⁸ Wilthagen, T. and Tros, F. (2004), 'The concept of 'flexicurity': A new approach to regulating employment and labour markets', *Transfer*, Vol. 10, No. 2, pp. 166–186.



	Job Security	Employment Security	Income Security	Combination Security
External numerical flexibility				
Internal numerical flexibility				
Functional flexibility				
Labour cost/wage flexibility				

Table 1: Flexicurity matrix according to Wilthagen and Tros

- External numerical flexibility refers to the flexibility in adjusting the labour intake (flexibility of hiring and firing), even if it is a temporary hiring, including hiring of temporary agency workers, apprentices, trainees and employees from labour pool organisations. Moreover, decreases in the cost of the incumbent labour force for the employer through subsidies and tax reductions are classified as further motivating the employer to hire new employees.
- Internal numerical flexibility refers to the flexibility in adjusting the working time of employees already employed (for example, not only flexibility of working hours, overtime, and part-time work but also training leave, parental leave, sabbaticals, shifting from part time to full time, etc.).
- Functional flexibility is understood to mean not only to what extent the organisation is flexible in terms of organisation of work but also to what extent an organisation is geographically flexible (for example, by using telework). Moreover, if an organisation can hire temporary agency workers for a specific function relatively easily thanks to measures offered, these measures are classified here. Also training measures for which the content is exclusively determined by the employer are categorised here, as such training is aimed at preparing the

current workforce for the challenges of changing business conditions, where they will be exposed to new or different functions.

Labour cost/wage flexibility refers to the flexible arrangements concerning the cost of employment (for example, the absence of binding minimum wages or wage indexation, variable pay) as well as all employment and fringe benefit subsidies and indirect cost savings an employer can achieve with the help of operational support measures for recruitment and training.

Similarly, in this working definition, security involves one or more of the following four dimensions:

- job security, referring to high probability of retaining one's current job (for example, employment protection legislation, shorttime working schemes and temporary layoffs, suspended employment supported by a formal agreement for reemployment);
- employment security, referring to a high probability of retaining work, not necessarily with the same employer (for example, training possibilities that would facilitate finding another job quickly in the case of a layoff; suspended employment if there is not a formal agreement for reemployment);
- income/social security, referring to all income provisions not only in the event

of job loss (for example, unemployment benefits) but also those including wages, short-time working income support, redundancy payments, study grants, fringe benefits;

combination security, referring to the possibility of combining paid work with private and social responsibilities or activities where there is, at least to an extent, voluntary involvement from the employee side (childcare facilities, training leaves, sabbatical, parental leave schemes, partial leave schemes for those having care responsibilities, etc).

Each measure can be categorised to fulfil more than one flexibility and security dimension.

Exploring the issue: policies and measures for vulnerable groups



The concept of flexicurity has always put a special focus on the situation of the most vulnerable groups of workers. One of the first definitions of flexicurity, directly inspired by the Dutch reform strategy in labour markets, already highlighted the necessity to address their particular challenges:

Flexicurity is a policy strategy that attempts, synchronically and deliberately, to enhance the flexibility of labour markets, work organisations and labour relations, on the one hand, and employment and income security, notably for weaker groups in and outside the labour market, on the other.¹⁹

Fewer people in Europe are, relatively speaking, employed than in other developed economies. This is mainly due to comparatively lower employment rates for women and, in particular, young and older workers.²⁰ Against the background of the goals set by the Lisbon strategy, many European countries adopted labour market reforms at the margin, largely targeted at these three groups of workers. Between 2000 and 2010, while the overall employment rate for the EU27 increased from 62.2% to 64.1%, employment rates for older workers and women increased by 10 and 5 percentage points, respectively. Employment rates for younger workers remained almost constant up to 2008, largely due to longer years in education: almost 90% of inactive people aged 15 to 24 claim education or training as their main reason for not seeking employment (Eurostat LFS, 2010). When the economic crisis surfaced, younger workers were the group most severely hit.

These groups of workers are typically overrepresented among the workers with more atypical forms of employment. This has resulted in cases of high labour market segmentation in some countries, which the flexicurity strategy endorsed by the European Commission tries to address, as pointed out in the flexicurity principles number four and six, presented below in detail:

Flexicurity should reduce the divide between insiders and outsiders in the labour

¹⁹ Wilthagen, T. (1998), 'Flexicurity: A new paradigm for labour market policy reform?', Flexicurity Research Programme FX Paper No. 1, Tilburg University.

²⁰ In 2000, while the EU27 overall employment rate was 62.2%, employment rates for young workers (15–24), older workers (55–64) and women were, respectively, 37.5%, 36.9% and 53.7%. In the US, employment rates were more than 20 percentage points higher for young and older workers and almost 15 percentage points higher for women.

market. Current insiders need support to be prepared for and protected during job-tojob transitions. Current outsiders (including those out of work, where women, the young and migrants are overrepresented) need easy entry points to work and stepping stones to enable progress into stable contractual arrangements.

Flexicurity should support gender equality by promoting equal access to quality employment for women and men, and by offering possibilities to reconcile work and family life as well as providing equal opportunities to migrant, young, disabled and older workers.²¹

Addressing the particular challenges faced by young workers, older workers and women when entering and remaining in the labour market is a task that involves all levels and actors. Policies designed by governments and social partners and measures taken by companies may be helpful in counteracting the relatively poor employment participation for these groups.

Links between companies and other levels with the capacity to design relevant initiatives affecting the workplace are important. Companies can develop their own measures, but they also benefit from public incentives and may implement initiatives designed by governments and social partners at the national policy level. Even in this latter case, companies have an important role in using the public schemes, adapting them to their context and potentially complementing them with other features added by the company to the policy scheme.

Young workers

The vulnerable situation of younger workers has been highlighted by the current crisis, which has hit them particularly hard. Their employment rates decreased from 37.4% to 34% between 2008 and 2010, twice the rate of decline of the overall employment rate (from 65.8 to 64.1%). While the average EU27 unemployment rate was 9.7% in 2010, it was almost 21% for young workers, and more than 27% for the least skilled among them.

Gaining the right work experience to ensure sustained labour market participation is crucial for younger workers, since their access to the labour market can be difficult, especially if their skills levels are relatively low. Young workers may be caught in the trap of needing work experience to be able to find a job, but not being able to gain the necessary work experience due to lack of employment opportunities.

Examples of policy instruments

Against this background, Member States have introduced measures at national and regional level targeting young employees and those that are not in education, employment or training (NEETs).

These measures mainly refer to apprenticeship support programmes and employment incentives for young people and tend to focus on combinations of external numerical and labour cost flexibility with job, employment and combination security.

The **UK** government, for example, offers apprenticeship expansion support programmes to ensure that those young people who wish to work have opportunities to undertake training, including the opportunity for organisations to act as 'apprenticeship training agencies', financial incentives to employers to introduce apprenticeships to their workforce, and pilots to assess how best to support the expansion policy.²²

Similarly, a wide range of training and apprenticeship contracts are available to young people in **France**, providing a combination of theoretical and on-the-job training in companies over a fixed period. These include professionalisation contracts and apprenticeship contracts which allow young workers to work in organisations while following a training

²¹ European Commission (2007), Towards common principles of flexicurity: More and better jobs through flexibility and security, Office for Official Publications of the European Communities, Luxembourg.

²² Eurofound (forthcoming), *Flexicurity in times of crisis*, Eurofound, Dublin.



programme. During the apprenticeship, they receive a salary, while the employers benefit mainly from a reduction in social security contributions or from a recruitment bonus. Overall, the measures aim at enhancing external numerical and cost flexibility, and job, employment and combination security at the same time.²³

Other measures for this target group support employers' costs for recruiting and retaining young employees. In Finland, for example, the public employment service distributes Chance Cards to young job-seekers of less than 30 years of age who have recently graduated from vocational education and are registered as unemployed. The Chance Card is an employment voucher, valid for three months after being received. If the card holder manages to find a job within this period, the benefits associated with the card are valid for 10 more months. The main benefits are wage subsidies up to €550 per month for the specified period. Thus, a certain amount of employment security and external numerical flexibility and cost flexibility is provided. By the end of August 2010, 13,500 vouchers had been given to job-seekers, leading to 1,800 subsidised job placements.24

Cost flexibility can also be granted through unconventional initiatives that provide the employer with considerable cost savings with regard to indirect personnel costs like the administrative effort when searching and recruiting new staff or trainees. For instance, in Lithuania, employer representatives aim to create a single database of students seeking practical training placements and enterprises looking for apprentices. This initiative, funded entirely by the employer association, makes it easier for students to be placed for practical training, acquire practical knowledge and, possibly, gain employment with the enterprise, which grants them a certain income security. At the same time, it reduces the costs of hiring for employers, in other words providing them with cost flexibility by making it more attractive for them to identify and recruit apprentices whose profiles match their actual skill requirements.²⁵

The majority of the measures targeted at young people are mainly initiated, administered and financed by public authorities (national and regional governments, partly with support of European funds). This does not mean, however, that social partners are not involved. In several instances, they suggested and/or have been involved in the design of the measure. There are also examples of stronger social partner involvement, that is measures that have been initiated and funded by social partners.

To illustrate, in the Pilot de Vries initiative in the Netherlands, social partners aim to create jobs and enable the transition from school to work for young people with disabilities. Acting on the advice of the de Vries Commission, the Dutch cabinet (especially the Ministry of Social affairs and Employment) seeks active negotiations with prominent Dutch companies, persuading them to hire more people from the target group in exchange for subsidies, which suggests employment security and external numerical and cost flexibility. Participating pilot companies hire and monitor the workers' performance in order to gain knowledge of their employability.²⁶

Likewise, the Employers' Associations for the Bavarian Metalworking and Electrical Industries and IG Metall in Germany initiated an action programme called Employment Bridge Bavaria to ensure employability and vocational training for young skilled workers and engineers, who are hired by a special company which posts these people to other companies. The targeted young people are encouraged to opt for a technical training. The programme, which is expected to last until 2012, is funded by the regional government of Bavaria and involved

²³ Ibid.

²⁴ European Employment Observatory (EEO) (2010), EEO review: Youth employment measures, available at http://www.eu-employment-observatory.net/resources/ reviews/NationalArticles/FYROM-YMRvw2010.pdf

²⁵ Ibid.

²⁶ Eurofound (2011), Foundation findings: Youth and work, Office for Official Publications of the European Communities, Luxembourg.

social partners.²⁷ In this way external numerical and labour cost flexibility in combination with job, employment and combination security are provided.

Examples of company measures

Eurofound's case study research shows that company measures targeted at young workers typically focus on increasing their job and especially employment security, while offering mainly external numerical flexibility to the company. In this respect, the most common measures for young workers are special contractual arrangements and training measures, which in combination provide the core element of flexicurity.

Non-permanent contracts increase external numerical flexibility for the companies, since variations in their workforce become easier to handle due to more flexible and less costly firing and hiring procedures. On the other hand, these special contractual arrangements (like fixed-term contracts, apprenticeship or internship programmes, work-based training contracts) allow younger workers to gain their first experience in the labour market and should act as a stepping stone to more permanent employment, increasing their security.

Many of these contracts involve formal training provision, either in a company or in education centres. Job security is mainly increased when the training is work-based, which allows the employee to become familiar with the company activities and acquire the skills that are most valuable for them, which in many cases results in the company retaining young workers under indefinite contracts after the end of the scheme. Employment security is mainly enhanced when the training is more general and equips young workers with the skills that will be useful to them in their future working lives both inside and outside a particular company. This is particularly the case when the training results in a recognised and transferable skill (for instance, within a national qualification framework) that can be carried by the employee when moving between jobs.

Employment security seems to be the key dimension for younger workers. In order to increase external numerical flexibility through special contractual arrangements, the lower job security associated with these contracts is compensated for by more employment security via the training component. Together with the general skills they acquire, having their first work experience raises their confidence, improves their track record of work and helps them to prepare for working life, making them more employable.

Contractual arrangements and their related training components, together with national qualifications frameworks, are designed at the policy level, which has an important role to play in offering incentives to companies to implement those schemes. Companies from the case study research were implementing the UK national apprenticeship scheme and the French professionalisation contract, wellknown examples of schemes combining work experience and training. Moreover, several companies collaborated with employment offices and education centres, underlining the importance of strengthening the links with external institutions when implementing these schemes.

Companies also have their own internal reasons to develop measures for their younger workers. One reason is that it helps companies in maintaining an adequate age balance and developing their own talented staff. These schemes allow companies to integrate young people within the organisation and shape potential employees, which in many cases results in companies avoiding costlier recruiting exercises and benefiting from a more loyal and stable workforce, which may be particularly relevant for SMEs.

Importantly, companies have much room to enhance the application of these schemes, increasing further the security for young workers.

²⁷ ETUC (European Trade Union Confederation), BusinessEurope, European Association of Craft, Small and Medium-Sized Enterprises (UEAPME), European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) (2011), Joint study on flexicurity in the EU – National fiche: Germany, available at http://resourcecentre.etuc.org/linked_files/ documents/Germany_Fiche_2.pdf



Job security is improved when companies complement the schemes by introducing their own training programmes, mentoring and other elements of pastoral care to ensure that young workers fully engage with the organisation. Employment security may be enhanced by employers when they provide additional support beyond the statutory requirements of the schemes by offering young workers generic skills training, networking opportunities or job search support towards the end of the contract.

Older workers

In the past, policies and company measures related to older workers have strongly focused on early exit arrangements, offering external numerical flexibility for companies (limited to one-way transitions towards exit) and income security for older workers.²⁸ Over the last decades, such practices started to be withdrawn in more and more Member States. The European Commission strongly discourages early retirement: against the background of ageing societies, people need to work longer to alleviate the heavy burden on public budgets, and early retirements imply a loss of talent and experience for the labour market as a whole.

Older workers face important challenges in the labour market. There is a general perception that they are less adaptable and qualified than younger workers, which may result in poor skills development for older workers, potentially due to both companies offering less training to them and older workers being less willing to participate. According to Eurofound's European Working Conditions Survey 2010 data, those aged over 50 receive less training (29.7%) paid by the employer than those aged 30–49 (36%) or under 30 (33.1%).

Moreover, older workers may show diminishing performance in certain occupations and are relatively more exposed to health problems, which may lead to the decision to retire at an early stage. (Eurostat data (2010) indicates that 16.8% of inactive persons aged between 55 and 64 claim illness or disability as the main reason for not looking for employment.) Therefore, in order to continue working, older workers may be particularly sensitive to having adequate working conditions adapted to their particular needs.

Examples of policy instruments

Given the demographic development observed in the EU for the last decades (the ageing society), several less conventional measures gained importance. They aim to avoid early retirement and exit from the labour market, either by replacing them with phased retirement schemes or by enhancing the skills older workers have.

For instance, **Germany** extended the promotion of phased retirement schemes for five more years in 2009. In the early 2000s, the federal government initiated this scheme by offering financial support to enterprises that grant their employees aged 55 or over a gradual transition to retirement, provided that they fulfil certain conditions. Employees in the target group have to reduce their working time to 50% of their average working hours, and the resulting vacancy must be filled by a newly recruited, previously unemployed person or trainee. Moreover, if the employer increases the pay of older employees in the scheme to 70% of their previous full-time pay and continues to make contributions to their pension schemes calculated on the basis of at least 80% of their previous full-time pay, additional expenses are borne by the national government for up to six years. Social partners have been actively involved in the design and implementation of the scheme and related financial support. These regulations must be implemented on the basis of a collective agreement, an agreement between workers and management, or an individual contract between the employer and employee. In 2009, the national funding for the scheme

²⁸ Tros, F. (2005), Flexicurity and HR-strategies for the older workers: A comparative appraisal of four European countries, Transitional Labour Markets Network, Amsterdam.

was terminated, but fundraising at sectoral level organised by social partners continues.²⁹

Overall, public and social-partner-based support measures identified by Eurofound research for this specific target group are concentrated around a combination of external numerical flexibility and labour cost flexibility and, to a lesser extent, internal numerical flexibility with employment and/or income security. These are mostly measures that offer cost-saving incentives to the employer while enhancing the employability of older employees through subsidies for job rotation or training possibilities. Moreover, there have been some initiatives to facilitate the reintegration of unemployed and inactive older workers into the labour market. In the Netherlands, for example, the national government offers compensation until 2019 for hiring older people who subsequently become ill. Employers who have contracted unemployed older people, who become ill for 13 weeks or more within 5 years of starting work, are compensated by the government with the equivalent to the worker's income. Similarly, in Spain, the national government provides social security exemptions for employers employing or retaining older persons (59+).³⁰ These latter examples provide employers with cost flexibility and older workers with potential employment, job and - indirectly - income security.

Functional flexibility combined with job security that facilitates workers' shift to other functions within the organisation is deemed to be a very important factor in determining the retention of older workers in the labour market, though measures to support this seem to be rather rare. Examples are wage subsidies to compensate those older workers who agree to be redeployed to less demanding and lower-paid jobs rather than retiring. To illustrate, in **Belgium**, the government grants a compensatory payment for workers aged 50 or older who, at their own request, change their duties from hard manual labour to lighter work and as a result of this transition lose more than €250 per month gross income. The payment is funded via the national budget.³¹

Examples of company measures

As opposed to the early exit strategies, the challenge for companies is to develop a range of measures to promote longer working careers for older workers. Based on case study research, the key flexicurity dimensions enhanced by company measures are job and employment security and functional flexibility. There is much room for improvement for older workers in these areas, since early exit arrangements focused on income security and functional flexibility may be lower for older workers due to lower qualifications levels and health problems.

Flexibility in job content and work organisation increases functional flexibility by allowing older workers to perform different tasks and functions within the organisation. Teamwork, job rotation, multitasking, more autonomy and greater challenges at work and training can improve the position of older workers within organisations and increase their satisfaction by enriching their jobs. For instance, setting up mixed-aged teams, within which older workers may act as mentors, channels a transfer of knowledge between generations while opening new opportunities to older workers within the company. Job rotation, by allowing changes of job within organisations, can be used to increase employment options for older workers where they learn new skills. A particular case may arise when the company faces restructuring: instead of downsizing by offering them early retirement, older workers could receive training and support before being redeployed to different tasks within the company.

Importantly, the reinforcement of functional flexibility is helpful to fight health problems such as musculoskeletal disorders, stress or anxiety. Measures at the company level include better equipment of workplaces, job redesign (by which employees facing health problems may be redeployed to less demanding jobs or

²⁹ Eurofound EIRO, 'Young workers to substitute for older employees', 16 September 2009, available at http://www.eurofound.europa.eu/eiro/2009/08/articles/ de0908019i.htm.

³⁰ Eurofound (2009), ERM report 2009: Restructuring in recession, Office for Official Publications of the European Communities, Luxembourg.

³¹ Ibid.



relocated to jobs closer to their homes), new shift systems and flexible working-time arrangements better suited to the needs of workers, or integral health management strategies to maintain or improve the health of the entire workforce within the organisation.

These measures improve the job security for older workers. Their employment security would also increase due to updated skills and maintained health, as happens with formal training measures developed by firms. Other measures like working-time arrangements and new shift systems may contribute to combination security, for instance by means of a reduced working week, longer resting periods between shifts, or voluntary working-time flexibility, allowing older workers to combine more easily work and private life, which may be important since many older workers may need to provide care to partners or other dependants.

Despite the limited number of initiatives stemming from the policy level to improve functional flexibility within companies, the institutional framework can offer important incentives for training provision, for instance. In Germany, temporary employment agencies have agreements with the public employment services which make state funding available for training courses. Older unemployed workers participate in training while keeping their unemployment benefits, and, in some cases, the temporary employment agency provides an employment guarantee to those successfully completing the course.

Despite the importance of the support provided by the institutional framework, the main triggers for the measures described are to be found within companies, as reported by Eurofound's case studies. In order to prolong the careers of older workers, a special focus needs to be placed on work organisation to increase functional flexibility. In some cases, companies realised that, contrary to prejudices, older workers are adaptable and can learn new things, especially if adequate training is provided to them. In other cases, companies needed to retain the skills of older workers within the company, which in some cases resulted in the implementation of mechanisms to transfer skills between older workers and younger workers, to spread the valuable skills of older workers within the organisation. Moreover, some of the mentioned measures may result in fewer days of work lost via reduced absenteeism and sickness leave, benefiting the company and the well-being of the employee.

Women

Women often have lower levels of labour market attachment and are more affected by low-quality work, dead-end jobs and low wages. Since they still take on the majority of domestic responsibilities, women are more likely to take career breaks to look after children or dependants. This has a negative influence on their possibilities of labour market access, career progression and the best use of their skills once they return to the labour market. Moreover, women are more likely to suffer discrimination based on gender than men, as reflected by the existence of gender pay gaps across European countries, despite an extensive EU legislative framework prohibiting sex discrimination.

Around 26% of women claim family or other personal responsibilities and care of children or incapacitated adults as their main reason for not seeking employment (Eurostat, 2010). This points to the need to develop measures that improve their work–life balance if female employment rates are to be improved.

Examples of policy initiatives

The traditional public support measures that could be classified as targeting women fight gender discrimination based on contractual arrangement and pay differentials.

For instance, the legal regulation concerning 'equal pay for men and women' in France not only ensures women's right to equal pay, maternity and adoption leave, but also increases training allowances for employees who need to spend money on childcare in order for them to be able to pursue training activities outside the working hours.³²

³² Eurofound (2010), Addressing the gender pay gap: Government and social partner actions, Eurfound, Dublin.

Moreover, part-time contractual arrangements, flexible working hours, parental leave regulations, support when returning from a career break because of care responsibilities, subsidies, and facilities for childcare are among identified measures.

The **Italy** 2020 action plan for inclusion of women in the labour market makes public subsidies available to help improve work–life balance at company level through various measures. They include a reduction of working time together with the recruitment of a temporary replacement (on a two-year fixedterm contract), working from home, job-sharing, flexitime in terms of daily entry and exit, medical and counselling services, IT assistance, a company crèche during school holiday, reentry training after maternity leave, and the strengthening of care and assistance services – especially for small children.

Likewise, in the **Czech Republic**, according to the new parental leave scheme, during the period of care of a sick child under 10 years of age, the employee (regardless of whether part time or full time, on fixed-term or permanent contract) has the right to an allowance. The employer has the obligation to excuse the employee's absence from work during the time of care for the child. During this period, the employee is not entitled to a compensation for wages or salary, but to limited sickness insurance benefits.³³

Flexicurity instruments implemented for women, especially those with care responsibilities, quite naturally offer high combination security combined with job and income security, while suggesting internal numerical flexibility and labour cost flexibility for the employer. While the internal numerical flexibility is usually considered in terms of flexibility to reduce the working hours, the opposite case can be also made possible via public support instruments for this specific target group. As an example, Taskforce Part-time Plus is an initiative targeting women who are working in part-time jobs of less than 24 hours a week, which applies to 1.5 million women in the Netherlands. The main aim of the project is to enable more women to work longer hours by offering them possibilities to reconcile their work with other private responsibilities (such as childcare or care for elderly family members), while at the same time making their employment financially more profitable for their employers. The taskforce runs pilot projects, regional meetings with employers and employees, and a practical website about possibilities to work longer. Publicity, research activities and financing for the measure are administered and run by the national government.34

To a lesser extent, there are publicly supported initiatives that aim at facilitating labour market entry or reintegration of women. In **Hungary**, a part of the START Programmes (START+) targets women with caring responsibilities returning to work after a career break. This programme not only offers training and coaching for job search to this specific group but also provides the employers' allowances and grants funded by the national government.³⁵

³⁴ Aafjes, S. (2009), 'A Dutch approach for reconciliation between work and family life', presentation to Taskforce Part-time Plus, 9 October 2009.

³⁵ ETUC (European Trade Union Confederation), BusinessEurope, European Association of Craft, Small and Medium-Sized Enterprises (UEAPME), European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest (CEEP) (2011), Joint study on flexicurity in the EU – National fiche: Hungary, available at http://resourcecentre.etuc.org/linked_files/ documents/Hungary_Fiche.pdf.



Examples of company measures

Many of the company measures from Eurofound's case study research show an emphasis on combination security and internal and external numerical flexibility. This seems to address the challenges faced by women since by facilitating the ease with which their working and personal lives can be combined, women have more incentives to join the labour market and improve their labour market attachment in the long run.

Combination security is enhanced by company measures that improve the work-life balance of their employees. Measures on working time flexibility contribute to this goal: flexitime schemes allowing for flexibility around entry and exit times; time-banking allowing for the conversion of accumulated overtime hours into days off; informal shift-swapping; or special shift arrangements for working parents. This is the case as well with the measures of reduction in working time, from full- to part-time employment, either on a permanent basis or for some months after the return from maternity leave. In the latter case, some companies offer special training courses to help women to update their skills when returning to their previous post or to prepare them to move within the organisation by acquiring new skills. This enhances their job and employment security, as well as general training courses and other development measures like special programmes to promote women into managerial positions within organisations.

Some companies provide their own childcare facilities, which may adjust their opening hours to cover the entire working time of their employees, may cover holiday periods, and can include night babysitting for workers on night shifts. Certain companies even improve on the legal requirements for parental leave by offering their own schemes, which can be longer, offer a higher compensation, or include elements that facilitate contact with the organisation or skills development through e-learning courses while on leave. These types of measures are even more relevant in those countries where the institutional framework is not able to offer such support.

Apart from providing combination security, all these measures also increase internal numerical flexibility for the company, since the amount of labour used by the firm is adjusted internally by changes in working hours. Job sharing and telework measures offer some elements of functional flexibility as well: the former allows a group of workers to organise their tasks and working time in an autonomous way, while the latter facilitates work–life balance and can involve some new tasks.

Moreover, many parents with young children may decide to look for part-time employment on a voluntary basis, which increases external numerical flexibility for those companies recruiting new employees under such contractual arrangements. Part-time employment is more common among women (32% of female employment, clearly higher than the 19% for males), and only 24% of women working part time do so involuntarily, while this is the case for 36% of men (Eurostat, 2010). In the Netherlands, part-time employment for women amounts to more than 76% of total female employment and only 5% of women work part time involuntarily.

The policy level is very important in providing the social infrastructure that would have an influence on women's choices regarding labour market participation. The existence of affordable childcare facilities and after-school care, the possibility to work under part-time arrangements, being entitled to high levels of social security, adequate legislation on working time, and parental leave schemes providing for income security all are important to facilitate labour market access for all members of a household. However, the main trigger for companies to develop targeted measures towards women and adapt their work organisations to their needs is the need to attract and retain female talent. Employers need the skills, expertise and experience of female workers.

Policy pointers



Current Eurofound research shows that flexicurity policy initiatives and company measures have been applied during the crisis and its aftermath. Even if not designed as a deliberate flexicurity strategy, these initiatives by governments, social partners and companies contribute to enhancing labour market flexibility and security. There is no evidence that flexicurity is a 'remedy' for the crisis, but the examples show a set of practices at national, sectoral and company level that can be helpful in improving the functioning of European labour markets, especially for certain groups of workers – also under difficult economic circumstances.

Relevance of social partners and company-level actors

The involvement of all relevant stakeholders in the design and implementation of flexicurity policies is an important (although not sufficient) precondition for achieving a well-balanced outcome for all groups affected. The flexicurity concept stresses the importance of cooperation between the government, employer and employee organisations at each stage of policymaking, which has been confirmed by Eurofound's analysis of a wide spectrum of public instruments feeding into the national flexicurity systems of the Member States. In this way, an agreed-upon and accepted trade-off between flexibility and security of the affected target groups will be achieved, which eventually fosters the potential of a win-win result.

However, many of the analysed instruments are provided without any social partner involvement, pointing to some room for improvement. This tendency has been observed particularly in the central and eastern European and Anglo-Saxon countries. Furthermore, during the crisis social dialogue faced challenges in some of the countries with



long-standing traditions of social partnerships (such as Ireland or Spain) that need to be overcome in recovery.³⁶

An enhanced cooperation between governments and social partners might lead to more specific considerations about the effects of policy instruments going beyond those of the explicit target group of the individual instrument. This might be particularly relevant, for example, when offering instruments fostering equality and overcoming segmentation regarding specific disadvantaged groups. Assessing the (unintended) side-effects on other worker groups before implementation of the instrument is important in order not to promote one group at the expense of another, and for such the involvement of different stakeholders seems to be beneficial.

More innovative funding concepts based on cost-sharing might be developed more easily when a multistakeholder approach is taken while designing and implementing flexicurity instruments. Involving various actors throughout the whole process might increase the willingness for a joint approach to funding the instruments. This implies a more efficient use of funds (less risk of deadweight loss if employers and individuals also have to contribute themselves) and better sustainability of the instruments (because funding would not be dependent on a single stakeholder).

Employee involvement is a core element for the success of company measures. By involving employee representatives in the design of the measures, the scope of the measures may be broadened, and employers will be better placed to know employees' views on what measures could work best and would fit more within the work organisation. Even when not initially involved in the design of the company measures, social dialogue can smooth their implementation. By consulting, managers are more likely to obtain buy-in from the employees, contributing to the broad knowledge and take-up of the measures. There is little chance of success if the measures are implemented with the resistance of the workforce.

Employee representation structures can improve the implementation of the **company measures**. Trade unions and works councils can be very helpful in encouraging older workers to participate in training courses, since in many cases they are reluctant to do so because of their age or fear of performing badly. In addition, employee representation structures can offer a place to share views, encourage mutual learning and create a network for younger workers, or act as a forum to discuss relevant issues for women, like the extension of maternity allowance or temporary part-time employment. Moreover, employee representatives can contribute to the fine-tuning of the measures by channelling the employees' feedback on problems arising on the practical implementation of the measures. For instance, in many cases employee representatives are very active in discussing and improving the operation and content of training courses or the better functioning of flexible working-time arrangements.

Line managers are key to the adequate application of the measures across the organisation. They should feel involved in the implementation of the measures, make employees aware of their existence and functioning, contribute to their proper implementation, and ensure they are applied evenly across the organisation. For instance, a proper dissemination of the measures available across all the workforce is essential when dealing with training, while an important level of trust on the part of line managers is needed when in charge of the implementation of measures such as flexible working arrangements, teleworking, team work or job sharing. To solve these potential problems, case study research shows that some companies train line managers in the measures offered, ensuring they are confident in applying them. In some cases their management skills are improved by targeted training on diversity management.

³⁶ ILO (2011), The global crisis: Causes, responses and challenges, Geneva.

The support of governments and social partners, together with specific territorial agreements and supportive networks, may be especially relevant in the case of SMEs. As SMEs have relatively limited financial and human resources, they may experience more difficulties while implementing certain measures, for instance training, due to their financial costs and the requirements of flexible working-time schemes and redeployments. Under such circumstances, the aforementioned support might be crucial. Still, it should be also borne in mind that measures like job rotation, work-load sharing or age-mixed work teams, which do not have significant financial costs, increase functional flexibility and facilitate know-how transfer within the company, which may be particularly relevant against the background of the current crisis.

Flexicurity and vulnerable groups

Equality should be considered to go beyond gender equality. Fostering equality is considered as one of the strengths of the implementation of flexicurity.37 Although gender equality is an important issue that needs to be continuously emphasised, other forms of equality should be covered by flexicurity as modern labour markets are characterised by a very heterogeneous mix of groups striving to overcome segmentation. A broader understanding of the flexicurity principles could incorporate them, for example by also addressing segmentation due to age, skill levels, types of employment contracts or nationality. Moreover, differences between small and large enterprises in different sectors or regions within a country need to be considered. Among the public and social-partner-based flexicurity instruments analysed by Eurofound, measures following these objectives are more prevalent among Anglo-Saxon countries than in other country clusters. This might provide a potential

37 Voss, E., Dornelas, A., Wild, A. and Kwiatkiewicz, A. (2011), Social partners and flexicurity in contemporary labour markets: Synthesis report, available at http:// resourcecentre.etuc.org/linked_files/documents/IP2%20 -%20Sinthesys%20Report%20-%20Social%20Partners%20 and%20Flexicurity%20in%20Contemporary%20 Labour%20Markets.pdf. source of information for other countries to identify interesting approaches.

Measures towards vulnerable workers must fight labour market segmentation. Measures enabling special contractual arrangements (for instance, temporary contracts for young workers) may be stepping stones into the labour market, providing labour market access to vulnerable groups and allowing them to progress towards more permanent positions within the labour market. However, if such contractual arrangements fail to fulfil this aim, further labour market segmentation might arise, since these contracts result in a lower attachment to the labour market and are typically linked to lower wages, fewer pension rights and limited access to training.

Flexicurity initiatives are relevant for the whole workforce. Even if different examples of policies and measures were presented for each particular vulnerable group discussed in this study, in most cases those measures were designed with a general scope, and their implementation is beneficial to the whole workforce. With some exceptions – like employment subsidies for a particular group of workers, which have (unintended) side-effects on other groups – most policies and measures contribute to increase labour market opportunities and improve working conditions for all groups of workers.

Further possibilities of internal flexicurity might be explored. The recent stronger emphasis on the retention of workers in the labour market,³⁸ together with Eurofound's finding that several of the analysed public instruments provide support for maintaining

³⁸ European Economic and Social Committee (2009), 'Opinion of the European Economic and Social Committee on "How flexicurity could be used for restructuring against the backdrop of global development", 2009/C 318/01, available at http://eur-lex.europa.eu/LexUriServ/ LexUriServ.do?uri=OJ:C:2009:318:0001:0005:EN:PDF

Voss, E., Dornelas, A., Wild, A. and Kwiatkiewicz, A. (2011), Social partners and flexicurity in contemporary labour markets: Synthesis report, available at http:// resourcecentre.etuc.org/linked_files/documents/IP2%20 -%20Sinthesys%20Report%20-%20Social%20Partners%20 and%20Flexicurity%20in%20Contemporary%20 Labour%20Markets.pdf.



jobs during temporary hardships, highlights an increasing relevance of internal flexicurity.

The following aspects might benefit from increased attention as they offer the possibility to improve workers' income security without high levels of public spending:

- instruments dealing with working-time flexibility (already very widespread in the Nordic/Scandinavian countries) while at the same time providing workers with reliable contracts and social protection;³⁹
- measures supporting transitions that target employees, hence internal mobility, particularly measures fostering occupational change during employment.⁴⁰

The higher emphasis of flexicurity on job security and internal flexibility motivated by the economic crisis is mirrored at the company level. The measures presented for older workers and women are mainly targeted at increasing flexibility within companies, mainly enhancing functional and internal numerical flexibility, respectively. In the case of younger workers, one example based on case study research shows that the more difficult placement of workers in permanent positions after the apprenticeship has been compensated for by extending the duration of the scheme and by offering young workers the opportunity to try out a new business area within the company, which enlarges the internal market for apprentices.

The flexicurity approach still needs to emphasise a balanced mix of addressing internal and external flexicurity. It should not be ignored that one of the groups most affected by the recent recession are young persons striving to enter the labour market for the first time. An exclusive focus on internal flexicurity will make it even harder for them to find jobs.⁴¹

Last but not least, it should be borne in mind that **flexicurity is a dynamic approach**. As emphasised once more by Eurofound's research findings, it has undergone some adjustments during and in the aftermath of the recent recession, and might further adjust in the future depending on how the economic situation in Europe will develop.

³⁹ Voss, E., Dornelas, A., Wild, A. and Kwiatkiewicz, A. (2011), Social partners and flexicurity in contemporary labour markets: Synthesis report, available at http:// resourcecentre.etuc.org/inked_files/documents/IP2%20 -%20Sinthesys%20Report%20-%20Social%20Partners%20 and%20Flexicurity%20in%20Contemporary%20 Labour%20Markets.pdf.

⁴⁰ Mandl, I. (2009), GATOM – Gearing adult education towards occupational mobility, European assessment Report, Austrian Institute for SME Research, Vienna.

⁴¹ Burroni, L. and Keune, M. (2011), 'Flexicurity: A conceptual critique', European Journal of Industrial Relations, Vol. 17, p. 75.

'The concept of flexicurity has been based on a notion that robust active labour market policies, lifelong learning investment and modern social security systems can ensure security of employment and income, even if contractual arrangements become more flexible and job transitions more frequent, as required by the rapidly evolving economic context. ... Discussing labour market reforms and the validity of flexicurity is therefore highly topical. In a period as transformative as this one, it is more than necessary to think how employment policy can help Europe emerge from the crisis with a stronger labour market.'

László Andor, EU Commissioner for Employment, Social Affairs and Inclusion, speaking at the High-level Conference on Flexicurity, 14 November 2011.

Foundation Findings provide pertinent background information and policy pointers for all actors and interested parties engaged in the current European debate on the future of social policy. The contents are based on Foundation research and reflect its autonomous and tripartite structure.

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