

FLEXICURITY AND SOCIAL DIALOGUE, EUROPEAN WAYS

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While “flexicurity” seems to be more and more accepted as a policy motto, there is still no consensus on its meaning. One easily agrees on the basic problems and challenges at stake : in the context of globalisation, ensuring the needed adaptation of the workforce, by reforming employment protection, and/or labour market policies and labour market/social protection systems functioning. The common view is that, at least in the most developed European countries, Employment Protection Legislation (EPL) is too protective and should be relaxed, this process being or not compensated by other guarantees given to workers. This does not go without resistances and confrontations. On the other hand, we witness the emergence of new rights and techniques concerning career management and career development : rights to (re)training, to various leaves, to time banking accounts, to individual coaching and employability assessment, to transferable pension entitlements, to transferable skills... This is much more consensual. Both sides of the coin are present in the perspective of organising non-standard jobs and trajectories while fostering collective trust and investments in training.

In this contribution, we focus on two questions. First, we would like to get inside the flexicurity black box, in order to go beyond the motto and present some analytical elements. Second, we’ll try to discuss some possible contents to flexicurity policies from the point of view of the European Union, with its wide diversity of national situations and traditions. The connection between the two questions is quite straightforward : while it proves possible to give a more precise meaning to “flexicurity”, it is argued that there is no “one best way”, and the variety of components and versions of flexicurity can and should meet the variety of European situations.

In order to do so, we shall proceed in three points. First, we discuss the way flexibility and security may be defined and may combine with each other. Second, we underline and explore some dynamic traits of their combination. Third we turn to the possible meaning(s) of flexicurity for the European Union, and we consider the constraints which European member states should overcome, the pathways which they could take and the partnerships which they could build.

I. Flexibility and security, a complex marriage

We start by *directly* considering the relationship between flexibility and security. So at this first step we do not discuss definitions and adopt commonsense perception which insists on urgent needs, felt by employers and policymakers, for adaptation and flexibility of labour in “globalised” knowledge – based economies, while workers, in front of the rise of precarious jobs or contingent work, the persistence of mass unemployment, and the threaten of permanent restructuring, ask for more security. We focus on two quite different simple versions of this relationship. But then we go on and discuss the underlying presuppositions, so we arrive at a more realistic but complex relationship. Not a pure trade-off, nor a simple complementarity, but a marriage as a complex and evolving relationship.

Trade – off or complementarity ?

A first way of connecting flexibility and security is to present them as a trade-off, with partial substitution. The more you develop flexibility, the less you have security and vice versa. So flexicurity may be understood as a recent and relatively new way of managing this trade-off with insistence on less Employment Protection Legislation, compensated by more “active” labour market policies and more protections centred on persons rather than on existing jobs. This perception is the dominant one among policy makers (for a recent illustration and discussion, see Auer 2006).

But a recent work by Robert Boyer (Boyer 2006) argues in a seemingly opposite way. Boyer defines flexicurity as the explicit and coordinated management of the complementarities of three institutions : the labour law, the unemployment insurance regime and the labour market policies. He argues that the possible synergies between these three institutions were previously underexploited because their management was weakly coordinated. He shows that a new security emerges, compatible with a “high speed labour market” as observed in Denmark.

In fact both positions are not as opposed as they seem to be. In Peter Auer’s language, the Danish success could be termed a “balanced” management of the trade – off. And Robert Boyer insists on the pragmatic and changing trial and error process which characterises the Danish policies. But this suggests to deepen the issue.

Back to the definitions and the needs

What is or could be concerned by complementarity and substitution ? we have to go back to definitional issues from an explicit economic analysis viewpoint. A more analytical discussion is in order.

Here the recent work by Leschke, Schmid and Griga proves very helpful (Leschke and al. 2006). Refining a series of previous definition works, notably by Ton Wilthagen (Wilthagen and Tros 2004), they propose, in a functionalist way, to distinguish four basic meanings for flexibility and four also for security.

Their findings can be summed up in two elementary tables as follows :

	Numerical flexibility	Functional flexibility
External flexibility	Hire and fire Fixed – term contracts Temp – agency work Casual work Temporary lay-off	Outsourcing Labour market wage differentiation Off-the-job learning Tailor-made temp work
Internal flexibility	Overtime and short-time work Part-time work Time - banking	Multiple skills Flexible work organisation On-the-job training Performance – related pay

Table 1. Four analytical components of flexibility

Adapted from Leschke and al (2006)

	In – employment security	Out-of-employment security
No reallocation of work	Granting the continuation of the same job “Job security”	Income replacement “Income security”
Reallocation of work	Granting another job/work “Employment security” or “Employability security”	Granting a combination of work/job and income “Option security”

Table 2. Four versions of security

Adapted from Leschke and al (2006)

A few comments are in order here. First, flexibility here is considered as a way of coping with adaptation needs of firms, seen from the point of view of employers, while security, in a symmetrical position, is seen from the point of view of workers. This is the traditional debate. We choose to focus on it but two caveats should be kept in mind.

- Both needs : flexibility for firms and security for workers, are here taken for granted. However, it should be remarked that employers too need security of labour, for example in order to train and retain a skilled and efficient workforce, and to capture productivity gains; employees too need flexibility, for example in order to cope with family needs which may quickly change over time.

- Flexibility should not be confused with volatility : it may concern a wide range of instruments, and it is best characterized as a multiple and coordinated answer capacity to complex adaptation needs. If we consider flexibility as a property of a system, it is obtained through the adjustment of some variables but it also relies on some fixed points or relations.

Second, both tables distinguish first internal / external dimensions, and then consider another differentiation, according to the numerical / functional dimension for flexibility, presence / absence of reallocation of work for security.

Third, the tables exhibit a striking heterogeneity. They gather and present at the same level various tools and behaviours, without assessing costs, efficiency nor social desirability. Some of them are as old as the employment relationship, while others, such as time-banking, are recent and more sophisticated developments. The aim here is to draw a rich picture of the range of effective practices, not to select best or worst practices. As a matter of fact, it seems that in almost every European country all eight logical possibilities are currently more or less explored and that numerous combinations of tools have been or are experienced.

Fourth, the classification has the effect of splitting some usual notions, such as wage flexibility, here broken down into two components, the first referring to wage changes according to supply and demand of a given kind of competence, the second to performance-related pay. Wage flexibility may refer to factors market or to product market : this analytical dimension may be of some importance.

Last, this elementary logical exercise suggests that the combination of flexibility and security may change according to the considered components. One may remark that even the “job security” cell, which seems to sum up an undesirable immobile costly and maybe irrational option, could be associated with high internal flexibility and then be useful and relevant in some contexts and within given boundaries. So the question becomes : how do a component combines with each other ?

A complicated marriage

We can now go back to our discussion about trade – offs and complementarities. They may depend on the kind of flexibility components and security versions each country or firms develops and on the compatibility such a choice may reveal. It is pointless to examine in detail how each tool/practice affects and is affected by others, because in the real world they are either simultaneously used or combined. In order to identify how our elementary analytical distinctions may fit or conflict, Leschke and al match options of both kinds and obtain elementary pairs of flexibility components and security versions. This generates 16 possibilities, and they identify for each pair one or several type(s) of relationship :

	Security			
	Job security	Employment / Employability security	Income security	Option security
Flexibility				
External/numerical	t	t/c/v	t/c/v	t
Internal/numerical	c	c	(t)/v	t/c
Internal/functional	c	c	t/c	(t)/c
External/functional	c	t/c/v	t/c	t/c

Table 3 : The flexibility – security nexus : trade-off (t), complementary (c) or vicious relationship (v)

Source : Leschke and al (2006), p. 4

Space is lacking for commenting each pair. It is pretty clear why there is a trade-off between external/numerical flexibility and job security : the more you have of the first, the less you have of the second. Other flexibility components allow to keep people in their jobs with other adjustments, so they lead to a complementary relationship with job security.

Some remarks are in order, on the introduction of “vicious” relationships. These negative complementarities (leading to losses, vicious circles) are associated with the external components of flexibility, either numerical or functional, in some combinations. The external/numerical flexibility may consist of “hire and fire” practices and of precarious short-term jobs. This may interact in a perverse way with employability security : a downwards spiral of low commitment, little investment in the workforce and distrust leads firms to propose more and more precarious jobs, etc., this could be termed the *distrust and low investment spiral*; and with income security : more people in unemployment insurance and in the welfare rolls may lead to more taxes, increased labour costs, and less competitiveness, then to more dismissals, etc. this could be termed the *inactivity spiral*.

The external/functional flexibility too may be associated with vicious circles, in combination with the employment/employability security : outsourcing and wage flexibility may foster the distrust and low investment spiral.

However the picture which emerges is a complex one : it should be stressed that some components of external flexibility are associated with strong (and maybe costly) security, it is the case of temporary lay-off practices and of high-quality, taylor-made temp agency work. And the labour market is not at all homogeneous : it is a more or less strongly segmented reality, some segments enjoying some favourable combinations and others being possibly trapped in perverse complementarities. We shall go back on this issue.

II. Some dynamic traits

Up to now, this picture remained a static and isolated one. Most of labour market specialists agree that we have to move from a static towards a dynamic perception of the labour market : job creation and job destruction are at the heart of its functioning (Davis and Haltiwanger 1996). People go from one job to another, jobs shift from one sector to another, the job structure in a given firm changes too. These dynamic concerns imply a widening of the

analysis of the decisions affecting work and employment; they typically depend on the connexion between labour markets and the various institutions of the social protection system, and on the connection between labour markets and the macroeconomic functioning. So we have to consider trajectories and “transitions”, not situations at a given point of time, and their interaction with the overall economy. We shall briefly identify some available analysis tools dealing with the positive and normative dimensions of “transitions”, and oppose two simple strategies for ensuring some collective control of this dynamic process.

Transitions : positive analysis

“Transitions” here mean individual trajectories : change from one situation to another within a set of given states related to work, i. e. being employed, or inactive, unemployed, self – employed, etc.. More and more empirical analyses are made about the “transitions” occurring in a given country or group of countries and their determinants. It is possible and useful to build and interpret “transitions matrixes”. A good example of such an analysis is given in the 2004 edition of *Employment in Europe* (European Commission, (2004), ch. 4).

The debate on the determinants of “transitions” is still open to diverging analytical frameworks. Some authors stay inside the traditional market analysis framework, and refer to traditional supply and demand equilibrium, to the stickiness of wages etc. (for a recent example insisting on the complementarities of different categories of workers, see Zimmermann (2004)). They introduce incentives considerations and connect in this way the labour market to the social protection system. Other analysts introduce an explicitly dynamic perspective such as the “matching theory” of the employment relationship. They also introduce individual incentives, and take into account dynamic externalities¹ (cf. for example, Boone and van Ours (2004)). Last, other, wider, perspectives consider that institutions may play positive roles as well as negative ones beyond individual incentives effects. They focus on the “variety of capitalism” and try to capture a more complex and global view of the interplay of firms’ strategies, workers’ behaviour and institutions’ framing and incentives (cf. for example, Amable (2005)). We shall adopt this last perspective because it puts in the forefront the variety of national configurations and paths.

One well-known example may give us a starting point. When one looks at the career profiles of young people (from 20 to 30 years old), they are quite different in two countries such as Germany and the United States. In the former, young workers, typically coming from the apprenticeship system, possess a well-identified qualification, and have access to almost the same wage and promotion opportunities in the different firms they can choose. Accordingly, internal progression is rewarded, and one can observe only a limited number of job changes from one firm to another. The reverse holds true for the U.S.A.. In this latter country, there is little apprenticeship system, and in a beginning of career it is quite well accepted and even recommended to take stock of different experiences in many firms. The young workers have to send a signal of autonomy and initiative as well as to accumulate on-the-job training. Accordingly, young workers may often change from one job from another. Such a behaviour may be perceived as unstable and detrimental in Germany, but active and normal in the USA.

¹ An externality is an economic effect (either positive and negative) not captured by the price system. The dynamic dimension is inter-temporal. For example a congestion effect impeding workers to easily find job offers, leading to an under-investment in training whose consequences are felt later.

This example suggests two important ideas. The first is that the labour markets function in a different way given the different institutions which surround and assist them. The second is that in some given conditions, different functionings may end up in a similar results : behaviours and institutions may yield “functional equivalents”. Another important example of “functional equivalent” is the management of temporary excess staffing: a key role in the USA is played by the “lay-off and recall system”, while in Germany or France, to stay in Europe, the key role is played by time modulation (short time work, hours modulation and supplementary hours), with, in the end, a similar adaptability on each side of the Atlantic Ocean. So external numerical adaptation may to some extent be replaced by internal adaptation.

Both examples illustrate the clear difference in the role played by direct market adjustments : in the USA, wage and employment flexibility are central, while in Germany and other countries, ex-ante and bargained arrangements dominate. Very often studied, this difference goes along with another one in the role played by labour market policies. This last one is striking : while the USA spend only 0.5 % of their GDP in “active” and “passive” labour market policies, most of the European countries typically spend much more : around 4 - 5 % for Denmark and the Netherlands, 3 % for France and Germany, and so on. Direct labour market adjustments seem to preclude intensive use of LMP, while bargained adjustments seem to be quite compatible with them, and even foster them.

It is the reason why one may speak of “national institutional regimes” in order to identify these related sets of differences. The use of such a term stresses their possible internal coherence at a given moment of time. However, this coherence is never granted and could be only partial and conditional upon some circumstances. It may be weakened and even broken in some other situations. It may depend on past arrangements and past national trajectories.

Transitions : a normative perspective

One important idea leads to a policy-oriented view of transitions : the trajectories of workers may be usefully considered as a whole. It is necessary here to extend the reasoning to the whole set of “transitions” which can be accomplished by any worker : not only the transitions from one job to another and from unemployment to employment (or the reverse), but also the transitions between non-paid activities (such as childrearing, household activities, benevolent and militant activities), education and training, inactivity, as well as employment and unemployment. And the stake becomes to ensure some collective coordination among them. This is the starting point of the “Transitional Labour Market” perspective : an explicitly normative framework, developed in Europe since 1995 (See Schmid and Gazier (eds) 2002 for an overall presentation). This perspective is converging with ILO’s proposals fostering “protected mobility” and “decent work” (see Auer, Efendioglu and Leschke 2005) and with the labour law reforms advocated by A. Supiot and others (Supiot 1999).

The TLM approach identifies five main “transitional” fields : within employment, between education and employment, between unemployment and employment, socially useful activities and employment, and inactivity and employment². A desirable state of affairs regarding employment and transitions is to limit or avoid “bad” transitions leading to poverty and exclusion, and to develop “good transitions” leading to social integration, decent income

² It must be noted that other transitions are not only possible but frequent : between household and inactivity, between training and unemployment...

and favourable career prospects. TLM may be defined as *the systematic and bargained management of transitions* in order to reach or approach this state of affairs. The key tenet is that transitions, precisely because they connect very different spheres such as training, domestic activities, self employment, etc., have to be managed in a coordinated way : my mobility depends on your mobility.

Some basic principles of transitions management have been identified :

The first is “empowerment” : transitions must be managed in such a way that individuals gain increased power over their life and work trajectory.

The second is solidarity : it is a constant trait of unemployment insurance that the “good” risks (stable and skilled workers) pay for the “bad” ones (precarious and low-skilled workers) in a single unemployment insurance programme. The reason is that the latter, the most in need for an unemployment insurance, are unable to build it alone. The same line of reasoning applies to the management of all transitions.

The third is the sharing of responsibilities. Co-financing is a priority wherever possible, in order to develop incentives for every stakeholder.

The fourth is the search for efficiency through decentralised management by objectives.

In a nutshell, TLM are first *a proposal of a LMP reform*, following the four principles set out above. They foster the appropriation by social partners of labour market policies, which should become part and parcel of wider local – regional bargains about transitions opportunities. However, a second and complementary aspect of TLM has been developed : *a reform proposal of the employment relationship*. When workers switch from a part-time to a full-time job into a given firm, when they suffer from unstable hours or enjoy free choice about holidays, they undergo transitions (“good” or “bad”) as well as if they leave unemployment for employment or leave a firm for another one. TLM may be presented as a systematic way of managing risks and opportunities stemming from the very act of working and become a reform of the whole employment relationship, inside the firms and on the labour market. The main channel for conveying this reform is an enlargement of the bargaining process in industrial relations (Gazier and Schmid 2001). Typically, social partners have to bargain over “time saving accounts”, “wage insurance devices”, as well as over new mobility rights.

The idea of granting new rights to workers : mobility, training, parental leave, career orientation and re-orientation... corresponds to innovative part of the “flexicurity” perspective. One has to rely on employability construction rather than on employment protection. Beyond the traditional social rights (social security in a wide sense), the aim is to allow workers to choose and manage their own transitions during the whole life cycle. The key question becomes the content of these rights, and the way they can be implemented. We can distinguish two basic options. The first insists on individual initiatives and responsibility, and mainly organises an open access to the labour market, while the second, in the line of TLM, introduces collective arrangements because the concern is enlarged to the control of the labour markets’ functioning.

“Equipping people for the markets” : The individualistic dimension of the new social rights

A first version of the new social rights consists in fostering individual access to paid jobs and financial autonomy. The starting point is the need for more individual initiative in the “Schumpeterian” welfare state. It may be summed up by the idea that this new welfare state has to “equip people for the markets”, first of all by ensuring a good access to information about placement networks, jobs opportunities, pay levels, careers profiles, and by organizing and subsidizing vocational training and retraining. Secondly, barriers to mobility should be removed or lowered. This may concern excessive EPL, but this is also the role of transferability of diploma and entitlements, of job-to-job health insurance and pension portability.

In this perspective, the basic priorities are training and transferability. Training because it is an investment in human capital that may be freely used, a prerequisite for occupational mobility, and one of the most important way of raising productivity in response to the challenge of globalisation. Transferability because it ensures that more or less implicit productive knowledge and work experience become explicit and are incorporated into the marketable human capital of each worker.

“Asset-based welfare” is an often used catchword for integrating these rights in a global perspective. The training and retraining rights can take the form of grants given at a specified period of everybody’s lifecycle. This calls for an “activating” public employment service, not necessarily an expensive one, because the main concern is to promote individual initiatives. In this perspective, a typical policy tool which is currently used or experimented in some OECD countries is the “re-employment bonus” (see Tejada and Swaim (2004)). The principle is to subsidize the displaced worker who finds and accept a new job, especially if this new job entails wage losses. The hope is to save money from the unemployment insurance by shortening the unemployment spells, and to ease labour market mobility.

In the USA and some European countries such as U.K., the traditional firms’ and employees’ co-financing of pensions and health insurance led to a long lasting debate about the detrimental consequences of such arrangements on workers mobility and free choice, and to laws and acts implementing “portable” pensions and health insurance rights. However the final balance remains to be drawn. Employers’ non-portable contributions were a way of retaining workers and securing productivity gains from a durable employment relationship. While other productivity gains can be expected from a change to another firm, the key point is the comparison between both gains, so one advantage may offset the other (see Dey (2000) in the case of health insurance in the U.S.). We find here the idea that systematically fostering any kind of labour mobility is not a real policy option.

Besides this complexity, one may remark that ensuring free access to labour market opportunities does not guarantee that these opportunities exist nor that they are satisfactory. Such a strategy amounts to fostering “access – employability” (Gazier (ed) 1999), without considering the quality of jobs. It relies on the hope that inside employment people will either climb up the job ladder inside firms or become able to change for better jobs. Recent econometric studies (European Commission 2004) show that it is not always the case in

Europe. So, fostering individual access to networks and opportunities is a necessary condition for securing “good transitions”, but it may not be a sufficient one.

“Equipping markets for the people : the collective dimensions of the new social rights

In the second version, most of the preceding elements remain, but they are completed in order to avoid putting an excessive weight on the disadvantaged workers, and confining them to low-paid and low quality jobs. Then, the perspective becomes “equipping people for the markets” *and* “equipping markets for the people”. We arrive at a complementary set of new social rights : rights to benefit from a rich infrastructure of employment services, from secured transitions in case of adverse conditions in the labour market, from employability agreements between social partners, from time saving accounts...

The need for a rich infrastructure of employment services as well as the collective commitment to securing temporary job experiences and opportunities stem from the insistence put on the state or the region as a last resort employer. On the other side, the employability promotion agreements and the enriched career options correspond to the firms’ responsibility in maintaining and developing employability and rich career options.

Of course, these rights cannot be separated from reciprocal obligations for the workers. They have to adapt to changing conditions. We can illustrate this by two examples of firm-level bargained management of employability :

- the case of Dutch Railways (cf Gazier and Schmid (2001)) illustrate how it is possible to directly bargain on the collective employability of the employees. Confronted to a probable perspective of downsizing, the social partners of this big railway enterprise chose to prepare its employees in a systematic way. The union decided to give up some wage increases in order to organise every three years a mandatory individual competence balances for each employee. The balances are done by an independent expert cabinet chosen by the firm and the unions representatives. If the competence level of a person proves to be incompatible with real labour market opportunities at the same wage level, then two sets of obligations are imposed : the firms is obliged to pay for and organise the needed training and adaptation programmes, and the concerned employee is obliged to attend and complete the programmes.

- the case of the Austrian Steel Foundations (Winter-Ebmer (2001)) is similar and more complex because it involves a wider set of actors. This institutional arrangement aims to help managing redundancy dismissals in a socially responsible manner. Very often in Europe, the firms dismiss low-skilled workers who quickly suffer from a stigma and have strong difficulties in finding another job. The Austrian practice is to set up a work foundation whose aim is to help workers to find re-employment through retraining and placement initiatives, and whose resources are fourfold. First, the foundation’s capital is given by the firm, thus granting its independency as long as it is needed. Second, the workers “clients” give one third of their unemployment benefits and then act as co-investors. Third, the Foundation receives help from the public LMP funds. And last but not least, it benefits from a small tax levied over the workers remaining employed by the dismissing firm. So everybody has incentives in

favour of a good outcome. The firm wants to get back its capital, the “clients” prefer to find quickly a new job, the public services also invest in the programme, while the remaining workers give a solidarity contribution. These characteristics lead to a very important consequence : workers engaging into retraining and placement activities are volunteers and do not suffer from the stigma evoked above. The evaluation realized by R. Winter-Ebmer ((2001), op. cit.) shows that the overall balance of such an arrangement is positive : most of the leaving workers find another job. In this context, very close to the principles of TLM sound management, the approach combines the active participation of firms with new rights given to their workers.

So we arrive at the basic paradox of risk taking in social and labour market matters (Schmid 2006, Leschke and al 2006) : in modern cars, good brakes are a key condition for high speed; some high level basic security is a precondition for ensuring initiatives in the labour markets and a rapid reallocation of labour. Our discussion identified two ways for obtaining it. A first answer is to organise labour market discipline and opportunities; a second is to develop collective guarantees beyond access and opportunities and in particular to provide last resort employment in difficult times and additional guarantees for disadvantaged groups. Seen from a business cycle perspective, both points of view could be combined (Auer 2006) : in recession periods, it is appropriate to develop employment generation programmes, when recovery starts the use of employment subsidies may speed up the rhythm of job taking and help backwards jobseekers, while in prosperous periods the focus shifts on training. So the question becomes the degree of ambition and of “institutionalisation” of Labour Market Policy programmes each country may develop.

III. The possible meanings of flexicurity for Europe

If now we go back to the European achievements and challenges, we have first to recognize the wide diversity of national and local situations regarding labour market functioning and security. Despite this diversity, it is possible to identify some common traits that already characterize the European way, and may be developed further in a “flexicurity” perspective. Then we shall present some policy proposals : a first group aims at avoiding vicious circles as evoked in our section 1, and at ensuring a basic level of security; a second group aims at exploiting complementarities and building more consensual labour market adjustments.

Employment and social protection regimes in Europe : assessing the diversity

One does not need to be too long on this point. The European diversity is considerable, well-known, and has increased with the recent enlargement. It concerns performances as well as social systems. We just have to mention the differences in employment and unemployment rates, in the share of non standard jobs, of part-time jobs, in the “transitions” patterns leading either to well- paid and stable jobs or to unstable jobs and even exclusion (on these points, cf of course the various issues of *Employment in Europe*). Regarding social systems, one has to

recall the variety of founding principles (Bismarckian Welfare States versus Beveridgian Welfare states), the emergence of hybrid systems, and the strong variations in the funding and generosity of Unemployment Insurance as well as in the strictness of Employment Protection Legislation.

This short text has no place for getting into detailed comparisons. It may, however, stress the functional aspects of these differences, in the spirit of our section 1. Two aspects deserve mentioning. First, according to national traditions and specific institutional settings, labour market adjustments may rely more or less strongly on some channel. In any labour market, one should expect to observe the combined adjustment role of prices and quantities and qualities, that means wages, work volumes and number of available workers, and skills levels. Two evidences appear here. First, each variable is a complex one and should be decomposed into several sub - variables, as we did in an elementary way with wages variations in our first section. Second, adaptation may be, deliberately or not, impeded by multiple considerations. For example, wages are not only a market clearing and allocating device. They may perform an incentive role, they have a moral/political meaning (“fair” wage, minimum wage), they are part of the hierarchy positioning of workers, etc. It may be suggested that European countries differ, first, in the importance they give or tolerate to wages adjustments : the size of the span of wage differentiation, the importance of variable components of pay..., and second in the importance they give to alternative adjustments, either by quantities (early retirement, temporary or permanent public jobs, regulating weekly working time...) or by qualities (importance of training and re-training policies)³. One may suggest that UK and Ireland rely strongly on market adjustments, while the Nordic countries make an intensive use of training and so try to obtain and exploit quality adjustments, the so-called “continental” economies exploring more the volume variations register.

The second aspects is that these institutional/functional choices rely on various stabilisation bases of workers in the economy : some countries enjoy many big-sized firms, while others mainly possess SME. In the first case, this may lead to strong EPL, designed for big firms and more or less relaxed for smaller ones; in this context, stabilisation starts from a traditional “internal” or “occupational labour market” basis, and recent evolutions tend to erode this basis. In other countries, the basis is made of networks or local/regional ties. This could be combined with an occupational basis, as in the case of “industrial districts” and is more compatible with a weak EPL, but could be managed with multiple local interventions and initiatives.

These arrangements are under pressure with the ongoing process of “globalisation”, and some of them reveal less adapted than others. The global tendency is twofold. First, countries privileging volume adjustments may look for more wage differentiation and market discipline, for a host of possible reasons and notably because training policies do not yield visible results in the short and medium term. This is the case for some “continental” economies such as France, as well as for most countries from eastern Europe. Second, all countries look for more training adjustments, even in countries previously relying on market adjustments, as it is perceptible in the recent evolution of U.K..

³ It should be remarked that, from a functionalist/analytical point of view, increasing the skill level of the workforce while keeping wages at the existing level is tantamount to a smooth lowering of wages. Wage moderation can be (but is not always) an outcome of employability development policies (See Gazier (ed) 1999).

The European hallmark : a key role for training and for social dialogue

This strong diversity, however, should not be exaggerated. Many studies insist on the core of common values and common concerns under it, and two aspects are particularly relevant regarding flexicurity orientation and implementation.

The first is the importance of training. Traditionally, the European workforce is a well – educated one, and this trait becomes one of the key asset the Union may exploit in the international competition. So strengthening this educational basis and developing life long learning has been, logically, put at the centre of the Lisbon Strategy. It should become a central component of flexicurity, the main question remaining how to finance and to achieve it.

The second is the importance of social dialogue. Here again the diversity in industrial relations seems and indeed is enormous : the rates of unionization in Europe range from less than 10 % of workers in France to 80 % in Denmark, and very different arrangements of collective bargaining coexist. But this variety does not impede a very active role of workers and employers unions in most of the European countries, a strong implication in the management of public affairs (in some countries unions manage the Unemployment Insurance, like in Belgium), and a deliberate effort aiming at fostering social dialogue at the European Union level (Auer 2006).

Regarding labour market adjustments, unions ask for credible compensatory protection; firms ask for more room for manoeuvre and may demand more “active” labour market policies and improved unemployment insurance; states look for a better reallocation and take into account macro – economic concerns (wage moderation, competitiveness) : each actor may find an interest in bargaining over the definition and implementation of flexicurity policies, and may admit discussing on the sharing of the costs. This may be achieved either through permanent social dialogue, or through periodic “social pacts”.

Training and social dialogue are two basic components of the way Europe manage and should go on managing the flexibility – security nexus. Taken together, they define a high-quality way towards labour market and social protection adjustment, and this may help to avoid or mitigate some of the pitfalls evoked in our first section. It remains to get into more details in order to match the European diversity of situations and policy choices and the multiple potential components of flexicurity.

Avoiding vicious circles : ensuring a basic level of security and fighting segmentation

Flexicurity is not perceived by most of the workers as an unmixed blessing. They feel risky to move on in a context of scarce opportunities and intense competition. So it is necessary to directly acknowledge the spontaneous resistance such policies may encounter : mobility is pro – cyclical and is easy in upswings and sustained growth: it becomes difficult in bad times, when it is really needed. The governments and policy makers should take into account this basic fact before devising any proposal in this direction. The simple hope that a better labour market adjustment will end up in more opportunities is not enough, and should not be presented as the compensation offered to a lessened protection of workers.

This caveat is compounded by the negative experience of eastern countries (Cazes and Nesporova 2001 and 2003). Enterprises suddenly exposed to harsh competition and deprived of state subsidies were forced to massively restructure their production and their workforce. These economies witnessed a marked acceleration of labour market flows after 1990. This resulted in a high perceived employment insecurity, and in some perverse behaviour : even in an improved job situation workers are hesitant to quit their jobs voluntarily and move on to other jobs. The implication is, in our view, that vicious circles of distrust and immobility are a meaningful risk in flexicurity matters.

The same argument holds, in our view, regarding the recent rejection of the *Contrat de Première Embauche* in France. This new labour contract introduced a two-year probation period for young workers (under 26) entering the labour market, and was presented as part of a flexicurity approach to the integration of jobless youth⁴. But it was introduced without any negotiation, against the advice of social partners. It was perceived as too insecure, especially by students engaged into long lasting university courses. The French government completed progressively the policy offer by additional rights (to housing advantages; to on-the-job retraining...). These efforts occurred when the distrust spiral was already active, and they were perceived as confirming the precarious character of the measure !

A parallel diagnosis has been formulated, in a much more detailed and nuanced way, regarding the so-called Hartz reforms in Germany (Leschke and al 2006). The analysis acknowledges that it is premature to propose a full-fledged evaluation of this multi-sided and multi-programme reform. It focuses on some important measures seen from the “flexicurity” point of view and shows that in some cases (notably the “Personal Services Agencies” institutionalizing temporary employment as a regular labour market measure and so fostering external numerical flexibility) the hoped development is hampered by insufficient targeting and insufficient security guarantees given to vulnerable groups.

So lack of adequate security provision and distrust may either ruin the policy at its very birth, or impede part of the positive reallocation and adaptation process it seeks to trigger. A last example is paramount for the whole European : restructuring (Auer, Besse, Méda (eds) 2006). We presented in our section 2 the “virtuous case” of the Austrian Job Foundations. The spiral of distrust and low motivation may occur if the process hurts low-skilled and under-informed workers, not associated to the management of quits, dismissals and reallocation. Another inclusive and negotiated arrangement is the practice of “Job security agreements” as signed in Sweden, which take into account the workers hired on a short time basis as well as long-tenure workers. It has the interest of putting all concerned workers on an equal foot, thus bridging to some extent the gap between protected and non – protected workers.

This short evocation of the German experience with the Harz reforms and of the problems associated to restructuring introduces a last concern regarding vicious circles. They may happen and become consolidated for some groups even in the case of apparently generous and satisfactory arrangements. Flexicurity policies, even apparently successful according to important criteria, may preserve or even create/reinforce labour market segmentation. A key example here is women. It is well-known that women undertake more “transitions” than men.

⁴ A two year probation periods seems excessive by all international standards. The UK had such a rule in the nineties, and in 1999 the government shortened this period to one year. Available evaluations show a 30 % lowering of quit rates for the concerned workers, no net effects on employment and unemployment, and a better investment in competences and training inside firms, from both sides, employees and employers (Marinescu 2006).

The precise order of magnitude depends on the definition and measure statisticians adopt; but it can be safely said that approximately 60 % of “transitions” are performed by women and only 40 % by men. This is easily accounted for by maternity leaves and the importance of part-time work. So women take more career breaks than men, and some Flexicurity policies may well develop secure forms of part-time jobs, ensure a better conciliation of family life and professional duties, and end up in secure but low earnings and weak career prospects. Such a situation has two visible effects and one less visible. First, income dependency remains the major risk if the unequal sharing of the caring tasks does not allow sufficient earnings of women; second, their career remains hampered by staying in low responsibility positions with little accumulation of competences. The less visible effect could be an increased segmentation (Jepsen 2005) : a “protected” circuit for women may develop, possibly with temporary relatively generous compensatory benefits. A specific vicious circle would start with an increased complementary income security for women engaged in caring activities, who reduce their working time in paid jobs, and then become less and less able to get back into “normal” job positions later. We find again here, possibly combined, the two vicious circles identified in our section 1 : distrust and low investment spiral and inactivity spiral. A mitigated outcome in the same vein is the strong job segregation as experienced in Sweden : some sectors, often personal services sectors, show a huge concentration of jobs held by women only and appear as separate worlds far away from international competition. In order to combat such tendencies, the “transitions” should be organised in such a way that unpaid work should not hamper career development of women. This may mean that care leaves should be equally taken by men, and retraining should be a real option for parents re-entering the labour market and looking for really autonomous positions. So it is the long-term security and autonomy of each partner which should be the ultimate aim.

4. Exploiting complementarities : between “societal coherence” and “functional equivalents”

In order to identify the complementarities which may be developed and the trade-offs which may be managed and possibly mitigated, one may start from the often discussed case of Denmark, presented as a successful implementation of “flexicurity”. The debate about this national version being very lively in France, we may rely on some recent contributions which in our view help to go beyond too general ideas and too specific national contexts (Barbier 2006; Boyer 2006 op. cit.). The so-called “golden triangle” (Madsen 2003), made of relatively permissive firing rules, generous social protection and active labour market policies, has been generated in a small country with a long lasting tradition of social dialogue, very strong unions and numerous small and medium sized firms. This coherence is itself the result of permanent adaptation and efforts for dealing with problems with various tools and “tâtonnements”. As we saw, “flexicurity” is a complex mix of evolving policies, not a simple recipe. So, different versions of flexicurity in different national contexts may rely on other rules and traditions. The key point is to identify and develop “functional equivalents”, i.e. different sets of institutions and rules yielding analogous results in similar situations. In a country dominated by big firms with ancient “internal labour markets”, this rather different situation may lead to put the priority on skill transferability and on the implication of local actors, including social partners, municipalities and networks of non-profit organisations, in order to generate temporary or durable work positions and allow some reallocation of labour for low-skilled workers. Such a collective construction of employability (Gazier (ed) 1999), however, has in common with Denmark the search for more “local” coordination and initiatives. In bigger countries, it makes sense to build regional capabilities and

responsibilities regarding not only employment and training, but, in a wider perspective, transitions management.

Here we find as a common perspective the opportunity of progressively developing the new social rights we already alluded to. The main challenge is to connect training and “social” policies together and to the whole net of “transitions”. These two fields are traditionally managed by firms, unions and policy makers in a separate way, with different criteria and different channels of financing and monitoring. The outcome of this transversal approach should be a more mobile and motivated workforce, able to take voluntary initiatives and accepting a high level set of reciprocal rights and obligations. So the “flexicurity” approach should start with more rights given to workers, inside firms as well as on the labour market. This could lead to accept less legal protection of employment, but with well-identified and credible counterparts.

A common motto is relevant here : “Making Transitions Pay”. It should in our view replace the OECD inspired “Making work pay” motto, because it includes a large part of it and overcomes some of its drawbacks (Gazier and Zajdela 2006). While “Making work pay” seeks to push people into jobs whatever quality they may have, “Making transitions pay” puts the emphasis on job quality, on competences accumulation, on long term consequences of training and placement decisions. It keeps the insistence of individual autonomy but warns against undue development of low quality part-time jobs (with as a consequence the durable appearance of a “working poor” group). It fosters a simultaneous and explicit management of “activation” and of what could be termed “de-activation” policies, i.e. policies organising career sequences out of traditional paid job, for example time spent caring a dependent parent.

A central concern of European “flexicurity” policies should be to overcome, or at least to mitigate the “Matthew effect” regarding training : those most in need are also the less able and willing to undertake training. Strong compensatory measures creating credible training and placement opportunities are in order if one wants to reach a high-level equilibrium of competencies and adaptation. An example here is the parental allowance created in France for helping low-income parents (in fact : mothers) to rear their children during a medium term period of 3 years : the “Allocation Parentale d’Education” (A.P.E.) integrated since 2004 into the “Prestation d’Accueil du Jeune Enfant” (PAJE). The scheme is a relatively generous one, allowing benefits intermediate between the minimum income and the minimum full-time wage. But it has very different outcomes depending on the previous trajectory of the mother. If she enjoyed a stable job, then she makes use of the right to get back into this job and this constitutes a good transition. If the mother’s previous trajectory is made of low-skilled and unstable job experience, this benefit may foster a difficult return to the labour market and in the end a complete withdrawal from it. In order to avoid it, two elements at least are needed; first, a careful retraining at the end of the childrearing period, and second some organised paths to employment, including good quality part-time jobs.

So “Flexicurity” is best associated to an enrichment of local bargaining over “transitions”. It implies the development of a wide set of partnerships, including training institutions and non-profit organisations. Pragmatic considerations as well as theoretically-based arguments suggest that there is a wide range of possible options here, from massive privatisation to decentralised and contractual arrangements involving public, non-profit and private bodies. The common priority is to develop more individual initiative and to bring actors closer to the consequences of their decisions. The combinations currently explored in the E.U. are quite various and evolving. One remarks the radical reform of the Public Employment services

undertook by the Dutch government at the beginning of the century. We are too early for obtaining reliable evaluation of this process. However it should be underlined that privatizing services such as the placement services for the hard-to-place is a complex issue (especially, organising tenders makes it necessary to specify the “product”), and a controversial one (with the risks of “creaming”). Public-Private Partnerships (PPP) are commonly experimented; in order to remain equilibrated, they suppose that the public bodies keep a real expertise capacity and probably keep a meaningful activity in the domain..

This leads to some considerations regarding the costs of such policies. Far away from taking short-term advantages from a depressed labour market, the policies we reviewed look for positive long-term implications and may seem more costly. However looking for short-term advantages may reveal costly too in the medium and long-term, with discouraged workers and low mobility. Ambitious flexicurity policies may be managed in a sound and cost-containing way.

- First, they should rely on co-financing and avoid some moral hazards problems by developing a sequential approach to employability development (see Gazier 2002). In the same vein they should develop incentives, not only for individuals, but also for institutions, notably by installing some feedback mechanisms in financing circuits : the more an institutions spends in improving the trajectories of its “clients”, the easier should become its financing. This is the case when “activating” unemployment insurance benefit from the reduction of their rolls, and so are able to develop further “activating” devices.
- Second, it should exploit the potential of wage moderation, and capture externalities such as savings stemming from a low level of unemployment and a high level of voluntary mobility.

Conclusion

Flexicurity is neither a panacea nor a simple one-way policy. It should be associated with expansionary macro-economic policies as well as with innovation and business development policies. However we tried to show that it is already and should be more and more a central part of the “European way”, as opposed to pure “flexibilizing” policies or to individualistic market-oriented options we mentioned in our section 2..

At the level of the European Union, three priorities can be mentioned.

The first is improving our understanding of the process and the outcomes of allocation and reallocation decisions in and around the labour market. Measuring, comparing and evaluating “transitions” should become a permanent statistical and analytical activity.

The second is to strengthen/enrich the social dialogue at the Union level, and to back the diverse national employment policies, with a special attention paid to the pro-active management of social risks.

The third is to contribute to the undergoing process of redefining the responsibilities of actors, regarding employment security and employment development. This entails for example a deepening and furthering of the process launched by the Union last year for restructuring. The affirmation of a European part of responsibility in this domain is particularly welcome but remains up to now limited to “externally-caused” restructuring. The Union by itself generates or eases restructuring in member states, so it is necessary, in order to improve trust and trigger adaptation, to acknowledge it and to develop European specific policies (in a subsidiary way) addressing the consequences. An analogous stake holds for life-long learning. While consensual in their principle, such policies are quite slow in their implementation. Speeding it

supposes to clarify more who benefits and who pays, and to impulse a visible improvement. The Union should develop further its effort on this point.

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