

The Concept of “Flexicurity”: A new approach to regulating employment and labour markets

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Abstract:

This paper deals with the new policy concept of “flexicurity” in view of the emerging flexibility-security nexus that the European Union, national governments, sectors of industry, individual companies and workers are currently facing. On the one hand there is a strong demand for further flexibilisation of labour markets, employment and the work organisation. At same time, an equally strong demand exists for providing security to employees - especially vulnerable groups - and for preserving social cohesion in our societies. This paper discusses the origins, conditions en potential of flexicurity as policy or strategy at various levels of industrial relations that explicitly addresses this nexus. Besides the paper outlines a research agenda with respect to the flexicurity phenomenon.

1 Introduction: the flexibility-security nexus

Workers, companies, sectors of industry, national governments and, last but not least, the European Union as a whole are currently facing a double bind (as psychologists call this) or at least a twofold expectation. On the one hand there is strong demand for further flexibilisation of labour markets, employment and the work organisation, while at same time an equally strong demand exists for providing security to employees, especially vulnerable groups of employees.

This twofold expectation is clearly documented in the EU policy discourse since 1993, starting with the 1993 White Paper on Growth, Competitiveness and Employment and formulated explicitly in the 1997 Green Paper – Partnership for a New Organisation of Work, which states that ‘the key issue for employees, management, the social partners and policy makers alike is to strike the right balance between flexibility and security’.

This *flexibility-security nexus*, as Wilthagen has called it (Muffels et al., 2002, Wilthagen, 2002), has been addressed at a series of EU summits, including Essen, 1994, Florence 1996, Amsterdam, 1997 – resulting in the Amsterdam Treaty – Luxemburg, 1997 and Lissabon, 2000 and has become a key target of the European Employment Strategy (EES) and a major challenge to the European Social Model (ESM) (Klosse, 2003). In fact, the mission of the EU as formulated in Lissabon in 2000 does clearly reflect the ambition of enhancing both flexibility and security as the aim is “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”. Several provisions of the European Treaty – notably articles 125-127 – do oblige the EU to promote both the adaptability of workers and labour markets as well as high levels of employment. Thus, the promotion of flexibility and security has been granted a legal basis.

The pursuit of a (new) balance between ‘flexibility’ and ‘security’ is especially manifest within the European Employment Strategy. The 2001 European Employment Guideline 13, under the Adaptability pillar, explicitly addresses both flexibilisation and security goals, as it invites the social partners “to negotiate and implement at all appropriate levels agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, achieving the

required balance between flexibility and security, and increasing the quality of jobs.” And in the Council Decision on the revision of the Employment Guidelines¹ it is stated that

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

¹ Council Decision of 22 July 2003 (2003/578/EC).

Box 1

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

Member States will facilitate the adaptability of workers and firms to change, taking account of the need for both flexibility and security and emphasising the key role of the social partners in this respect. Member States will review and, where appropriate, reform overly restrictive elements in employment legislation that affect labour market dynamics and the employment of those groups facing difficult access to the labour market, develop social dialogue, foster corporate social responsibility, and undertake other appropriate measures to promote:

- diversity of contractual and working arrangements, including arrangements on working time, favouring career progression, a better balance between work and private life and between flexibility and security,
- access for workers, in particular for low skill workers, to training (...)

Consequently, a new nexus or perhaps even a new paradox has emerged. It could be argued that this new nexus merely reflects the traditional capital-labour nexus, which represents the core topic of industrial relations theory and research. It is clear that further flexibilisation of employment and the labour market is being advocated in view of the goals of economic performance, competitiveness and growth (cp. European Central Bank, 2002), whereas the need for security is being advocated from a social policy perspective emphasising the importance of preserving social cohesion within our societies (see e.g. the Laeken Declaration on the Future of the European Union, presented 15 December 2001).

However, flexibility does not seem to be the monopoly of employers since employees and their representatives also show a need for a more flexible organisation of work in order to meet employees’ individual preferences and circumstances, e.g. in combining work and private duties and responsibilities (cp. the *Report of the High level group on industrial relations and change in the European Union*, 2002: 14). Moreover, employers realise that they have an interest in stable employment relations and in securing employees’ commitment and human capital to their companies.

The views of the European Commission on actually striking a good balance between flexibility and security are fairly optimistic. In the European Commission’s overview of industrial relations in Europe for the year 2000, it is contended that ‘all member states have tried to improve flexibility in the labour market by launching active employment and

vocational training policies. Modernising the way in which the labour market operates means finding a new balance between flexibility and security. This is reflected at community level in the framework agreement on part-time work, concluded by the social partners' (European Commission, 2000:83).

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

Given the new nexus policy makers, legislators, trade unions and employers' organisations have a strong need for new theory-inspired policy models and concepts that promise to reconcile these allegedly incompatible goals of enhancing both flexibility and security. This paper discusses such a concept: 'flexicurity'. The paper explores the origins and use of the concept, as well as the conditions and modalities of flexicurity strategies and their potential for adequately dealing with the flexibility-security nexus.

2. Flexicurity: towards a definition of the concept

Flexicurity is, indeed, a very catchy term and therefore in need of further definition in order to apply it in policy-making and the study thereof. In our view flexicurity represents a policy strategy that can be defined as follows:

a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, the work organisation and labour relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market on the other hand.²

Clearly the definition presented above is rather strict due to the elements of 'synchronisation', 'coordination' and 'weaker groups'. Indeed, in order to render it possible to empirically research flexicurity a strict definition of the concept is required. We do not define flexicurity simply as "social protection for flexible work forces" as Klammer and Tillman (2001),

² This definition is based on Wilthagen and Rogowski, 2002: 250.

Ferrera et al. (2001) and many others tend to analyse it. For a labour market strategy to be labelled a form of flexicurity it is insufficient for it to display elements of flexibility and security over a certain period of time. Traditionally, policies aimed at enhancing security are of a reactive nature, i.e. they follow, usually with a significant delay, the assessment that developments in or outside the labour market are harmful to the security of certain groups. In turn, flexibilisation policies are usually launched, also after some delay, to adjust labour market or social security arrangements and institutions that are considered too 'tight', protective or static and presumed to hamper economic development and competitiveness.

Furthermore, it is not sufficient for certain strategies or policies to be called flexicurity strategies if both flexicurity and security are enhanced in a fully contingent way. The definition implies that flexicurity strategies and policies are developed in a coordinated and deliberate way, e.g. during or through negotiations between social partners or between individual employers and employees at various levels. The term "coordinated way" is to be regarded in a very general sense and does not exclude a role being played by market forces, financial incentives, fiscal measures, public-private partnerships or entirely private bodies and agencies.

Finally, an essential element of our definition pertains to weaker groups, either in or outside the labour market. This means that policies or measures that enhance labour market flexibility and exclusively increase the (employment, income or social) security of stronger/insider groups are not to be counted as flexicurity policies or measures. Admittedly, the classifications 'stronger' or 'weaker' only have a relative meaning here and cannot be defined in advance.

Additionally, flexicurity could not merely be seen as a certain "species" of labour market policy/strategy but also as a certain "state" or condition of the labour market. In the latter case one needs to define flexicurity both as a typical form of security and as a typical form of flexibility (it is, after all, a concept with a double character). Thus such a definition could read:

Flexicurity is (1) a degree of job, employment, income and combination security that facilitates the labour market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labour market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets' (and individual companies') timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity.

Below we will further address the distinct types of both flexibility and security distinguished in both definitions.

The foregoing should not convey the impression that flexicurity strategies, as defined here, have become or are becoming “mainstream” labour market policies, which are attractive for their “win win” character, and that their emergence is somehow self-evident. Neither should one presume a tendency towards regulatory convergence in the regulation of non-standard work (Fagan and Ward, 2000). Moreover, one should not be blind for the possibly very ideological use of concepts such as “flexicurity” (Fahlbeck, 1998). It could be the case that the (se)curity party of flexicurity only goes to sell the message of further flexibilisation and deregulation in the interest of certain socio-political interest groups. Therefore the valuation of labour market and employment strategies and policies as flexicurity strategies is - at the end of the day - an empirical matter, and thus subject to empirical (preferably multidisciplinary) research.

As already suggested, flexicurity policies can be analysed as types of trade-offs. Some remarks are important here. These trade-offs can involve individual workers, groups of workers or entire workforces, sectors of business or national governance systems as a whole, depending on the level where the trade-offs are made. We suggest to limit the analysis here to four forms of flexibility commonly distinguished in the literature – numerical-external, numerical-internal, functional flexibility and flexible pay – and four forms of security – job security, employment security, income security (or social security) and “combination security”. By the latter form of security we refer to the security of a worker of being able to combine his or her job with other – notably private - responsibilities and commitments than paid work.

Figure 1 *Flexibility versus security trade-offs*

Flexibility/security	Job security	Employment security	Income security	Combination security
Numerical-external				
Numerical-internal				
Functional				
Variable pay				

This matrix can serve as a heuristic tool to empirically trace flexicurity policies as specific trade-offs or at least interconnections between certain types of flexibility and certain types of security.

Flexicurity strategies and policies – which are usually not referred to as such by policy makers and legislators – are strongly connected to the transitions people make (or do not make) in the labour market and especially in moving to and fro between the labour market and other realms of life. At this point the concept of flexicurity relates to another important concept, that of transitional labour markets (see Schmid and Gazier, 2002).

It can be argued that the emergence of the concept of flexicurity fits into a broader, changing perspective on regulation and the role of institutions. As of the 1980s paradigm shifts can be observed with respect to employment regulation and labour market policies. In the 1980s many European governments committed themselves to deregulating labour markets, as law, regulation and institutions were considered barriers to sound economic development and growth. However, in practice deregulation did not result in less regulation but generated new, albeit different rules.

As of the first half of the 1990s a change of view seems to be evolving. Institutional and regulatory settings in the labour market are no longer seen as mere economic barriers. Rather, certain settings and forms of (re)regulation are considered conducive to economic performance (Streeck, 1992). Social policy is increasingly being typified as a “production factor”, e.g. by the European Commission, and social institutions now seem to matter in a positive sense (see Auer, 2001). As Esping-Andersen and Regini (2000: 340) put it in their book with the meaningful title *Why Deregulate Labour Markets?* : “Managing unemployment is greatly facilitated when, and if, the social partners are capable of strong co-ordination and consensus-building.” From a scientific and theoretical point of view flexicurity policies can be characterized as a form of coalescence and synchronisation of economic and social policy (Wynn, 2000:501) or as a post-deregulation strategy (Keller and Seifert, 2000: 293). Collins (2001) discusses the endeavours to reconcile flexibility and security as a “third way” strategy. In any case: flexicurity is first and foremost a policy concept or policy strategy and it should be studied as that. In attempting to trace its origin it appears closely connected – though not limited! – to the Dutch labour market reform in the 1990s³. This argument will be developed in the next section.

³ This section builds on Wilthagen, 1998 and Wilthagen and Rogowski, 2002.

3. The Dutch origins of flexicurity

The concept of flexicurity ties in with recent Dutch labour market reforms, though, again, flexicurity policies are neither limited to the area of legislative reform nor to the particular Dutch situation or its socio-economic 'Polder Model' as the Dutch tradition of policy-making and consultation has been referred to. We do not agree with Gorter (2000) who describes flexicurity as a typically Dutch phenomenon. In fact, flexicurity policies can also be observed in other national and international governance systems and they do emerge at the sector or company level as well (Wilthagen, 1998a, Klammer and Tillman, 2001).

As in other countries, the Dutch debates on flexible labour and atypical employment relations have concentrated on both the needs and limits to labour market flexibilization.⁴ Typically for the Netherlands are the recurrent discussions about the system of dismissal law and regulation. In the Netherlands there exists a 'dual system' of dismissal law, which is, moreover, of a "preventive" nature. Employers have to address either the Centre for Work and Income (CWI, i.e. the regional public employment service) to ask for a permit *before* any notice to terminate the employment contract can be given, or they have to file a request at the lower courts, requiring dissolution of the employment contract on the grounds of 'serious cause'. Since the 1980's the dismissal permit system has been denounced as one of the major 'burdens to business' and the cause of much labour market inflexibility and immobility. Yet, empirical research has never supported this criticism (cp. Mayes and Soteri, 1994 and Bertola, 1990).

A new approach to labour market flexibility and (in)security was adopted at the end of 1995 when the Dutch Minister of Social Affairs and Employment, Ad Melkert (Labour Party), deliberately attempted, in a memorandum called 'Flexibility and Security' (*Flexibiliteit en Zekerheid*, December 1995), to strike a balance between flexibility and (social) security. This memorandum contains an interrelated set of starting points and proposals for modifying the dismissal protection enjoyed by employees in standard employment relationships, abolishing the permit system for temporary work agencies in respect of their placement activities and enhancing the legal position of temporary agency workers, whose relationship with the agency is to be considered, in principle, a standard employment contract. It is important to

⁴ A fuller account of the origins of flexicurity, the implementation of this strategy in the Netherlands and the relevance to a theory of transitional labour markets is given in Wilthagen, 1998a.

note that the flexibility and security measures put forward by the Dutch government pertain first and foremost to the legal position of employees.

Box 2

The Dutch Ministry of Social Affairs and Employment as such did not adopt and has not adopted the English concept of flexicurity. However, it was during this same period, in the autumn of 1995, that the very concept of flexicurity did take root in policy circles. The sociologist and member of the Dutch Scientific Council for Government Policy (WRR), professor Hans Adriaansens, launched the concept in speeches and interviews. Adriaansens defines it as a shift from job security towards employment security and makes the case for a different attitude towards flexibility (among workers) and for a flexible and activating social security system. Wilthagen took up and modified the concept in a 1998 discussion paper for the *Wissenschaftszentrum Berlin* (Wilthagen, 1998a).

In the Dutch coalition government (nowadays referred to as the first ‘purple coalition, i.e. a coalition of Labour, Liberals and Social Liberals), no agreement on the flexibility and security proposals could be reached. Subsequently, the Foundation of Labour was asked for its advice on this matter. The Foundation of Labour is a consultation and advisory body at the central level, which was established at the end of the Second World War (1945; see Windmuller, 1969). Its members constitute the largest confederations of employers' and workers' organizations. Unlike the Socio-Economic Council, the Foundation of Labour has no members or representatives from the government. The Foundation of Labour is central to the Dutch ‘consultation’ economy, or the ‘Polder Model’, as it is called nowadays (Visser and Hemerijck, 1997). It is an institution that is remarkable for its strategies of positive sum bargaining. The pursuit of so-called ‘win-win’ strategies and results, as perceived from the point of view of both workers and employers, is at the core of the Foundation.

Under the umbrella of the Foundation, which in the early 1990s was recovering from a period in the doldrums (van Bottenburg, 1995), employees' and employers' confederations managed to hammer out a detailed agreement on flexibility and security that was published in a memorandum of the same name on 3 April 1996 (publication 2/96). Moreover, on 2 April 1993, the employers' organizations, the trade unions and the non-profit-making employment agency START had reached agreement on regulating the legal position of temporary agency workers after the new laws came into force. They had decided on a collective agreement that was to run for five years. The main provision of this agreement is a so-called 4-phases system that gradually grants more rights to workers depending on their tenure at the temporary work agency (TWA). E.g. once workers have completed 26 weeks with the agency they have a

right to participate in a pension scheme at the agency and, moreover, the agency has to discuss the training needs of the worker. After another 6 months, they will be offered a fixed-term employment contract. After a total of 18 months at the same client firm or after 36 months of working at different client firms this contract will be converted into a permanent contract.⁵

The initiatives of the social partners were very much welcomed by the government. Nearly all the recommendations were taken up in a set of proposals for new bills. On March 7 1997, the Flexibility and Security Bill was submitted to the lower house of the Dutch parliament, together with the Allocation of Workers via Intermediaries Bill, which provided for the abrogation of TWA permits. The following rationale for the new proposals was advanced:

...there is quite a high level of protection for workers employed under a traditional contract of employment, while people in flexible employment are faced with a high level of insecurity. The government has therefore sought to fundamentally review and update Dutch labour law. In doing so it started from the assumption that employment relationships which are well-balanced, steady and flexible, should be the core of an economically competitive and socially sound labour system.⁶

On 18 November 1997, the lower house of the Dutch parliament accepted the new flexibility and security proposals. As the trade unions, the employers' confederations and the government were very much committed to the proposals that were the outcome of successful negotiations, no fundamental changes had been made.⁷ This can be regarded a typical example of corporatist coordination. Nevertheless, in addition to widespread enthusiasm and euphoria, there was also some criticism regarding the balance between flexibility and security. Some commentators went as far as to conclude that greater emphasis was being placed on flexibility than on security. In particular, the proposal to allow fixed-term employment contracts to be extended three times without any obligation to apply for a permit to give notice was seen as a significant weakening of dismissal protection (Pennings, 1996). Besides, it had become clear that the trade unions and employers' organizations were putting very different interpretations on the accord on a new collective agreement in the TWA business. However, after some debate the new legislation came into force on 1 January 1999.

⁵ As of 29 March 2004 a new collective labour agreement in the TWA sector has come into force (running from 2004 until 2009) which has slightly altered the flexibility/security mix.

⁶ Ministry of Social Affairs and Employment, information leaflet i 003 E, April 1997: The Flexibility and Security Bill.

⁷ Although no consensus has been reached yet on the issue of appeal in rescission cases.

The main aspects of the new legislation are summarized in box 3 below, listing the flexibility aspects of the legislation in the right column and the security aspects in the left one.

Box 3 *Central aspects of the Dutch Law on Flexibility and Security*⁸

Flexibility	Security
<ul style="list-style-type: none"> - Adjustment of the regulation of fixed term employment contracts: after 3 consecutive contracts or when the total length of consecutive contracts totals 3 years or more, a permanent contract exists (this used to apply to fixed-term contracts that has been extended once) - the obligation for TWAs to be in possession of a permit has been withdrawn. The maximum term for this type of employment (formerly 6 months) is abolished as well. - The notice period is in principle 1 month and 4 months at maximum (used to be 6 months). - The Public Employment Service (PES) dismissal notification procedure has been shortened and employees are no longer required to file a pro forma notice of objection to the Regional Director of the PES in the event of dismissal on economic or financial grounds in order to substantiate a claim for employment benefit 	<ul style="list-style-type: none"> - Introduction of 2 so-called presumptions of law which strengthen the position of atypical workers (regarding the existence of an employment contract and the number of working hours agreed in that contract); the existence of an employment contract is more easily presumed - a minimum entitlement to three hours' pay for on-call workers each time they are called in to work - regulation of the risk of non-payment of wages in the event of there being no work for an on-call worker: the period over which employers may claim that they need not pay out wages for hours not worked has been reduced to six months - a worker's contract with a TWA is considered a regular employment contract; only in the first 26 weeks are the agency and the agency worker allowed a certain degree of freedom with respect to starting and ending the employment relationship - special dismissal protection has been introduced for employees engaged in trade-union activities - dismissal cases at the lower court (so-called rescission cases): the judge must check whether or not it is prohibited to terminate the employment contract with an employee, e.g. in the case of employees on sick leave; in the latter case the employer has to produce a re-integration plan for the employee to enable the judge to assess the feasibility of reinstatement

For reasons of space we will not go into empirical evidence on the effects of this legislation (to date three evaluations have been carried out). For now it is important that this example of a flexicurity policy clearly contains an explicit and well-considered trade-off between forms of flexibilisation, i.e. enhanced external numerical flexibilisation (slight reduction of dismissal protection in standard employment relations, far-reaching liberalisation of the temporary work

market), and forms of security for weak groups, i.e. more employment and employability security for temporary agency workers and other non-standard workers such as on-call workers. Furthermore, it is safe to argue that this reform, which is largely considered effective and positive in its consequences, could never have been launched and implemented if it was not for the joint efforts of the social partners, both at the central (Foundation of Labour) and the sector level (collective agreements in the temporary work sector).

There are many other interesting practices of flexicurity in action to be found in the Dutch employment system, e.g. the (re) emergence of employment or job pools, either within individual companies or as inter-company alliances. The flexicurity aspect of employment pools lies in the trade-off that these pools establish between numerical and/or functional flexibility on the one hand and employment (rather than job) security on the other. An interesting case of an employment pool, serving as an example of flexicurity strategies, is represented by the development of a pool - a combination of an inter-firm flex and inflow pool - in the Dutch value added logistics (VAL) or “indistribution” sector.⁹

4. Flexicurity in other national systems

The concept of flexicurity is increasingly being taken up in other countries, explicitly in the German debate on labour market flexibilisation and the regulation thereof¹⁰, in Scandinavian countries (Madsen, Braun, 2003),¹¹ Belgian labour market studies (Sels et al., 2001) in the eastern and central European countries (Cazes and Nesporova, 2003) and, as we have already shown, at the EU level. The first-ever German-Trade Union forum, organised in May 2002, even stated as its main conclusion that “The balance between security and flexibility is a crucial element of future employment policy and a key challenge for Europe’s workers and employers.”¹² Elsewhere in Europe the flexibility-security debates is highly politicized, a fact

⁸ It should be noted that by means of a collective agreements it is possible to deviate from a number of provisions of the law.

⁹ This example has been reported in Wilthagen et al, 2002, which contains more examples.

¹⁰ See *WSI Mitteilungen*, special issue on ‘Flexicurity’ – Arbeitsmarkt und Sozialpolitik in Zeiten der Flexibilisierung, vol. 53, 5/2000. See also the way the German Green Party considers flexicurity in terms of access to the labour market: http://www.gruene-fraktion.de/rsvgn/rs_dok/0,,430,00.htm

¹¹ See e.g. the international research seminar on “Flexicurity – Models, Policies and Effects”, Copenhagen, 23-24 January 2002, organised by the Danish National Institute of Social Research.

¹² The forum was organised jointly by the Anglo-German Foundation and the Friedrich Ebert Foundation at Esher Place, the Amalgamated Engineering & Electrical Union’s training facility in Surrey.

that, beyond understanding, has somehow contributed to the sad death of the outstanding labour lawyer and industrial relations scholar Marco Biagi.

Elsewhere we have made a first comparative assessment of flexicurity “in action” in the Netherlands, Germany, Belgium and Denmark (Wilthagen et al., 2003). From this comparison it becomes clear that each country knows specific forms and mixes of security and flexibility and that specific ‘balances’ or equilibriums often came into being a long time ago. Secondly, the debate in each country on the issues of flexibility and security has intensified during the past two decades. A third conclusion is that different emphasis is put in the countries studied on types of flexibilisation and security and on the relationship between these two factors. The emphasis in Germany and Belgium remains on more Fordist or ‘industrial’ forms of flexibility, in particular on internal-numerical flexibility and some forms of functional flexibility. The Netherlands and Denmark, two countries that have more of the nature of a service economy, focus stronger on external-numerical flexibility. A similar division can be seen in the area of security. In Belgium and Germany, the emphasis remains on income security, while the Netherlands and Denmark are focusing increasingly on work security instead of (merely) income security.

Of course this a very rough and general picture of the state of affairs in these four countries. Furthermore, notwithstanding a certain rate of continuity all four countries show various dynamics of change, to some extent in similar directions (e.g wage flexibility). It also appears that existing, tried and tested bodies and coordination mechanisms are being used in the four countries in order to facilitate and direct adjustment processes. Fourthly, similar trends appear to be occurring in the countries: wage flexibility, internal/functional flexibility and combination security are increasingly considered important in all the countries.

Yet, there are differences between the countries in terms of the extent to which coordinated flexicurity is realised. In Denmark, there is a clear trade-off between a high level of external-numerical flexibility and a high level of income and (increasingly) work security. Since the end of the 19th century, Danish workers have had little protection from dismissal, but with income protection, they have the security of being able to find a new job quickly, thanks to training, mediation and reintegration. In this respect, Germany differs most from Denmark. The security factor in Germany has been very prominent and in practice it has proved to be difficult to introduce new forms of flexibility and security, though a major

reform of labour market policies has now been announced and set in motion.¹³ The flexicurity strategy in the Netherlands can be demonstrated most clearly by the already described legislation and policy on external flexibility and work security. The Belgian situation can best be typified as a trade-off between internal numerical flexibility and job security. The Belgian system is difficult to define – it could be deemed traditional, but in any case it has a bit more limited level of balance between flexibility and security.

Other types of trade-offs or equilibriums between flexibility and security are possible as well. E.g. the Spanish “experiment” has resulted in a bifurcated labour market. Here the (very strong) flexibility demands and burdens have largely been shifted to the various temporary workforces, whereas the “insiders” in the labour market enjoy a very high degree of job security (Toharia and Malo, 2000). In the eastern and central European countries the prevailing trend is rather towards facilitating higher adjustment flexibility for enterprises while compensating it with broader employment security for workers *outside* the enterprise (more assistance from labour market institutions in re-employment, reasonable income support and better access to labour market schemes) (Cazes and Nesporova, 2003, vi). Outside Europe examples of other interesting mixes of flexibility and security can be found, e.g. the traditional system of life-time employment (i.e. job or employment security) and high internal of functional flexibility in large Japanese firms (Dore et al., 1989). And in even in the US, more precisely in California, high levels of external flexibility (the employment at will doctrine) are being compensated for by very specific forms of employment or employability security, namely a ban on so-called covenants not to compete for workers (Lester, 2001).

Flexicurity strategies, which in the Netherlands and Denmark appear to focus on enhancing both numerical (external and internal) flexibility and work security, seem to have favourable effects on labour market participation. Figures published by Statistics Netherlands over the year 2001 reveal that Denmark and the Netherlands rank respectively no. 1 and 3 with respect to labour market participation rates in the EU (76% and 74%¹⁴), whereas Germany and Belgium rank 8th and 12th.

¹³ See the contribution by Keller and Seifert to this special issue.

¹⁴ It should be mentioned that quite a large part of labour market participation in the Netherlands is in part-time employment. The reported figures are not based on full-time equivalents.

5. Conditions of flexicurity

As the study of flexicurity strategies is a relatively new area of research, it is not yet possible to give well-founded statements on the origins, conditions, effects and success of these strategies - certainly not on the limited basis of evidence reported in this paper.

Yet, in general it can be argued that the political and social feasibility of labour market and work organisation reform that takes into account both sides of the coin depends on the extent to which new measures are perceived as serving the interests of the most prominent parties involved. This is why countries, sectors and companies that lack a tradition and platform for coordination, consultation and negotiation seem to be at a disadvantage when it comes to producing flexibility-security trade-offs (see e.g. Fouarge, 2002: 218, Foden, 1999: 540).

These trade-offs, or at least their possibilities, seem to correlate, as our examples suggest, with corporatist systems or other traditions of social partnership, consultation and coordination and require a certain degree and climate of mutual trust. Employers must be willing to acknowledge that flexibility can adequately be attained (notably in a long-term perspective) within a context that provides reasonable levels of security to workers, whereas workers and their representatives must be willing to redefine security to a certain extent - e.g. in the form of transitional employment and employment security rather than job security or as a form of risk management (see also Schmid, 2002, Wilthagen, 2002). Trust is a major factor here. If levels of trust are low or absent, either among the social partners or towards the government, flexicurity strategies can be expected to meet with strong opposition and mistrust. An indication for this is the reaction of trade unions and employer organisations to the 1997 Green Paper, which promoted the idea of social partnership and balancing flexibility and security. Whereas in countries such as Finland the response was positive, e.g. French and German trade unions were very negative about the views included in the Paper, arguing that the idea of partnership represents a threat to the independence of unions and a denial of the importance of workers' rights and positions, notably at the enterprise level (Korver, 2001: 6-8).

The hypothesis can be forwarded that a high degree of negotiated flexibility (see Anxo & O'Reilly, 2000: 73-74) and broad negotiation agendas have contributed to the Netherlands and Denmark achieving a relatively high level of balance between flexibility and security. This is illustrated by the Danish "inclusive" approach to leave, training and job rotation. It is

also demonstrated by the many flexicurity aspects, which together have been implemented in Dutch laws and regulations.

Extending the scope of collective bargaining leads to an increase in the range of trade-off and combination options with respect to flexibility and security. By negotiating not only about wages and working hours, security for employees need no longer be exclusively sought in income or job security, but also in the maintenance of a good position in the internal and external labour market (e.g. in terms of training, employability, flexible organisation of work, et cetera). Adding the flexibilisation strategies of employers to the bargaining agenda and discussing them in an integrated manner along with security for the employees results in an increase in the acceptance of flexibilisation among employees. This encourages “positive coordination”, ‘integrative bargaining’, ‘positive-sum-games’ and ‘negotiated flexibility’, enabling mutual gains to be achieved and a more optimal way of dealing with the double requirement of flexibility and security. Again, mutual trust, based on an understanding of mutual interests, forms a crucial factor here.

The Dutch and Danish cases also suggest that the decentralisation of labour market policy has a beneficial effect on the introduction of flexicurity. Decentralisation has been pursued *under central* control in both Denmark and the Netherlands. As a result of this, collective agreement parties, local organisations, companies and individual employers and employees have been given more leeway for tailor-made solutions with regard to flexibility and security wishes and needs. Furthermore, in both countries this process has been accompanied by good economic performance, which seems a positive condition for drawing up new rules on flexibility and security. One specific condition appears to be that decentralisation is coupled with strong coordination at a central level. Reference is increasingly being made in the literature to the simultaneous occurrence of decentralisation and increasing – although perhaps more gentle – central coordination (Léonard, 2001; Sisson & Marginson, 2002). In Germany, it would appear that decentralisation is less able to be coordinated by central parties, due to the lack of national coordination, the position and interests of the regions (*Länder*) and the fact that the sectoral collective agreements have remained more rigid. The range of trade-off options available to employers and employees in Belgium at decentral level has been greatly limited by the fact that the state has intervened strongly in wage base determination.

National coordination appears to be important, among other things, for:

(1) ‘Mutual stimulation’ between government and the business community, and between legislation and self-regulation.

- (2) Adequate response to European developments.
- (3) Winning over smaller-scale interests in sectors/companies and promoting collective benefits.
- (4) Getting flexicurity strategies on the agenda at decentral levels and facilitating such strategies at these levels.
- (5) Promoting learning processes in the area of flexicurity strategies between companies, sectors and regions.
- (6) Monitoring the effects of flexicurity strategies at decentral levels.

There are, however, extensive limitations attached to the substantive content of flexicurity arrangements at a national or sectoral level. There are risks in the areas of:

- (1) excessively strict/rigid rules, which are unworkable due to the heterogeneity of employers and employees at the decentral level
- (2) too little support and commitment at decentral levels
- (3) obstacles to efficient and effective trade-off possibilities at decentral levels.

Combining the advantages of coordination and those of decentralisation points towards a new role for the social partners at the national and sectoral levels. The nature of legislation and national agreements should be less substantive (let alone detailistic) and more generally controlling, procedural and facilitative in nature. There is also a great deal to be said for creating more room within the structure of sectoral collective agreements at company or regional levels. This strategy has been labelled “reflexive governance” and can be combined with a form of “adaptive governance”, the latter referring to the situation that the central government still outlines the goals in a number of policy areas where the interests of outsiders in the labour market are at risk (Van der Meer et al., 2003). Though decentralised coordination may perhaps be easier to achieve in smaller countries such as Denmark and the Netherlands than in bigger countries as e.g. Germany, it is by no means self-evident that this strategy develops in smaller countries, as the Belgian case illustrates.

Linked to the importance of coordinated decentralisation, a flexible multilevel governance system appears to provide a beneficial condition for flexicurity strategies. In terms of the joint definition of problems (‘joint observation of facts’¹⁵), it appears that consultation, negotiation and feedback can be ‘switched’ between various levels relatively

¹⁵ Streeck, cited by Visser, 2001: 226.

quickly. This is e.g. far less the case in Germany, due to the lack of the link in the chain of a national bipartite consultative body and due to the far-reaching autonomy of the social partners at the sector level.

As Gazier (2002: 221) words it, a discursive process, “located midway between private and state intervention” offers the best precondition for balancing flexibility and security. In taking into account (forms of) labour market flexibility and security existing institutions are of major importance but may be in need of support from new institutions or organisations or old ones performing a new role.

Yet, dealing with the flexibility-security nexus also seems to require certain “architects”, that is persons who are able to take the lead and produce general problem definitions and policy frameworks for the parties and interest groups at stake. Clearly, these architects cannot be found at will. In the Dutch labour market reform in the 1990s Ad Melkert, minister of Social Affairs and Employment, played the role of such an architect, together with the representatives of trade union confederations and employers associations in the Foundation of Labour. Trade unions were also very prominent in developing flexibility and security solutions in the Dutch value added logistics case.

Presumably another important precondition is a certain sense of urgency and problem awareness. Interestingly this sense of urgency could be present in *other* matters or issues than the actual policy areas in which flexicurity strategies ultimately are being pursued and developed (see also Dore, 1986, on “flexible rigidities”). Other issues, rigidities or insecurities can trigger such strategies. A related hypothesis could read that the emergence of flexicurity strategies presupposes the existence of a certain levels of both labour market flexibility and security. If these levels, which should be more than basic, do not exist negotiations and trade-offs are hard to envisage, because there is no “more/or less” situation.

Finally, a major question – not only scientifically but also politically – regards the degree to which flexicurity strategies depend on favourable economic and labour market conditions. It is simple truth that workers and their representatives derive much of their power from these conditions and that unfavourable conditions can significantly weaken this power. Flexicurity strategies may be very useful and effective in times of economic downturn but may not easily be designed and implemented under such circumstances. Under unfavourable economic conditions the flexibility dimension may come to dominate the security dimension –at least that is the type of “Pavlov” response that has been observed in the past - and this may hinder the consultations and negotiations between the social partners and the government. Likewise, in a time of a booming economy and a very tight labour market the demand for

flexicurity arrangements may diminish as flexible workforces and other less favoured groups may find themselves in a *de facto* (relatively) strong security position and may tend to favour traditional job security and permanent employment contracts rather than employment security and employability. In both situations the risk of a short term orientation is manifest. Here the message of the flexicurity concept is that “anti-cyclical” policies and orientations are important.

6. Researching the flexibility and security nexus: an agenda

In this paper we have outlined flexicurity as a possible and promising answer to what we refer to as the flexibility-security nexus. We concede that one should not be blind for the possibly ideological use of concepts such as “flexicurity”. Therefore an empirical assessment of flexicurity strategies and policies is needed and should preferably be carried out from a multidisciplinary and international comparative perspective. There is also a need for longitudinal research and datasets on actual labour market mobility and transitions within and between jobs and companies. Flexibility and security issues should also be put in the context of workers’ life courses.

In our opinion a research agenda geared towards the flexibility and security nexus needs to cover the following major aspects and topics. Firstly, a detailed analysis is required of the political economy of the flexibility-security nexus and its implications for industrial relations theory. Such a study should include a critical assessment of the origins, developments, key actors and their interests with respect to EU and national discourses on the interrelationship and compatibility of labour market flexibility and security. This study should explicitly address the current debate on the development and future of the European Social Model. There is a claim or at least a strong expectation that concepts such as flexicurity can provide a significant contribution to a new European Social Model. For that matter flexicurity should not be considered a substitute for traditional social or employment policy, but can make up for the growing flaws of the established social protection systems. Schmid argues that new labour market strategies should stress the *ex ante* promotion of mobility rather than the *ex post* redistribution through transfers: “They transform social policy into joint risk management by encouraging people to accept more risks, with beneficial externalities for society.” To achieve this, new forms of intertemporal, intergenerational and interregional types of solidarity are required. The main thrust of the argument is that more flexibility needs

more not less security (Schmid, 2002: 394). This position resembles Giddens's picture of the "inclusive society" and the "social investment state" where he stresses that effective risk management in society, and particularly in welfare reform, not only implies minimizing or protecting against risks, but also "harnessing the positive or energetic side of risk and providing resources for taking it" (Giddens, 1998, 116).

Secondly, these studies on the flexibility and security nexus should be theory-inspired. Concepts such as flexicurity represent a challenge to current theories in industrial relations and labour law research and analysis. The question here is whether our theoretical and analytical tools, as developed e.g. in corporatist theory, rational choice, (old and new) institutional economics and sociology can adequately account for the emergence of the new concepts and strategies. Likewise it can be questioned whether the current principles and methods of labour law and social security are well geared to dealing with the flexibility-security nexus (see also Wilthagen, 1998b).

Thirdly, in view of the great expectations mentioned above, the empirical and particularly comparative studies of new trade-offs between flexibility and security should have a special focus on the (current and changing) roles and playing fields of the social partners, as they are assumed to play a key role. Identifying good practices of flexicurity, including ways of benchmarking or policy learning, in collective bargaining, consultation and social dialogue, is one example of how to proceed. Admittedly, the role of the social partners is still sub optimal in many countries, and notably employers and governments are reported to be ill disposed in this matter (Foden, 1999: 540). Notions of path-dependency and institutional change and adjustment are of major importance here.

Fourthly, we need multi-level studies of the preconditions (i.e. barriers and opportunities), wider institutional contexts and empirical effects of flexicurity policies (cp. Klammer and Tillman, 2001). Although these policies and strategies may appear to have a "natural" locus at the local or sector level, the interplay between other levels of regulation and policy-making – the European, national and company level – will be crucial to their actual design, support and implementation (see also the debate on governance in the EU; European Commission, 2001).

To sum up, a new nexus has emerged in European and national systems of industrial relations and labour law. Some commentators may be tempted and inclined to speak of old wine in new bottles, arguing that the new nexus is nothing but a modern manifestation and formulation of the traditional labour-capital nexus, covered by catchy (or fuzzy) ideological or rhetorical

wording (“balance” “reconciliation” and “adaptability”) that incorrectly suggests compatibility or “co-existence”. In fact, it has been argued that the European Commission’s avoiding of the terms of regulation and deregulation does not detract from the fact that a deregulatory agenda is being promoted and pursued (Ashiagbor, 2000: 394-395). Yet, at the same time new concepts, and actual policies and strategies have been and are being developed that explicitly deal with the nexus and that can be empirically scrutinized and tested.¹⁶ Few commentators will oppose to the thesis that the European social model needs further development, refinement and strengthening in order to form a true complement and counterpart to the European monetary and economic model. This in our opinion forms a sufficient justification for devoting a research agenda to promising concepts such as flexicurity. The question of the influence and impact of various forms of coordination and the relationships between national and international learning processes with regard to flexicurity strategies is also crucial from an academic perspective. It can increase insight, in particular, into the question of whether, on balance, employment systems are actually developing in the direction of multilevel governance systems that provide both flexibility and security.

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¹⁶ For an example of such research, starting from the notion of employment regimes, see Muffels et al., 2002.

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