



Varieties of flexicurity: reflections on key elements of flexibility and security

Background paper



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Hearing on the Commission's Green Paper 'Modernising labour law to meet the challenges of the 21st century'

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At European level, the debate on flexicurity is currently high on the employment and social policy agenda. Member States are reflecting on the best way to adapt their systems to the 'new reality' of maintaining the balance between the need for flexibility in the labour market to allow companies to adapt their production methods and their workforce as a result of pressure from globalisation and technological progress while providing the necessary security for workers at the same time. This may require a coordinated reform of labour market and social protection policies and institutions at national level.

The key element that links flexibility and security is trust. If people can have trust in change, they might in the future be willing and able to work under more 'flexible' terms. This, however, implies that they are equipped to deal with this flexibility, in the form of some 'security': employment security, accompanied by the necessary instruments and institutional measures would allow for both higher levels of employability and access to the necessary social provisions when out of the labour market. Whatever means are chosen, the consequences of more flexibility for the most vulnerable in the labour market require specific attention.

Every country has its own history and mix of ingredients to deal with issues of flexibility and security. These are often the result of a historical compromise with consequences at different levels: that of the individual worker, his or her household, the enterprise level, the sectoral level and the national level. There are different challenges, different solutions and different combinations possible. However, the result should lead to a coordinated and integrated policy at national level.

As with any change process, it is important to build trust by involving all actors concerned. Social partners in particular have a key role to play in the design and implementation of these policies at institutional and company level. Discussions at all the relevant levels can lead to a sustainable compromise between flexibility and security.

Introduction

The concept of flexicurity comprises a series of reflections on different social systems and their capacity to respond to the current challenges facing our society and economy, at European and at Member State level. Globalisation is one of the main contextual factors behind this drive to make labour markets more flexible while at the same time not jeopardising the security of workers.

The responsibility for flexicurity is a joint one between all partners involved and all levels. One fundamental question to be asked is which parties should assume the main responsibility for ensuring security: employers? the state? a combination of the two in conjunction with the social partners?

The issue of flexibility has so far been mainly driven by employers, although workers are to an increasing extent expressing an interest in certain forms of flexibility – for instance, in relation to working time arrangements.

In some countries, for example Denmark, the social partners have supported flexicurity, perceiving it to have a positive impact on overall employment. In the Danish example, flexicurity is seen to combine the needs of flexibility and security in a way that is acceptable to the parties involved in collective bargaining and in labour market policy.

Main drivers of flexicurity

What are the forces creating the need for flexicurity-type solutions? Several factors are often cited. One principal factor is the economic challenge posed by a growing global economy that is increasingly integrated and competitive. Other factors include the demographic challenge of a rapidly ageing society and the increasing feminisation of the workforce.

Regarding the impact of globalisation on the flexicurity debate, it is clear that global trade is increasingly defined by fast-changing markets and increased competitive pressures, requiring greater responsiveness on the part of businesses to variations of demand in the business cycle. These pressures have consequences for companies in the first instance but also for societies as a whole, as they affect wealth-generating capacity which in turn underpins our traditions and levels of social provision.

While the European social model is characterised by a diversity of national social systems, nevertheless, a number of shared values can be identified that define the model: universal access, solidarity and equality/social justice. These common elements have contributed to the development of a modern welfare state whose original objective was to mitigate the negative consequences of industrialisation.

These factors put pressure on social and economic systems to adapt. Demographic change means that Europe will have to face the growing economic pressures with a stable or shrinking cohort of working age individuals. This implies a necessity to boost employment rates but also to encourage a climate in which people can combine work with having a family.

The increasing numbers of women in the workforce should prompt reflection on the use of time, both working and non-working time. It may, for example, necessitate a greater individualisation of workers' rights; women should no longer have to depend on the social security rights of a 'male breadwinner'. At a more general level, there is a need to assess which rights are individual and which rights exist at the household level.

One policy response has been the articulation of a life-course perspective, which is based on the fact that individuals have different economic and time needs at different phases of their life and that systems can be adapted to reflect the increasing diversity of such needs (Naeye, 2003).

Companies would like to avail of greater flexibility in order to be able to respond more rapidly to competition in a globalised world. Flexibility, especially with regard to labour, is a necessary part of enhancing this capacity, though it is also clearly the case that Europe cannot maintain international competitiveness in the low wage and low skill segment of the global labour market. The ultimate objective of a more flexible labour market should be to improve European capacity at the top end of the international value-chain.

There are different ways of becoming more flexible at company level: quantitative/qualitative, internal/external flexibility. In practice, companies use a combination of different forms. There has been an evolution in labour legislation in all Member States to deal with this issue. It is in the context of discussing the associated risks and changes in society that the term of flexicurity has emerged.

Policy debate at European level

The concept of flexicurity has been on the policy agenda for over a decade and has gained a particular momentum in recent years. In 1996, the Green Paper on Partnership for New Organisation of Work¹ was already making relevant references: 'the key issue for workers, management, the social partners and policy-makers alike is... to strike the right balance between flexibility and security. This balance has many aspects. The reorganisation of work often causes uncertainty.'

¹ http://ec.europa.eu/employment_social/labour_law/publications_en.htm

Of all of the above-mentioned actors, it is clear that the social partners in particular have a crucial role in the roll-out of new forms of work organisation via processes of collective bargaining, etc. It is also the case that many of the challenges confronting our societies require coordinated reflection both in the labour market and the social protection spheres.

The 'Open Method of Coordination' (OMC) is the institutional form of this cooperation at European level and its two principal fora are the Employment Committee and Social Protection Committee set up by the Commission in which all Member States participate. The OMC activities consist of agreeing guidelines, setting objectives, benchmarking, annual reporting, as well as mutual learning. Since 2005, the OMC activities have been merged into a streamlined process, which feed into the discussion of the broad economic policy guidelines at the annual Spring Council. How to 'promote flexibility combined with employment security and reduce labour market segmentation' is one of the issues discussed extensively in all the committees.

In 2006, the Commission issued a Green Paper on labour law² in which it invited reflections on how labour law might be modernised. The paper specifically addressed issues related to different kinds of contracts and the flexicurity challenge. The next step will consist of a Commission communication outlining some 'pathways to flexicurity'.

Different national formulas

There are different national formulas for flexicurity. A first approach is the flexibilisation of the whole workforce. This includes the 80% of workers in traditional, permanent work or with 'typical contracts'. There are two main ways of implementing this flexibilisation: through new ways of organising work or through more diverse or flexible working time arrangements. At the same time, this should be complemented with some form of employment security.

The Danish system is a well-known example of such an approach. It combines comparatively relaxed employment protection legislation with a high level of unemployment benefits paid by the government and very active labour market policies (ALMP). The security element of flexicurity is mainly provided by the government, not by the employers. 'Protect workers, not jobs' is the simplified message of the philosophy behind this model. The Austrian reforms also focus on that element, with the creation of a severance pay fund which is transferable and not linked to one employer only.

The second approach is the normalisation of the rights of 'atypical' workers (e.g. fixed-term contracts, temporary contracts, part-time contracts) while retaining the flexibility of these forms of contract.

The Dutch system tries to incorporate this idea by providing more social protection rights for non-standard workers (in particular part-timers but also non-permanent contracts) and by improving their entitlements (social security, pension, etc) to reach levels comparable to those of their permanent counterparts in the labour market. Other countries have very similar patterns and are considering how to increase the rights for their 'atypical workers'.³

Different national approaches have to take account of very different starting points. In particular, the proportion of 'atypical' or non-standard workers varies significantly between Member States. Some countries have very high shares of 'atypical workers'. Both the UK and the Netherlands have high rates of part-time work, particularly amongst working women. Fixed-term contracts are very much in evidence in Spain, representing over 30% of the entire workforce. It is noteworthy, however, that recent major labour market reforms in Spain have attempted to redress some of the disadvantages associated with previous episodes of labour market flexibilisation (e.g. excessive labour market

² http://ec.europa.eu/employment_social/labour_law/green_paper_en.htm

³ There is some debate about the terms 'atypical' or 'non-standard', particularly in light of their relatively high share in some countries. 'Atypical' in this report refers to all workers who do not work in a full-time permanent job. This would include part-time workers, fixed-term workers, seasonal workers, temporary agency workers, etc.

segmentation, declining levels of per head productivity). This has taken the form of new provisions to safeguard and promote the rights of atypical workers and to create incentives for employers to convert atypical to typical contracts.⁴

The choice of a particular form of flexicurity is linked primarily to the historical development of labour markets, collective agreements and the role of the government in these, as well as to basic considerations of public policy in the employment and social protection areas. Policy development depends very much on national traditions as well as on the capacity of countries to generate the resources to pay for the chosen solutions.

It is important to recall that a system in place in one country cannot be easily transferred to any other Member State, as policies are embedded in a specific national context. Potential reforms need to take into account the different levels of application (worker, household, enterprise, sector, national) and their interactions.

Nonetheless, an ‘open reflection’ on an integrated policy is useful. This could lead to a new approach, encompassing the whole set of social policies, including labour market policies and social protection systems in a wider sense.

The flexibility/security mix

In order to tackle the issue of flexicurity, it is worth first looking at its different elements. A framework for reflection has been proposed by Ton Wilthagen.

The Wilthagen Matrix, also used by the Employment Committee, describes some possible avenues for the combination of flexibility and security and points to some possibilities for reforms at different levels (company and institutions).

Table 1: *Wilthagen Flexicurity matrix*

Flexibility	Security	Job security	Employment security	Income security	Combination security
External numerical flexibility	<ul style="list-style-type: none"> ■ Types of employment contracts ■ Employment protection legislation ■ Early retirement 	<ul style="list-style-type: none"> ■ Employment services/ALMP ■ Training/life-long learning 	<ul style="list-style-type: none"> ■ Unemployment compensation ■ Other social benefits ■ Minimum wages 	<ul style="list-style-type: none"> ■ Protection against dismissal during various leave schemes 	
Internal numerical flexibility	<ul style="list-style-type: none"> ■ Shortened work weeks/part-time arrangements 	<ul style="list-style-type: none"> ■ Employment protection legislation ■ Training/life-long learning 	<ul style="list-style-type: none"> ■ Part-time supplementary benefit ■ Study grants ■ Sickness benefit 	<ul style="list-style-type: none"> ■ Different kind of leave schemes ■ Part-time pension 	
Functional flexibility	<ul style="list-style-type: none"> ■ Job enrichment ■ Training ■ Labour leasing ■ Subcontracting ■ Outsourcing 	<ul style="list-style-type: none"> ■ Training/life-long learning ■ Job rotation ■ Teamwork ■ Multi-skilling 	<ul style="list-style-type: none"> ■ Performance related pay systems 	<ul style="list-style-type: none"> ■ Voluntary working time arrangements 	
Labour cost/wage flexibility	<ul style="list-style-type: none"> ■ Local adjustments in labour costs ■ Scaling/reductions in social security payments 	<ul style="list-style-type: none"> ■ Changes in social security payments ■ Employment subsidies ■ In-work benefits 	<ul style="list-style-type: none"> ■ Collective wage agreements ■ Adjusted benefit for shortened work week 	<ul style="list-style-type: none"> ■ Voluntary working time arrangements 	

See for example http://ec.europa.eu/employment_social/employment_strategy/pdf/emco_workgroupflexicurity06_en.pdf

⁴ <http://eurofound.europa.eu/eiro/2006/05/articles/es0605019i.html>

In their comprehensive definition, Wilthagen and Tros describe flexicurity as

‘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 a high degree of numerical (both internal and external), functional and wage flexibility that allows for labour markets’ (and individual company’s) timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity’. (Wilthagen and Tros, 2004)

In this context, there might be different ways to achieve a ‘flexicurity mix’ based on the compromises achieved between workers, companies and governments. This implies a key role for social partner negotiation in the framework of established institutional settings and bargaining systems.

Flexibility strategies of companies

Nowadays, many medium-size companies use a combination of many flexibility strategies. The following four-way subdivision of flexibility may serve as a useful mapping of company practice (Atkinson, 1984 and Goudswaard and de Nanteuil, 2000).

Table 2: *Subdivisions of flexibility*

	Quantitative flexibility	Qualitative flexibility
External flexibility	Employment status (types of contract – fixed duration, temporary, work on call, etc) <i>Numerical/contractual flexibility</i>	Production systems (subcontracting, use of freelance labour) <i>Productive/geographical flexibility</i>
Internal flexibility	Working hours (overtime, part-time, weekend working, irregular/variable hours) <i>Temporal/financial flexibility</i>	Work organisation (job rotation, multitasking, making workers responsible for planning and budgeting, etc.) <i>Functional/organisational flexibility</i>

Source: *Goudswaard and de Nanteuil, 2000, p. 20*

It is often the case that different types of flexibility may overlap, thus affecting what kind of security might be offered (Atkinson, 1984). An example: a part-time employee may also have an annual working time account or be asked to work in different geographic units of the same company and might have variations in income (variable pay). This combination of flexibility may apply only to a subgroup of workers, often the more precarious workers (young workers, women or immigrants), resulting in segmentation of a company’s workforce. On the other hand, flexibility can also be introduced more generally for all workers, for example via internal flexibility through new forms of work organisation.

It is important to underline that flexibility, while largely employer-driven, may also arise as a result of employee demands. This can be for a variety of reasons, such as the desire to better combine family and work or to take breaks for either care or study leave. Different needs at different phases of the life course may result in a variety of career trajectories with fluctuations in the volume of working hours or with career breaks (Anxo et al, 2006, Muffels et al, forthcoming 2007).

Numerical or contractual flexibility

Numerical or contractual flexibility consists of the recourse to non-permanent contracts by companies as a way of having a more flexible workforce. The most common forms of non-permanent contract are fixed-term contracts (including seasonal work), temporary work (including temporary agency work) and work on call.

Table 3 illustrates how diverse is the incidence of fixed-term contracts across Member States. It also shows that in the majority of countries it is a growing proportion of overall employment. There are interesting exceptions, notably Ireland, the UK and Denmark, where labour markets have a higher degree of flexibility which may reduce the need for fixed term contracts.⁵

Table 3: *Percentage of fixed-term contracts in total employment*

	EU			BE	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV
	total	male	female												
1995	11.7	11.1	12.4	5.4	6.7	11.6	10.5	2.1	9.4	35.2	12.4	10.0	7.4	na	na
2000	12.6	12.0	13.4	9.1	8.1	9.7	12.7	3.0	13.5	32.2	15.2	5.9	10.1	10.7	6.7
2005	14.5	14.0	15.0	8.9	8.6	9.8	14.2	2.7	11.8	33.3	13.3	3.7	12.3	14.0	8.4

	LT	LU	HU	MT	NL	AT	PL	PT	SI	SK	FI	SV	UK	BG	RO
1995	na	4.1	6.6	na	11.4	6.8	4.8	11.6	na	na	18.1	14.7	7.2	na	na
2000	4.4	5.3	7.1	4.1	13.7	8.0	5.8	19.9	13.7	4.8	16.3	15.8	6.9	6.3	2.8
2005	5.5	5.3	7.0	4.5	15.5	9.1	25.7	19.5	17.4	5.0	16.5	16.0	5.7	6.4	2.4

Source: *LFS cited in Employment in Europe 2006*. Note: EU aggregates are for EU25. Some national figures cited in the 1995 row refer to 1996/97 as earlier data are not available.

Research by the European Foundation for the Improvement of Living and Working Conditions shows that workers on fixed-term contracts are exposed to poorer working conditions than those on permanent contracts, in particular lower levels of access to training and job autonomy (Goudswaard and de Nanteuil, 2000).

Temporal or financial flexibility

With temporal or financial flexibility, companies can secure greater levels of flexibility through more flexible working time or pay arrangements. These could include for example overtime, part-time work, weekend work, irregular or variable hours.

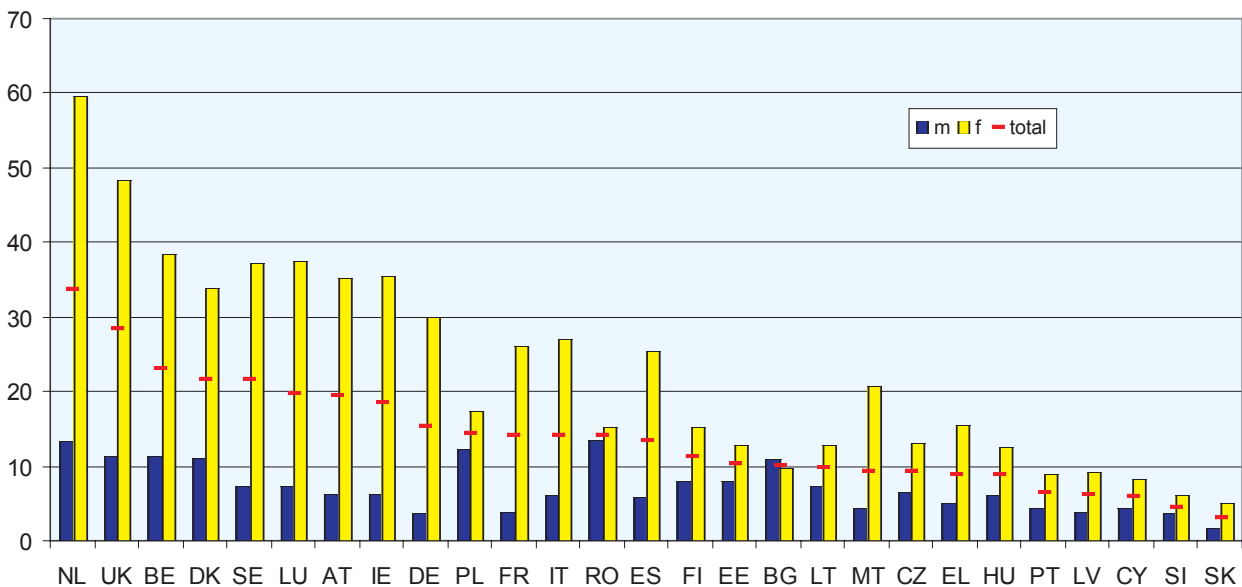
The Foundation's *Establishment Survey on Working Time 2004–5* looked at a series of flexible working time arrangements which are offered by companies (Riedmann, 2006). The different forms of working time arrangements can be grouped according to whether they are led more by employers or employees. Some schemes fall into both categories and the effect of business cycles may reverse this categorisation. What may favour one party during an upturn of the business cycle may be less advantageous during a downturn. What appears to be a right may turn out to be a risk.

⁵ The low level of non-permanent contracts in these countries could be explained by a lower level of employment protection legislation (EPL) allowing for the easier hiring and firing. OECD, ILO and the European Commission have extensively studied the impact of such legislation concluding that lower EPL in itself is not guaranteed to lead to more flexicurity.

Part-time work, flexible working time schedules, phased retirement and early retirement may suit both companies and employees. Unusual working hours (night shift, Saturday or Sunday shifts or shift work in general), overtime and temporary employment (including fixed-term contracts, temporary agency work and freelance work) are generally more at the request of the employer, while parental leave and other leave schemes (care, education, sabbaticals) and working time accounts are generally more at the demand of the employee. Annual working time accounts can be at the demand of either employer or employee but are often associated with fluctuations in workload and business cycle variations (Chung et al, forthcoming 2007).

As with fixed-term work, the incidence of part-time work varies considerably from country to country. Research has shown that the quality of work of part-time workers is often lower than that of comparable full time workers, notably in terms of access to training, career development and promotion possibilities (Anxo et al, 2007b). This issue, however, is being carefully reflected on in the European debate among social partners and the European legislation. The last point which has to be considered is how to smoothen the transition from full-time to part-time work and vice versa.

Figure 1: Part-time work, by country and gender (%)



Source: Fourth European Working Conditions Survey (2007)

Functional flexibility

Functional flexibility consists of forms of work organisation such as job rotation, multitasking, involvement of workers in planning or budgeting (team autonomy).

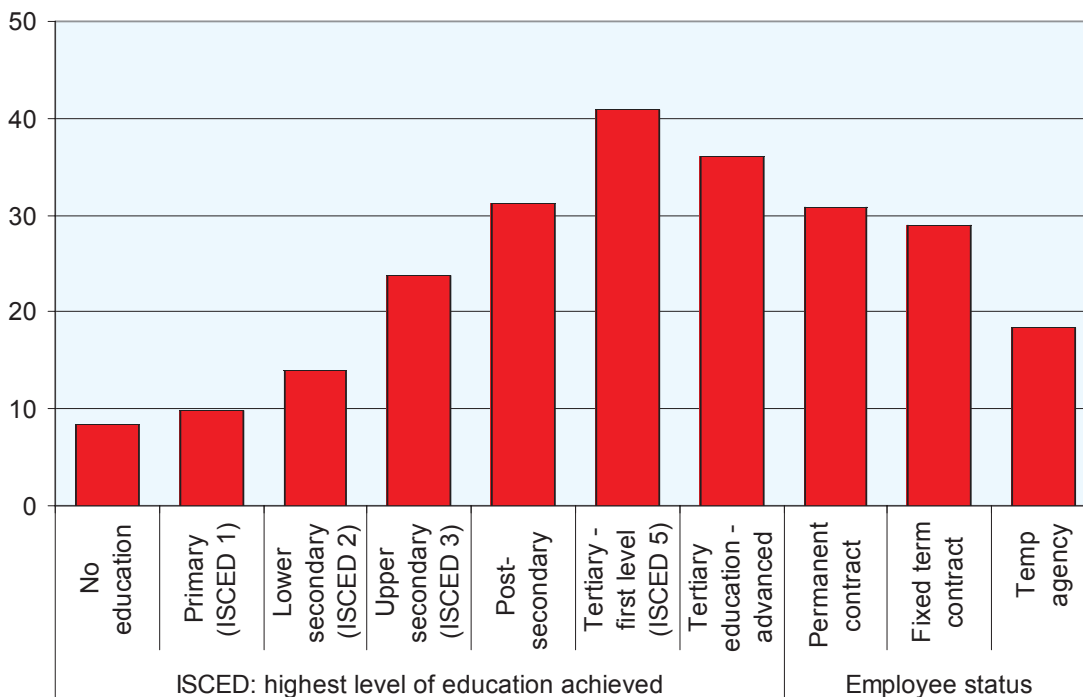
These forms of work organisation are primarily meant to make work within the company more flexible, allowing workers to change places as needed (job rotation). However, this can also lead to more skills development in the sense that workers can update their skills in a way that is beneficial for them individually as well as for the company. This would increase both their job and employment security. Workers would be empowered to carry out more tasks within the job and the company (enhancing their job security), but they would also increase their employability in terms of subsequently finding another job (in or outside the company).

Secondary analysis of the Third *European Working Conditions Survey* data reveals that functional flexibility has an important impact on learning, problem-solving and innovation at organisation level. Four different types of work

organisation were identified (Lorenz and Valeyre, 2004 and Arundel, 2006).⁶ Of the four types identified, two tend to increase the (internal) flexibility of (the workers within) the company: ‘learning organisations’ and ‘lean or high performance organisations’. In companies with such forms of work organisation, employees are involved in problem solving and decision-making. They have more possibilities to for self-development in the job. There is also a close connection between the way people work and learn in a company and the way the company can innovate, although in terms of innovation, learning organisations tend to have an advantage over lean organisations. Employment security is enhanced: in order to prepare and equip workers to deal with necessary changes and possible transitions over their working careers, it is important to emphasise the updating of skills, both through training and work organisation.

The fourth *European Working Conditions Survey* shows that there is no improvement in levels of training in European companies: less than one in three workers in the EU reports having received paid training in the previous twelve months. It is also true to note that there are significant differences in the level of access to training between countries, as well as between low/high skilled workers and between workers with different types of employment contracts. Initial education seems to have a strong bearing on the possibilities of further training in the labour market, which raises the prospect of increasing polarisation between those with access to training and those without access.

Figure 2: *Paid training received in last twelve months, by educational attainment (%)*



Source: *Fourth European Working Conditions Survey (2007)*

Another way to increase skills levels in the European Union is through learning on the job, through work organisation and through job rotation and multi-skilling. Such competence development develops both adaptability at the individual level and flexibility at the company level and will generally be useful in a longer term perspective for individual workers.

⁶ The four ‘types’ of organisational forms are labelled: ‘learning’, ‘lean’, ‘taylorist’ and ‘traditional’ form of work organisation.

One step further could be to develop ‘competence development’ into a more general ‘right to learn’, adapted to each individual’s capability. The idea is to equip people to deal with change over their life, both in work and out of work⁷.

Role of the social institutions in safeguarding security

Security, according to the Wilthagen Matrix, can take very different forms: job security, employment security, income security, combination security. These forms of security for the different forms of flexibility can be safeguarded through a number of measures, which could be undertaken or institutionalised by different actors.

Companies play a very important role in the development of the employability of their employees. Recent research from the Foundation shows that there is a business case for companies to engage on this issue (Weiler et al, forthcoming 2007). When determining work arrangements, both in form and content, they can create some possibilities for security, especially by means of increased functional flexibility through job enrichment, training, work organisation and possibly pay differentiation. They can also determine the choice of type of employment contract and working time arrangements. However, what companies are able to offer depends also on the national and sectoral level. Both legislation and social institutions are important elements with an influence on how much security there is for workers.

Social institutions are embedded in national traditions. However, a lot of discussion is taking place on the reform of these institutions in the context of European employment and social protection strategies. It is quite clear that not all national institutions can or should strive for harmonisation. However, given that many countries face similar challenges, the Open Method of Coordination allows for coordination of policies, by establishing common objectives, measuring progress (with commonly agreed indicators) and learning from good practice. Common pathways could guide the process on flexicurity in the different European countries, while still respecting Member State competence in this area.

Labour market institutions

Labour market institutions play an important role. Employment protection legislation (EPL) is a barrier to the easy ‘hire and fire’ culture which is one way of introducing flexibility for all workers. One offshoot of EPL is the possible development of a dual labour market, in which a core of permanent workers have a very strong protection against dismissal: this predisposes employers to make greater use of non-permanent contracts in order to impact on their strategy of numerical flexibility. The effect of such a labour market regime is to concentrate flexibility in one section of the workforce (flexibility at the margin) and to reinforce differences between permanent and non-permanent employment status, generally at the expense of the latter group (the ‘insider-outsider effect’).

In order to achieve the necessary level of security, active labour market policies (ALMP) can play an important role. These help to ensure that people who lose their job or who choose to follow the ‘flexible route’ are helped to find another job where necessary. Two of the principal functions of an active labour market policy are to provide extra training in ‘in-between periods’ and to help in matching the supply and demand of labour force. However, these roles are clearly facilitated by the presence of certain conditions. First of all, the labour market and economic performance of a country should be such as to have a reasonable volume of work and jobs for employment agencies to carry out their matching function. At the same time there should be substantial investment in public employment services and ancillary agencies. The creation of such an institutional framework requires significant expenses of both time and money.

⁷ This idea could be linked to Amartya Sen’s ‘capabilities’ theory. This was also developed by Supiot in what he called ‘social drawing rights’ whereby individuals get some ‘credit’ for this type of rights (Supiot, 2001, also in Vielle and Walthery, 2003).

One core element of an active labour market policy, whose importance is undiminished by variations in national economic situation, is an emphasis on continuous updating of skills and competences. Lifelong learning is indeed one of the building blocks of the European Employment Strategy. While special efforts might be needed to make transitions between unemployment and employment and/or between different employment contracts⁸ smoother, a continuous updating of skills could make a worker ‘more flexible’ with regard to his or her own skills.

Social protection systems

The impact of more flexibility in the labour market (whether for all workers or for a group of more precarious workers) should be thoroughly examined. It can also be considered as a new form of social risk. The benefits of flexibility in creating more jobs and employment could be complemented by social protection systems to manage the risks of individual workers, a concept that is close to the basic idea of flexicurity. Social protection systems play a central role in the overcoming of risks, which is why they play such an important role in the social model in the European Union. They therefore have a clear complementary role in dealing with the unemployment risk of a more flexible labour market.

Social protection systems have two main aims – decommodification on the one hand and employability on the other. Decommodification describes the degree to which individuals and families can maintain a socially acceptable standard of living without participation in the labour market (Esping Andersen, 1990 and 1999). One could also add as a third aim the achievement of social justice or redistribution. However, for simplicity, the emphasis here lies on the first two with their short and long term consequences.

Table 4: *Short and long-term objectives of social protection systems*

	Short-term	Long-term
Decommodification	Temporary income to protect people from precarious situations (e.g. unemployment benefits)	Continuation of income in the case of structural or long-term events (e.g. disability benefits, pensions not linked to previous labour market activity)
Employability	Re-employment, ‘secondary status’ contracts such as fixed-term contracts, integration schemes in companies	Development of personal projects that are not necessarily immediately profitable in the short term on the labour market, skills development

Source: *Vielle and Walthery, 2004, p.85*

Welfare states (or social protection systems) have always played an important role as instruments of decommodification (Vielle and Walthery, 2004). In practice, the European social model is based on the idea that states compensate for possible events relating to loss or reduction of earned income in the case of a number of risk events occurring (unemployment, illness, advancing age, maternity, invalidity, death) or the occurrence of exceptional burdens, e.g. medical or family expenses (Dupeyroux and Ruellan, 1998). Most states also have mechanisms to assist those who are incapable (temporarily or permanently) of securing their own livelihoods.

The second major aspect of social protection systems is related to employability, in which employment has been considered as the main means to ensure an income and also as a foundation of individual well-being. This aspect also plays an important role in the economic strategy of the European Union in which high employment has been considered as one of the main goals.

⁸ This should be read as covering a wide range of possible situations and also include movement between self-employment and employment, between part-time and full-time, between temporary and permanent contracts and going in both directions. This might be important in the light of a life course perspective, see Muffels et al, forthcoming 2007.

With regard to flexicurity, the role of social protection systems is therefore still an important instrument to deal with social risks in the short and long term. It allows recipients the means to overcome periods without employment. These benefits should not constitute a trap for individuals, e.g. in the form of overgenerous or unlimited unemployment benefits, which can trap people in unemployment in certain cases. The emphasis is therefore on ‘making work pay’ without losing sight of the necessity to give people the means to overcome periods in which they cannot work for some reason.

Different social protection systems put the emphasis on different sets of benefits and ways of financing social protection systems. Many welfare state typologies have been put forward. The one which guides the debate most often is that developed initially by Esping-Andersen (1990), who identifies three types of welfare state (the corporatist/conservative welfare state, the liberal welfare state and the social democratic welfare states), complemented by a fourth model, the mediterranean welfare state (Ferrera, 1996). All systems however have adapted to changes in policies and have become more hybrid models. It is also difficult to classify the new Member States using this typology. However, based on the typology, some constraints for each of the systems can be identified⁹. These should be taken into account in the debate on flexicurity for each of the social protection systems.

New social risks and possible avenues for change

When European social protection systems were conceived, they were based on the ‘male breadwinner model’ characterised by a single income in the family (the male breadwinner) with family/household organisation the principal responsibility of the wife. Workers often stayed in the same job for the duration of their working life. With the growth of female participation in the labour force as well as the spread of more episodic, discontinuous career trajectories, there has been a renewed focus on different possibilities of organising working time over the life course. A key element that needs to be considered is the consequence of the above trends for access to social protection entitlements.

The impact of working time arrangements over the life course should be considered from the point of view of their effect on the social protection rights, access to different elements of social security systems, the level of income and/or compensating benefits and, ultimately, the financial sustainability of the social security systems (Klammer et al, 2006).

Some possible avenues for changes in social protection systems should be explored in a systematic way in order to take into account the impact of more flexibility and flexicurity on individuals and systems. One way to do this could be to consider what was done for the coordination of social security rights for migrant workers¹⁰ and base the changes on the same important principles:

- Equality of treatment (such as in the Dutch model between part-time and full-time contracts).
- Legislation for rights encompassing ‘transitions’ between different employment status/contracts/spells (e.g. between employment and self-employment, between different contracts and with unemployment spells).
- Aggregation of insurance periods, maintenance of rights (e.g. pension building rights).
- Transferability of rights, especially during transitions: maintenance of acquired rights (this might be the most difficult, as some of the rights built up are inherently linked to the contract, e.g. access to supplementary health care).

⁹ The different constraints for each of the systems are: for corporatist systems: financing pensions without increasing labour costs disproportionately; for liberal systems: dual system engendered by the difficulty in achieving a return to full employment and the phenomenon of young unemployed and single parents; for social democratic systems: how to increase work availability, especially for the unskilled, without challenging the egalitarian principle of social democracy; for mediterranean systems: how to increase flexibility while ensuring some economic security for employees.

¹⁰ *Council regulation 1408/71 on social security for migrant workers*

Another important aspect to consider when analysing the consequences of more flexibility for individuals is the global ‘package’ of social rights. It is, for example, important to reflect on all social protection rights, not only first pillar schemes but also second pillar schemes, e.g. occupational schemes.¹¹

The question to be considered in this context is whether the necessary guarantees are built into the systems in order to avoid loss of rights. Another question is the articulation between minimum qualifying periods and the length of contracts. Any potential reforms should take into account these often hidden elements.

Social infrastructure

Besides labour market and social protection policies, other social institutions at national level play a role in the way flexicurity, flexibility, employability and employment participation can work together. Employment choices may also be determined by the availability of social infrastructure. An example of this is how child-bearing and care is institutionalised in a society. The same holds true for care of the elderly.

The participation of working parents, and in particular working mothers, in the labour market may depend on the availability of childcare facilities and after-school care, provision of which varies very much from country to country (Elniff-Larsen A. et al, 2006). Opening hours, quality and cost of these provisions, whether they are public, private or publicly funded, have a big influence on the choices of working parents.

Parents may opt to stay home for a longer time when their children are young (parental leave). Here the choice is often influenced by the availability, duration and generosity of benefits (Anxo et al, 2007a). For more extended leave periods, it is important to facilitate the return to work (whether full-time or part-time).

In some countries, recourse to part-time employment, particularly for women, is a common way of reconciling work and private life. In the Netherlands, for example, a sizeable majority of working women work part time and nearly half the workforce (male and female) also work part-time.

Hence, countries and citizens respond in very different ways to the combination of work and family: from withdrawal from the labour market to extended leave periods (parental leaves) to a combination of working and childrearing (where availability, cost and quality of care facilities become critical factors).

Flexicurity at household level

Another complexity is that even though flexicurity is primarily an issue concerning the relationship between employers and the workforce, flexibility, and in particular security, are elements with obvious repercussions at household level.

The most important measurement of income is often at the household rather than the individual level. This can also be the case in terms of allocation of time, working and non-working, on the part of adults with dependents. For this reason, household composition is an important element to bear in mind when reflecting upon the consequences of flexible forms of work as it, too, influences the possibilities for labour market attachment over the life course (Riedmann et al, 2006).

¹¹ The first pillar scheme is the basic social security system as provided by the state. Second pillar schemes are supplementary, occupational schemes, usually provided at company or branch level. Second pillar schemes are common in most countries for supplementary pension schemes and/or supplementary health care.

Income insecurity is detrimental not just for an individual worker but also for his or her household situation. In the Foundation's analysis of working poverty, one can see that there is a clear association between household composition, non-permanent contracts or interrupted career paths and greater vulnerability (Pena Casas R. and Latta M, 2004). Hence, one should be aware of possible flexicurity traps resulting in more in-work poverty.

The importance of trust

Trust as a prerequisite of flexicurity

In order to make flexicurity work, it is important to reflect upon the consequences for all parties involved: for the individual (worker), for the society, for companies. The key element to make this link is trust.¹² Trust should exist at different levels, as outlined below.

If people believe in the future, they may be willing to take more risks with regard to their employment status, may be willing to work more 'flexibly' (contractual, working time, functional flexibility) and combine work with having a family.

People should also be able to trust in changes: they should not consider change intrinsically negative and be sure that the means are there to adapt to emerging circumstances. One example of this is the fact that comparatively weak employment protection legislation in Denmark coexists with a high level of employment turnover: 25% of Danish workers change job each year. This is an accepted trade-off as there is a strong confidence in finding another, equivalent job in a reasonable amount of time, due to both the general economic performance of the country and as a result of Danish active labour market policies.

People should be able to trust in work: workers should be able to plan over their life without too many inconveniences and risks for their career/pensions. Job/employment interruptions and transitions need to be organised in such a way that workers have the necessary support structure to combine working and non-working life. Transitions should be organised to take place over the life course between full-time and part-time, between different forms of employment status and to overcome spells of unemployment.

In order to create this society of trust, European systems have to be adapted to this new reality: social protection systems, labour market systems and social infrastructure. There is no 'one size fits all' solution for all which can be transferred readily from one country to another.

An important element in the reflection is the financial and institutional situation of each Member State which has an impact on reform possibilities. It should also be underlined that all reforms require not only a good deal of political courage but might also require time for them to bear fruit, depending on specific economic context. The possible transferability of other 'ideas' on flexicurity depends on economic capacity and institutional policy capacity, including actors, preferences, economic viability and political will to accept these reforms at different levels.

¹² This idea is a deepening/widening of the 'square of trust' idea as proposed by Ton Wilthagen, presentation at the Foundation Seminar Series, European Foundation, Dublin, May 2006.

A role for all partners

Mutual trust is very important between all actors involved in this configuration including between social partners and government. Also, it takes time to implement and achieve results from any reforms. Social partners can play a very important role in both the acceptance but also in the shaping of any changes to be introduced at company level (and also at sectoral and national level). If social partners can agree upon a way to deal with these difficult issues, they might try and develop good practice to do this. Trade unions should be willing to accept less job security in the short term in order to have a more dynamic labour market and greater employment security in the longer term.¹³ If they are included in the process of decision making and implementation, this could enhance the trust element. Discussions at all the relevant levels can lead to a better compromise between flexibility and security.

Given the multidimensional nature of flexicurity, it is important to strive for an integration of different policy areas. A more coherent policy to tackle the issue, increased interaction between the different elements and between different policies (labour law, labour market policies and social protection systems) is needed to create sustainable employment and social cohesion.

There is no perfect way to do it, whether it is the ‘Danish’ model with more flexibility for all workers, or a more ‘transitional labour market’ approach such as the Dutch model in which people move in and out of the labour market. However, it is important in all systems to have all actors involved and committed at the relevant levels in a tripartite setting.

Conclusions

This paper now presents some final reflections on flexicurity and some avenues which could be further explored:

- Flexicurity has the potential to substantially enhance the competitiveness of the European economy and create higher levels of employment.
- Companies, workers and society have to be able to agree and trust in flexicurity.
- Security should be based on employment security, not job security, and contain a mix of rights and tools.

With regard to rights:

- Rights should be seen in a wider context over the life course and might require some reforms of national labour market, employment and social protection systems.
- Rights could be reconsidered in order to guarantee some coordination over the life course for flexible workers and could be based on certain principles, such as equal treatment, legislation for national transitional labour markets, aggregation of insurance periods and transferability of rights.
- It is important to reflect on all social protection rights, including not only first pillar schemes but also second pillar schemes, namely occupational schemes.

¹³ Speech by Per Madsen at the conference on Transitional Labour Markets and Flexicurity, Amsterdam, December 2006.

With regard to tools:

- The most vulnerable need specific attention so as not to fall into in-work poverty.
- Equipping workers to deal with change is a vital element to make flexicurity work: this should include a more consistent debate on how skills building throughout the career can be implemented.
- This includes a mix of different elements: workers learn new things in work through innovative forms of work organisation (so-called 'learning organisations', multi-skilling, job rotation), through training offered by their employer, sectoral funds initiatives, regional development funds, active labour market policies.
- The way this is organised depends a lot on sectoral and national institutions and choices, as well as on economic circumstances at national level.

As with any process of change, it is quite clear that for the process of flexicurity, trade-offs have to be made at all levels. This implies a key role for dialogue, in particular social dialogue, on the content of changes needed and on the manner of implementation of these changes.

Flexicurity is a huge challenge for the years to come and needs serious reflection on the part of all actors involved, at all levels in each Member State and at European level. However, it has the potential to contribute actively to a more competitive and productive labour market with higher levels of employment while still adhering to the basic tenets of the European social model.

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