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11 The 'State of Affairs' of Flexicurity in Industrial Relations

Assessing Country Performance Using Transition Indicators

Ton Wilthagen, Ruud Muffels and Heejung Chung

INTRODUCTION

Labor markets and industrial relations systems have dramatically changed since the early 1990s due to cultural (e.g., individualization) and structural (e.g., globalization, aging) developments. In its influential 1997 Green Paper on 'Partnership for a New Organization of Work', the European Commission emphasized the importance of improving flexibility on the one hand and safeguarding security on the other, while acknowledging difficulties due to these ongoing cultural and structural shifts. Hence, the distinct concept of flexicurity entered into Europe's policy agenda, notably within the framework of the European Employment Strategy (EES). In 2007 the European Parliament endorsed a resolution entitled 'Common Principles of Flexicurity' in response to a Commission Communication, and the Council then adopted eight common principles of flexicurity emphasizing the need for contractual flexibility, active labor market policies and lifelong learning. The policy framework now consists of Common Principles, Employment Guidelines, components and typical pathways, agreed upon by the European Council but stressing the need to adapt to local circumstances and include the social partners. Within the new EES for 2020, and also within the EU's response to the impact of the economic crisis on employment (the so-called Employment Package; European Commission 2012), flexicurity is maintained as the dominant policy framework, encompassing social dialogue, which is seen as a key condition for developing integrative and balanced reform packages.

Much of what has been achieved or will be achieved in terms of flexicurity policies at the national level depends upon developments at the company and business sector level. One example is the extensive use of short-time practices in German companies following the 2008 crisis, involving 1.2 million workers (Schmid 2011). On the other hand, there are examples showing a different picture. Most particularly, the recent crisis showed the growing importance of temporary labor for swift adjustment to adverse economic shocks (IMF 2010). The increase in temporary work in Europe since the 1990s (Arrowsmith 2006) reflects both increasing competition and

uncertainty, combined with the so-called 'honeymoon' effect in labor markets with strong mechanisms of protection (Boeri and Garibaldi 2007). This means that employers are generally more reluctant to hire permanent workers due to the high transaction costs in terms of time and money involved in the event of layoffs. The temporary workforce operates under these conditions as a flexible buffer in modern industrial relations systems. This so-called numerical flexibilization of the workforce seems to have accelerated in a number of countries in Europe after the wake of the financial crisis in 2008 and the subsequent debt crisis in 2010. At another level, flexicurity can also entail company training and lifelong learning practices, varieties of 'employee-friendly' flexible working-time arrangement and other employee-centered measures, which may be negotiated with the social partners (see Chung et al. 2007 for more on company practices).

Reflecting perhaps the diversity not only of the types of policies but also with regard to the levels in which flexicurity can be implemented, no clear framework has been developed yet that enables a comparison of flexicurity policies across countries (Chung 2012). This lack of a framework, and even more so a lack of a commonly defined concept of flexicurity, means it is difficult to monitor or assess the effectiveness of flexicurity policies (especially in times of crisis or other socioeconomic change). Thus, the focus of this chapter is to develop a framework for the evaluation and monitoring of flexicurity policies and practices operating at various levels of authority—the European, the national and more decentralized levels, in particular the company level. This conceptual and evaluative framework is then used to map countries on the basis of their flexibility-security performance and to empirically assess the state of affairs of flexicurity and work-life balance policies and (company) practices in the European Union. Although the empirical timeframe under investigation is limited to the period 2005–2007/2008, due to availability of data, the results found in the paper allow us to test the viability of the framework as well as to make wider inferences concerning the outcomes of flexicurity policies in different socioeconomic conditions.

METHODOLOGICAL FRAMEWORK

A Dynamic Framework for Monitoring Flexicurity

Flexicurity has been heralded as one of the underlying key concepts in the ongoing transformation of employment relations, reconfirmed in the Europe 2020 agenda that is focused on endorsing smart, sustainable and inclusive growth (European Commission 2010). A constructive social dialogue is considered a crucial precondition for developing integrative and well-balanced reform packages at the national and sector level, and the social partners are expected to actively engage in an 'industrial relations of flexicurity'. The European-level social partners made a significant contribution with

a joint analysis of flexicurity and labor market challenges in 2007, and a recent study shows that ‘though not always in direct reference to the flexicurity concept and often driven by different concerns and priorities—social partners are actively contributing to reform processes and solutions’, thus supporting the implementation of the key dimensions of the EU’s Common Principles on Flexicurity (Voss and Dornelas 2011, p.68; see also Pedersini 2008 and Wilthagen 2007).

However, the way flexicurity is implemented is not necessarily sufficiently balanced in terms of promoting security as well as flexibility across different countries. This imbalance in the actual implementation of the flexicurity concept (rather than in the original design; see Wilthagen 1998; Wilthagen and Tros 2004; European Expert Group on Flexicurity 2007) is reported in various studies and critical commentaries (e.g., Pedersini 2008; Keune 2008; Keune and Jepsen 2007). The design and implementation of flexicurity policies in the member states is, therefore, not uncontested in the social dialogue at European and national levels.

It is for these reasons of ambiguity—as well as the importance of the issue—that any assessment of the empirical developments of the components of flexicurity requires a sound methodology. This chapter starts from the premise that process-oriented institutional and dynamic outcome indicators at various levels are a prerequisite for the stocktaking of countries’ progress in improving the balancing of flexibility and security goals. This is clearly expressed by the director of the Lisbon Council who, referring to Europe 2020, the current ten-year strategy for the EU, stressed the need for ‘a concerted effort to find measurements that can capture the notion of change, of dynamics, of movements in the economy and society’ (Mettler 2009, p.647).

Flexicurity as State of Affairs

Following Wilthagen (2005), the concept of flexicurity can be understood both as a ‘state of affairs’ and as a ‘policy strategy’, where policies also refer to practices at lower levels of authority such as sector and company (see also Chung 2012). To assess and monitor the way flexicurity is implemented at the country level a ‘stocks-flows-outcomes’ or ‘capabilities-transitions-outcomes’ (CTO) approach is proposed. The capabilities or stocks refer to the various forms of capital a country has built up, considered as capacities constituting the basic conditions for implementation of flexicurity. The transitions or flows part refers to the labor market transitions that people experience, or labor market dynamics. Outcomes measure the implementation results in terms of attaining a proper balance of flexibility and security. This balance is indicated as a ‘state of affairs’ because it is not a static but a dynamic concept, which refers to a continuous monitoring of implementation outcomes. The CTO approach fundamentally rests on an ‘agency-structure’ perspective, where agency refers to the behavior of individual actors like

employers and workers in the labor market, and structure to labor market institutions and (company) practices. The monitoring of flexicurity outcomes therefore concerns the attained level of different types of flexibility (numerical, functional) and the various types of security such as income and employment security and work-life balance. In terms of defining indicators, the *agency* part asks for indicators measuring the capabilities or stocks, the transitions or flows, and the outcomes and the *structure* part for institutional and policy indicators.

The conceptual model is shown as Figure 11.1. Indicators are developed for each of the four domains of flexicurity policies (European Commission 2007): Lifelong Learning (LLL); Flexible Contractual Arrangements (FCA); Active Labour Market Policies (ALMP) and Modern Social Security Systems (MSS). *Outcomes* deal with a variety of dimensions—that is, economic, social and environmental (the three overarching goals of the EU)—and the overall approach is theoretically inspired by the capability approach of Sen and resembles recent work for the French Presidency of the EU in the field of economic welfare (Stiglitz, Sen and Fitoussi 2009). *Capabilities* refer to

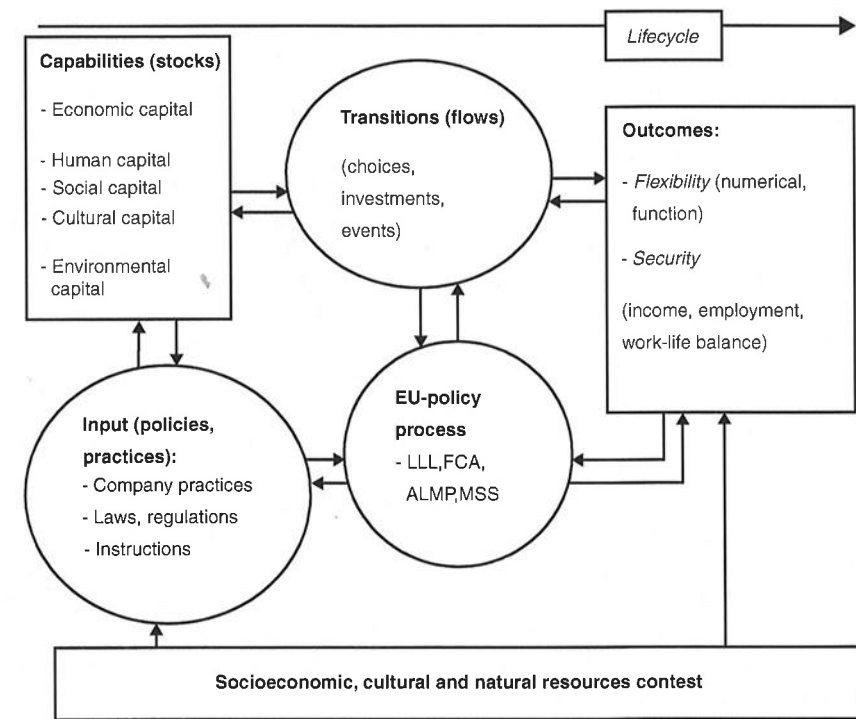


Figure 11.1 Flexicurity as a ‘state of affairs’: A capabilities-transitions-outcomes (CTO) or stocks-flows-outcome approach

Notes: LLL = Lifelong learning; FCA = Flexible contractual arrangements; ALMP = Active labor market policies; MSS = Modern social security systems

the freedoms or opportunities people have to achieve the things in life they have reason to value most (e.g., Sen 1993). These reflect the 'free choices' of people, which are hard to measure, so for indicator purposes the idea is to use proxies for capabilities as indicating amounts of economic capital (GDP per capita), human capital (education, work experience), social capital (contacts, social networks), cultural capital (preferences, values, attitudes) and environmental capital (sustainable resources and institutions). However, for the transitions and outcomes direct yardsticks can be defined derived from various data sources.

Evaluating Country Performance Using Flexicurity Transition Indicators

The idea here is to use a limited set of flexicurity indicators to assess the way countries implement flexicurity policies and thereby map the countries using these flexibility and security indicators. Compared to existing approaches in the literature, we argue for defining transition flexibility and security indicators at the various national, sector and company levels of industrial relations systems. To clarify the approach in more detail we explain for the national level the type of indicators proposed (as listed in Table 11.1) and how they are defined and calculated. The set of indicators derived from the CTO framework distinguishes outcome from institutional indicators and static from transition indicators. Capabilities (stocks) are measured by static indicators, the choices and events (flows) by dynamic or transition indicators and the policies and practices by institutional indicators. Eventually, the outcomes are measured by either static or dynamic outcome indicators. Various indicators are defined for the four domains of Flexible Contractual Arrangements (FCA)—i.e., MSS, including work-life balance security (WLB), LLL and ALMP. We only discuss the set of transition indicators because the treatment of static and institutional indicators on these domains would not add much to the existing literature (see Manca et al. 2010; Bachmann et al. 2011). These transition outcome indicators aim to measure the level and change of labor market mobility on the one hand and the level and change of income and employment security and work-life balance security on the other. Taken together, the sets of transition outcome indicators measure the achievement of a country in safeguarding a balance between transition-flexibility and transition-security. The idea here is not to set up a new system of indicators as there are already many attempts to design such a comprehensive system (e.g., Bachmann et al. 2011), but rather to show the added value of transition indicators on the various policy domains.

There are several data sources that can provide information on these transition outcome indicators. The two most important are the European Labour Force Survey and the EU Statistics on Income and Living Conditions Survey (SILC). In this chapter we use in particular the longitudinal SILC data covering the period 2005–2007/2008 to examine the performance

Table 11.1 Transition flexibility and security indicators on the four EU flexicurity domains

I. *Flexible and Contractual Arrangements:*

A. *Transition-flexibility indicators*

- transitions between jobs (job mobility)
- transitions between contract statuses (contract mobility)
- transitions between wage levels (wage mobility)

B. *Employment transition security indicators*

- transitions between different statuses of 'employment security' to show the differences across countries in the way they achieve employment transition security
- transitions between different working time patterns (part-time; fulltime)

II. *Life-long Learning (LLL) and Active Labour Market Policies (ALMP)*

- transitions by employment status and pay level
- transitions into permanent and temporary jobs after participation in education or training courses
- transitions between unemployment and employment statuses (job gain/re-entry, job loss/exit)
- the probability to re-enter employment conditional on the length of stay in unemployment (based on monthly status information in SILC) for different social groups (using the calendar information for 2005–2006) being a duration measure of employment transition security

III. *Modern Social-Security Systems (MSS): Transition income security*

- upward or downward income transitions, transitions in low-wage mobility and transitions in income security (moving in and out of income poverty) indicating transition income security (the so-called YSD measure).

IV. *Combination security or Work-life Balance (WLB) security*

- percent of women in employment and working time arrangements disaggregated by life-course stage (from being at school, forming a family, empty nest to retirement)
- time spent to work and caring duties for different families and work-care combinations
- percent of persons in work-care combinations for different types of households
- transitions between work-care combinations across two years aimed at defining a measure for WLB transition security using the SILC data.

Source: Muffels et al. (2011).

of countries in balancing flexibility and security and changes therein over time (see also Muffels et al. 2011). In a few instances we supplement these with the European Community Household Panel (ECHP) survey covering the period 1994–2001; in the third section we discuss the situation for the mid-2000s compared to the mid-1990s; unfortunately, there is a lack of longitudinal information stretching over the entire period between the early 1990s and the late 2000s.

These transition indicators need of course to be supplemented with static outcome and static and dynamic institutional indicators, in which the latter show the improvement in outcomes at the various levels including the company level due to particular policies and practices. Longitudinal data on institutional indicators and effects at the national level are not readily available (due to lack of data); hence in most studies static indicators are used. The longitudinal information available at the company level is scarce and isolated. There is, however, ample static information at national and company levels such as that included in the 2009 European Company Survey (ECS) of the European Foundation (Eurofound) in Dublin. We will present some indicators on wage bargaining and flexible working-time arrangements using the ECS in the fourth section.

Evaluating Country Performance Using Indicators at Sector and Company Level

In addition to outcome indicators at the country level, the outcomes of flexicurity practices are also relevant as part of the industrial relations systems implemented at sector or company level. In a 2008 report by the European Foundation entitled 'Flexicurity and Industrial Relations' (Pedersini 2008), a distinction is made between the political, regulatory and unilateral dimensions of the social partners' role in the flexicurity domain. The first dimension refers to the social partners' national-level role in the design of flexicurity policies, the second to the role in the collective bargaining processes at sector and company levels, and the unilateral role to the services (e.g., training, job placement, social security) provided by trade unions and employers organizations to their members. The Eurofound report also classified countries according to these three dimensions (Table 11.2). Most countries score high on their involvement at the political dimension or central level, but at the same time many countries score significantly lower at the regulatory (14) and especially the unilateral dimension of flexicurity involvement (20). Only five countries score high at the regulatory and unilateral dimension at the same time. Germany and the UK score low on involvement at the national level but high at either the regulatory wage-bargaining level (Germany) or the unilateral level (UK).

The role the social partners can play is shaped by their influence or power, and a proxy often used for the balance of power in industrial relations is trade union density (TUD). Visser (2008) showed that average TUD in EU27 declined from more than 30 percent in 1995/1996 to around 25 percent in

Table 11.2 Analysis of the social partners' role in flexicurity

		Regulatory dimension			
		High		Low	
		Unilateral dimension		Unilateral dimension	
		High	Low	High	Low
Political dimension	High	Ireland, Luxembourg, Portugal, Sweden	Austria, Belgium, Denmark, Finland, France, Italy, Netherlands, Norway, Slovakia	Bulgaria, Malta	Estonia, Hungary, Latvia, Spain, Romania, Slovenia
	Low	Germany		United Kingdom	Cyprus, Czech Republic, Greece, Lithuania, Poland

Source: Pedersini (2008).

2009. The drop is especially strong in Eastern and Baltic countries dropping from 60 percent to less than 20 percent in Lithuania and from more than 30 percent to 15 percent in Poland. A further consideration is Human Resource Management (HRM) policies at the company level. To give one example, training is considered of paramount interest for improving employability and is therefore one of the cornerstones of flexicurity. Using Eurofound's Company Survey data for 2009, the share of companies giving employees time off for training is very different across sectors and across the various regions in Europe. In the public sector this is offered by 75 percent of organizations against 59 percent in the private sector (see Muffels and Wilthagen 2011). The percentage for the public sector is only 42 percent in the Baltic States against 76 percent in the Northwestern part of Europe (the UK, Ireland). For this reason, indicators at the sector and company level will be briefly reviewed in the fourth section of this chapter.

TRANSITION-FLEXIBILITY AND TRANSITION-SECURITY INDICATORS IN FOUR POLICY DOMAINS

Flexible and Contractual Arrangements (FCA): Transition-Flexibility Indicators

The level of job and contract mobility indicates the turnover and volatility in the labor market and is affected by institutions and regulations such as minimum wage schemes, pay systems, unemployment insurance, activating

labor market policies, wage bargaining and employment protection laws. Mobility can be voluntarily, where people move because they find a better job match or involuntarily, as when they lose their job due to redundancies, layoffs and business closures. The mobility from a temporary job into a permanent job (part of contractual mobility) provides essential information on the flexibility of the labor market because a low transition rate indicates a poorly operating or even segmented labor market in which there is a shortage of job openings. The EU-SILC data¹ allows us to derive job mobility indicators for most European countries by using a question about whether or not the respondent changed jobs (also involving a change of employer) in the past year. The job mobility indicator we use here is calculated as the percentage of employed people aged 16–64 that changed jobs last year weighted by the share of permanent or temporary contract in employment to arrive at a population-wide estimate. The information is available for twenty-three EU-SILC countries only (see Figure 11.2). The lowest job mobility rates are observed in Luxembourg, Poland, Slovakia, the Czech Republic, Slovenia and Belgium, and the highest in Spain, Norway, Hungary, the UK and Sweden. Spain has a remarkably high level of job mobility that is especially due to a high incidence of temporary contracts. Denmark has lower total job mobility rates than anticipated, for Denmark is known for its relatively lean employment protection (though the figure is downwardly biased due to lack of information on the mobility of workers on temporary contracts). On balance, we consider voluntary mobility in open-ended contracts to be a better measure of flexibility than the sum of hirings and firings or total job mobility in which also fixed-term contract mobility is included.

In Figure 11.3 we present the results for twenty-five EU-SILC countries. Spain now has average mobility since a large part of total mobility was due to extensive fixed-term contracting. The findings show that voluntary job mobility is much larger than involuntary job mobility. The lowest levels of voluntary and involuntary mobility are registered in Poland, Slovenia,

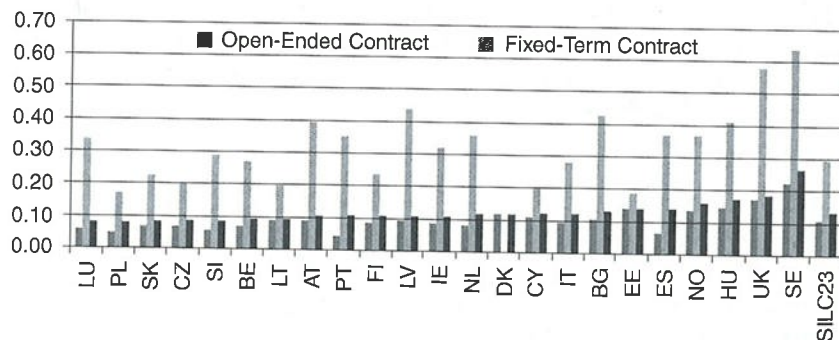


Figure 11.2 Job Mobility of workers in fixed-term and open-ended contracts plus total job mobility, 2007–2008

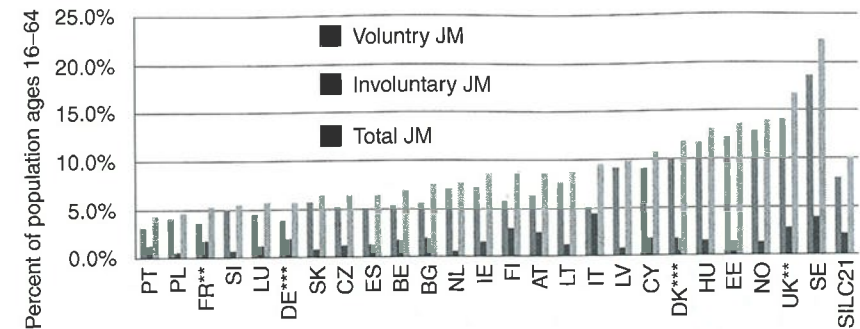


Figure 11.3 Voluntary, involuntary and total job mobility into permanent contracts, 2007–2008 (weighted data)

Germany, Portugal, Luxembourg and France. The UK and Sweden show the highest rates of voluntary as well as involuntary mobility; the UK figures reflect the typical features of an efficiently operating unregulated labor market showing high mobility and turnover, whereas the high figures for Sweden may mirror the preoccupation of Swedish social democracy with employment (e.g., through use of sector-based transition funds).

For Germany and the UK we also have information from socioeconomic panel surveys on the evolution of voluntary job mobility since the early 1990s. Voluntary job mobility (for people aged 16–64) decreased from 14 percent in 1992–1993 to 11 percent in 2007–2008 in the UK and from 8 percent in Germany in 1992–1993 to 4 percent in 2007–2008. We also found that average job tenure did not change much in either country; in Germany from 10.4 years in 1993 and 10.5 years in 2008, and in the UK from 8.1 years in 1993 to 8.7 years in 2008. There is, therefore, no evidence of a strong effect of globalization or increased flexibility on job mobility; on the contrary we observe a significant decline especially in Germany, possibly caused by extensive job growth and the negative effect of aging.

In the next step we used the EU-SILC panel for 2005–2008 and the ECHP for 1994–2001 to view the mobility rates from a temporary job into open-ended contracts and the change in transition rates for some countries over the last decade (since 1997–1998). Segmented labor markets show more volatility because of a high proportion of temporary jobs combined with high entry barriers to permanent work. The mobility rates from temporary jobs into permanent jobs are therefore important and suggest to what extent temporary jobs act as a 'stepping stone' or vehicle for marginalization. Figure 11.4 shows the results. The relatively unregulated labor markets of Ireland and the UK show the highest mobility rates into permanent jobs as do some Eastern and Baltic countries such as Slovakia, Latvia and especially Estonia. Very low mobility rates are found in the Southern countries (Italy, Spain, Cyprus) but also in the Netherlands and especially in Finland

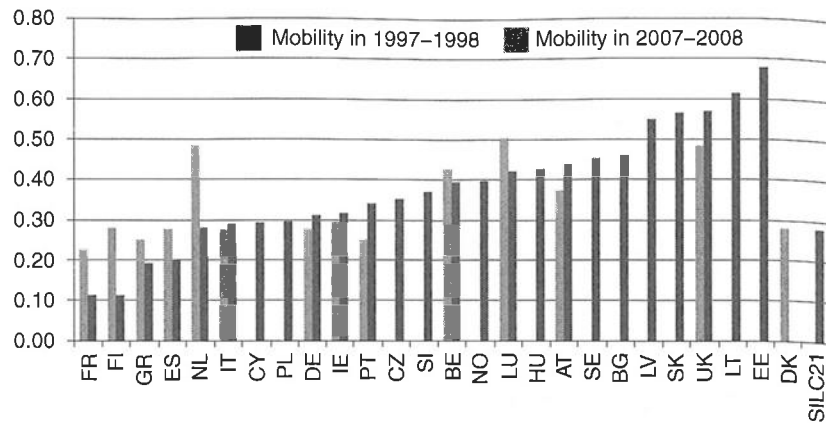


Figure 11.4 Mobility from fixed-term to open-ended contracts in 2007-2008 and change in mobility rates since 1997-1998

and France. The picture for the change in transition rates between the 1990s and the 2000s is mixed; in some countries, notably the Netherlands but also Spain and Greece, the transition rates have dropped, while in others they have risen—though less so in Austria, Portugal and the UK.

The evidence from these data sources shows that there is a negative relation between the incidence of temporary work and the transition into a permanent job. The higher the share of workers in non-standard contracts, the more difficult it is to move into an open-end contract. In Figure 11.5 the relationship is depicted. The evidence also suggests a negative relation between these transition rates and employment protection (see OECD 2010). The ‘stricter’ the protection of the ‘insider’ means fewer chances for the outsiders (such as temporary workers) to enter a standard tenured job.

In Figure 11.1 we also listed transition indicators for wage/income mobility and employment transition security. The former refers to transitions into a higher/lower wage job or into or out of income security (or poverty), and the latter to year-to-year changes in employment security due to changing status. Wage transitions are associated with job changes in the internal and external labor market. Employment transition security is defined as the change in employment security due to the change in employment status across two years. Because employment security concerns the nucleus of the flexicurity concept, we developed an employment transition security indicator that is defined as the percentage of people improving their employment security status from year $t - 1$ to t (upward transitions) minus the percentage of people who saw their employment security status reduced (downward transitions) (see Muffels and Luijkx 2008). Figure 11.6 shows the percentage of people improving or worsening their employment transition security status from 2005 to 2006 (ETS-Up versus ETS-Down). We use the SILC 2005-2006 data because it gives a similar picture as for later years but covers twenty-six countries including Denmark, Germany and France, which are not included in the data for later years.

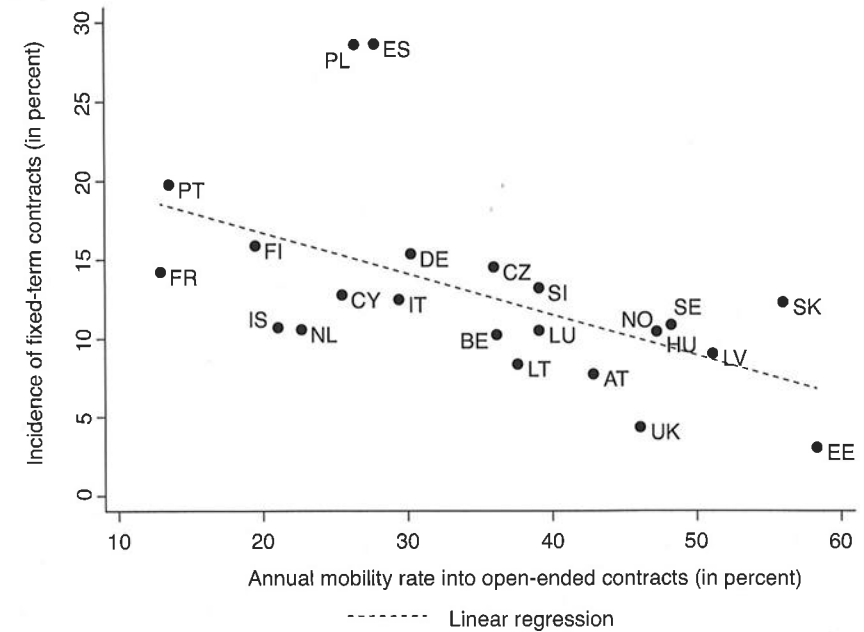


Figure 11.5 The relationship between incidence of fixed-term contracts and job mobility rates into tenured contracts based on SILC data for 2004-2007

Source: Eurostat, EU-SILC Longitudinal Data 2004-2007.

Note: The sample consists of people in temporary contracts in 2004, 2005 and 2006 moving into open-ended contracts one year later. The country score represents the average percentage over the three years for each of the twenty-three EU-SILC countries (no information available for Denmark, Greece and Bulgaria).

Each employment status is assumed to reflect a particular employment security level and the further the distance to the labor market the lower that level of employment security arguably is. In 2009 the indicators group of the Employment Committee of the European Commission (EMCO) agreed on a similar transition security indicator. The highest employment transition security levels are attained by the Nordic countries Sweden, Norway, Denmark and Iceland but with the UK, at a time of relatively buoyant economic performance, very nearby. This shows that high levels of employment security can be achieved in rather different ways.

LIFE LONG LEARNING AND ACTIVE LABOR MARKET POLICIES (LLL/ALMP)

One of the most important components of flexicurity policies is investment in the education and training of workers, as this raises employability and transition security. One indicator therefore concerns the participation in education and training programs either organized outside the firm or

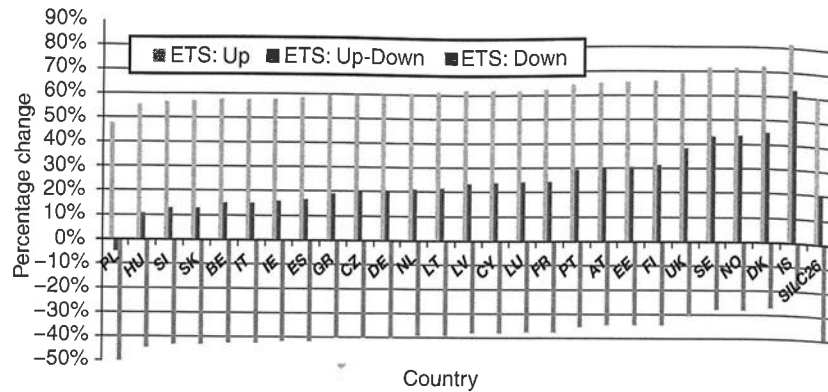


Figure 11.6 Employment transition security (ETS) by country, 2005–2006

offered within firms by employers. Other indicators deal with the duration, the costs, the age-specific participation rate, the kind of qualifications obtained or the type of training (firm-specific or general) and the level of education offered (Mascherini 2008). Here we are concerned with dynamic or transition (rather than institutional) indicators, such as the movement of trainees into better paid or more secure (open-ended) work after training, or the movement of nonworking people into a temporary job or other forms of work. We believe that the larger the share of people moving after training into a fixed-term job and the lower the percentage of people moving into a job with tenure, the worse the labor market performs with a view to rewarding investments in training. From a flexicurity perspective, though, what matters more for an efficiently operating labor market is that people after training are more employable and therefore more employment-secure (instead of more job-secure), meaning that they stay employed but not necessarily with the same employer or in the same job. SILC contains information on training where training is considered the main activity of the person. In Figure 11.7 we depict the results on this particular indicator for the transitions between 2005 and 2006 for the twenty-six EU-SILC countries.

The mobility rates into tenured jobs or open-ended contracts after training are largest in Latvia, the Netherlands, Norway, Denmark and the UK, and lowest in the Southern countries Italy, Spain, Greece and Portugal, but also in Poland, Luxembourg, Belgium, Germany and France. The more regulated countries show the lowest mobility rates into tenured jobs, suggesting that training does not close the entry barriers that ‘outsiders’ experience in such regimes. In Spain, many people, probably most of them young, move into fixed-term jobs after training.

For active labor market policies a number of static institutional indicators are also available and used in the EES context, such as the percentage of GDP spent on active and passive LMP arrangements and the number of people covered in particular labor market programs (Mascherini and

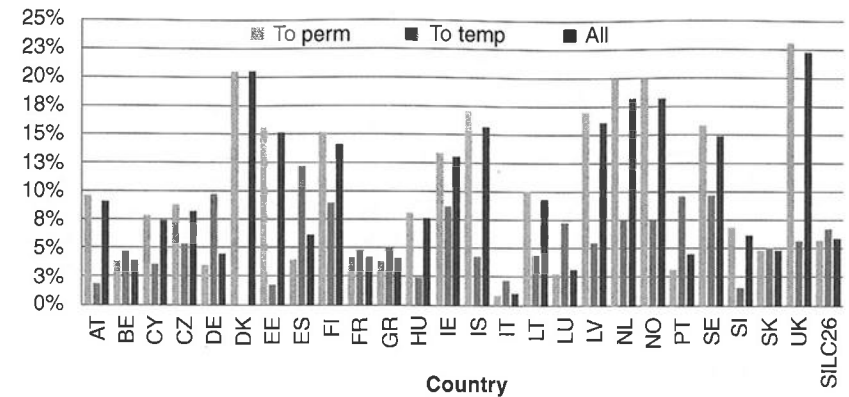


Figure 11.7 Job mobility after training into permanent and temporary contracts, 2005–2006



Figure 11.8 Re-entry into work and exit out of employment of people ages 16–65, by country, 2005–2006

Manca 2009; Manca et al. 2010; Bachmann et al. 2011). Dynamic indicators include the number of people reentering employment after some time in training or other employment reintegration program (public employment services). Dynamic outcome indicators might be defined as the exit rates out of a job into unemployment and the reentry rates out of unemployment into employment (Figure 11.8). These exit and reentry rates can be defined as conditional on the duration of previous (un)employment. Figure 11.8 shows that reentry is largest in Germany and the Nordic countries, including Iceland. Exit is large in Hungary and Finland.

Figure 11.9 shows the reentry rates into employment conditional on the duration of unemployment in the last year. As might be expected, where people are unemployed for the twelve-month period, their reentry chances are lower. The highest reentry chances for the long-term unemployed after

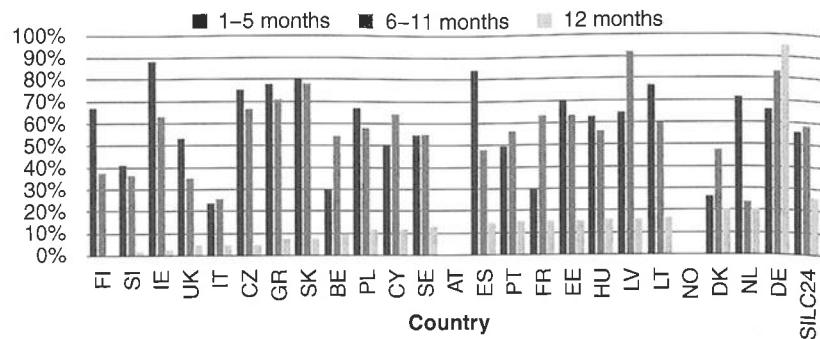


Figure 11.9 Re-entry into employment of people ages 16–64 after 1–12 months of unemployment, 2005–2006

being unemployed for at least one year are observed in Germany and the Scandinavian countries, and the lowest in Finland, Ireland and the UK, and the Southern and Eastern countries.

MODERN SOCIAL SECURITY SYSTEMS (MSS)

Transitions in Wage and Benefit Incomes

There are a number of institutional indicators in the domain of modern social security systems (MSS) that have been jointly developed in the EES framework by the Commission and the OECD. These include expenditure on and coverage of benefits, financial incentives to take up work (unemployment and inactivity 'traps'), the level and duration of benefits (replacement rates for short- and long-term unemployment) and the availability of childcare places in companies and in public services, the latter indicating elements of work-life balance (WLB). Here we focus on defining dynamic outcome indicators. Modern social security schemes 'make transitions pay' and allow people to switch more easily between employment and nonemployment or benefit statuses (retraining, care leaves, sabbaticals) and render in-work income support to, for example, part-time workers. Our measure views changes in income earned from wage or social security income across two years. It might be that as people change from unemployment into employment, benefit income drops and wage income rises, but people's income might also change for various reasons related to family formation events (divorce, separation), social security or benefit related events, but also a variety of other labor market related events (e.g., health shock, part-time work, short-term work). We calculated the number of people experiencing a more than 10 percent upward or downward change in wage plus social security income (unemployment, disability, pensions, education benefits) across two years (Figure 11.10). People staying within this range are considered to be experiencing lateral

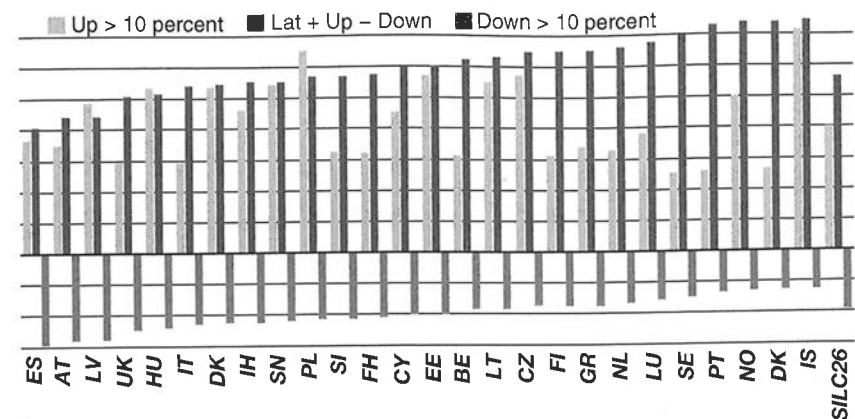


Figure 11.10 Upward and downward labor mobility (<10 percent) plus net income improvement (Lat + Up - Down) of people ages 16–65 years on wage and/or benefit income, 2005–2006

mobility (Lat). We show the upward (Up) and downward (Down) mobility rates and net income improvement that can be seen as a transition into more income security (Up + Lat - Down). The Nordic countries Denmark, Norway and Iceland show the largest average net income improvement but with low upward and downward mobility. Portugal and Greece scored surprisingly high, whereas Spain, Austria and the UK show the lowest level of upward and highest level of downward income mobility.

The net income change or transition income security indicator can be disaggregated by sex or by social group to compare the income security between various groups such as the employed versus the unemployed. With more years available, this provides a measure for changes in income security. More specific measures on income security can further be constructed by viewing particular risk groups such as the in-work poor or workers on low wages (for more details and outcomes on these indicators, see Muffels et al. 2011).

Work-Life Balance (WLB) Security Indicators

In the literature on indicators only static measures have been developed for WLB security. These measures deal with labor market participation rates and the share of part-time employment. Another way of focusing on WLB is to examine to what extent mothers in different life-course stages change their participation across time and withdraw from the labor market or reenter employment (Figure 11.11). These (re)entry patterns indicate the performance of the labor market in allowing women to find a job but also the potential generosity of WLB support in each country, from both public and private sources. Here we look into the proportions of single parent and

on the HRM context in which companies operate, such as absenteeism or sickness, recruitment problems of skilled personnel, low motivation of staff, or the need to reduce staff for economic reasons. Such problems hinder firms in attaining a proper balance between flexibility and security. Labor productivity issues are also considered important in this respect as a basis for decent remuneration, training investments and greater employment security.

We provide examples of indicators below that correspond to flexicurity implementation at sector and company level, presented by broad sector (public versus private) and country clusters. The information selected pertains to flex-time arrangements (long-term working-time accounts) and training and lifelong learning practices. These two practices were chosen because they are important components of future flexicurity policies, they vary widely between companies and the information is not already contained in the indicators presented before.

Flexible working-time arrangements belong to the first flexicurity component. Workers in many companies can accumulate or save hours over time to draw-down in later periods. These flex-time arrangements are often called *working-time accounts*, and a distinction can be made between short-term (working hours being flexible per day or over the week) and longer-term accounts (covering periods of more than one year). Figure 11.13 provides information on the prevalence of longer-term accounts across sector and regions. These long-term working-time accounts (LT-WTA) exist especially in the Nordic and the Continental countries but hardly feature in the new member states in the Eastern part of Europe. In these regions though, working-time accounts are more prevalent in the private than the public sector.

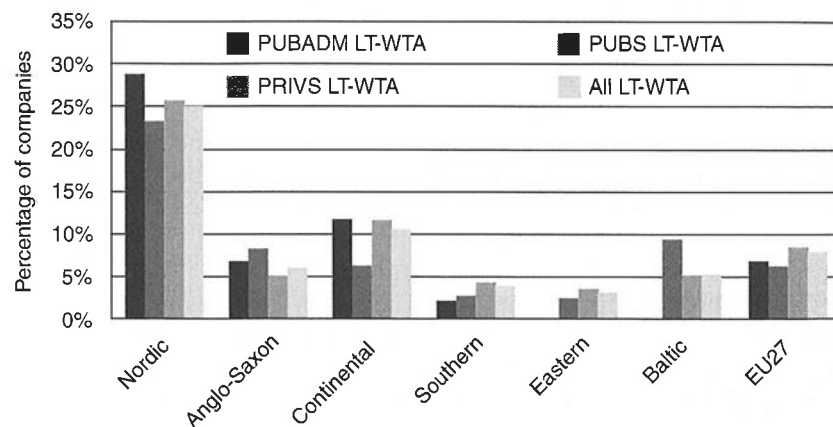


Figure 11.13 Percentage of workers in long-term working time accounts by sector and regime, ECS 2009

Source: European Foundation, ECS, 2009 (own calculations).

Notes: PUBADM = public administration; PUBS = public sector; PRIVS = private sector; ALL = all companies.

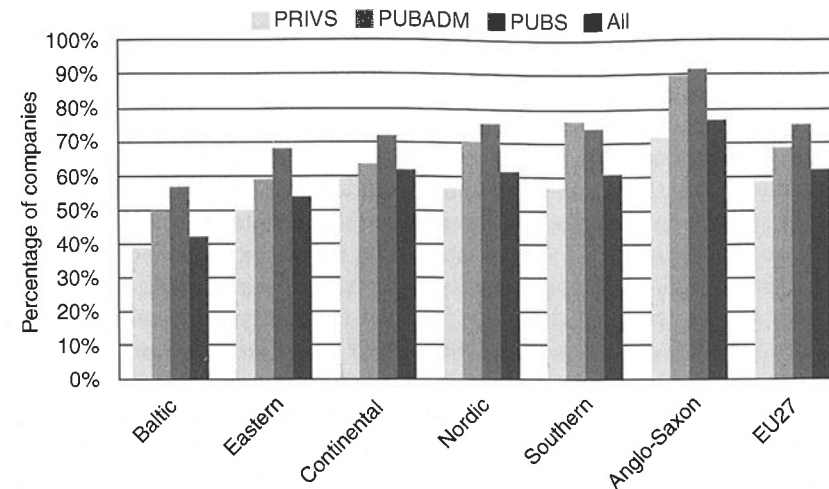


Figure 11.14 Proportion of companies with more than ten employees offering time off for training by sector and regime

Source: European Foundation, ECS, 2009 (own calculations).

Note: PUBADM = public administration; PUBS = public sector; PRIVS = private sector; ALL = all companies.

The ECS survey also contains information on lifelong learning, the second policy domain, in particular concerning the availability of facilities for workers to receive time off for further training in the company (Figure 11.14). In all countries public sector companies invest more in training by allowing time off for further training than do private sector companies. Private sector companies in the Anglo-Saxon countries invest most in training and companies in the Eastern and Baltic countries the least. Private sector companies in the Nordic and Continental countries perform average in this respect.

CONCLUSIONS

The starting point of this chapter was that the institutional and static indicators generally used for evaluating a country's achievement on flexicurity are inadequate given that flexicurity policies have to deal with labor market dynamics. We first explained our conceptual model, which we called the 'capabilities-transitions-outcomes' (CTO) or 'stock-flows-outcomes' model on flexibility and security. In this approach, capabilities (forms of human, social and cultural capital) together with transitions (choices and events) determine outcomes in terms of flexibility and security. These transition indicators at the country level need, however, to be supplemented with (transition) indicators at the sector and company level to complete the picture for monitoring a country's performance in the flexicurity domain.

We calculated a number of single outcome indicators on transition flexibility (job, wage and contract mobility) and transition security (income and employment security) and viewed how well the various labor markets perform according to these. We then constructed two composite indicators on flexibility and security, combining the information embedded in the single indicators. The picture from these transition outcome indicators at the national level was in the last part supplemented with institutional and outcome indicators at the sector and company levels. It was shown that the state of affairs of flexicurity in the years 2005–2008 appears very different across countries and country clusters. It also appeared that very different flexicurity policies may lead to more or less similar results. The evidence we had on the changes during the last decade show no clear trend except for a declining union density in most countries. No strong evidence was found for convergence. This remains our most important conclusion regarding the actual state of affairs of flexicurity.

The findings on the Eastern and Southern countries translate strongly into the relative poor outcomes of these segmented labor markets with respect to exhibiting low levels of mobility in terms of job, contract and wages and simultaneously achieving low standards of income and employment security. The company-level results on flexible working times and lifelong learning practices support these results. The Scandinavian countries, but also the UK and Ireland, seem to attain fairly high levels of employment-transition security and transition-income security, notwithstanding major differences in industrial relations and labor market governance systems. Southern and Eastern countries, on the other hand, appear challenged to increase labor market mobility and income and employment-transition security in order to escape from relatively low levels of flexicurity. The Continental countries show a mixed picture. Some (the Netherlands, Austria and Germany) have relatively low rates of job mobility but manage to maintain relatively low unemployment levels, thereby relying on a growing share of nonstandard jobs. Here the risk is of growing dualism in the labor market. Other Continental countries (France, Belgium) also show low levels of mobility but maintained decent levels of income-transition security for people not working.

An important proviso needs to be made. The information presented here covers the years 2005–2008, a period in which the labor market was flourishing in most European countries—certainly when compared to post-2008. The question therefore is whether these apparently generous systems are sustainable in the future due to the high costs involved. The debt crisis in Europe has already showed that governments have had to reduce social protection benefits, and the same holds for companies with respect to their HRM practices. It needs further scrutiny with more recent data to examine the different performance of countries during the recent crisis with a view to safeguarding income and employment security.

We might infer from our analysis over the years immediately prior to the crisis that countries with a high transition-flexibility but low transition-security like some Eastern and especially Baltic countries, including to some extent the

UK, are likely to show a poorer record in balancing flexibility and security goals. Equally, countries with low transition-flexibility and low transition-security can be expected to perform relatively poorly in terms of maintaining flexicurity performance, such as some Eastern and especially Southern countries. But countries with an intermediate level of transition-flexibility and a high level of transition-security, endorsed by particular flexicurity measures such as short-time arrangements, seem to perform best in terms of balancing flexibility and security goals (e.g., Germany, the Netherlands). To conclude, the various coordination mechanisms—states, markets, associations (social partners), hierarchies (firms), networks and communities—can all contribute to a well-balanced flexicurity. Within this configuration, mature and highly articulated industrial relations systems no doubt have a larger chance of success, assuming (as the OECD has recently indicated in the case of Austria; OECD 2011) that the social partners continue to take joint responsibility for necessary reforms. Whether they will manage to do so strongly depends on the direction the continued transformation of industrial relations will take.

NOTE

1. The sample of the EU-SILC (Statistics on Income and Living Conditions) longitudinal data contains as of 2005, twenty-four EU countries (EU27 minus Germany, Ireland and Romania) plus Norway and the candidate member state Iceland. The cross-sectional SILC data contains twenty-eight countries in 2008 (EU27 minus Malta plus Iceland and Norway).

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