

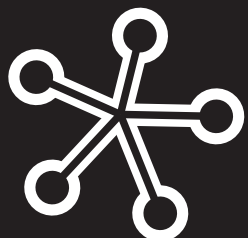


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Flexibility and security: an asymmetrical relationship?

Aliki Mouriki



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Flexibility and security: an asymmetrical relationship?

**The uncertain relevance of flexicurity
policies for segmented labour markets
and residual welfare regimes**

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(Guest at AIAS from October 2008 - April 2009)

WP 09/74

Introduction

Against a background of growing international competition and of pervasive uncertainty and fluidity, flexicurity policies are being actively promoted in the EU policy agenda as a useful policy tool to address the needs of business to respond to rapid changes, while providing workers with a safety net. On one hand, businesses need to be able to adjust to new challenges and improve their competitiveness. On the other, the European social model needs to be reinforced and provide workers with protection, but also opportunities, in a volatile and threatening environment. The flexicurity model seems to provide the link between these seemingly incompatible goals.

However, some critical questions arise as to the universal relevance of this model:

- a) Is the flexicurity model the only way forward to achieve economic efficiency for business and adequate protection for workers? What is the cost of not introducing flexicurity measures in an economy that struggles to remain competitive?
- b) Can flexicurity policies (however broad their scope) be adjusted to fit in with the idiosyncrasies of widely varied national and institutional backgrounds, whilst retaining their main characteristics?
- c) Does the flexicurity trade-off by definition always lead to a “win-win situation” for all the actors involved, regardless of the national context?

The aim of this work is to address the above questions, as well as to shed some light on four particular aspects of the flexicurity agenda and the concurrent debate:

- i) The flexicurity policy agenda is based on an asymmetrical relationship, as it involves a trade-off between unequal partners, with winners and losers both across, as well as within the ranks of the social actors;
- ii) The flexicurity model is not a “one-size-fits-all” model, as there exist huge national differences that need to be taken into consideration in the process of policy implementation;
- iii) The importance of institutional and cultural factors (for example, the institutional background, the consensus culture, the level of trust, individual and collective expectations from

the future) in the implementation of flexicurity policies are often over-shadowed by economic and political considerations;

- iv) Alternative policy agendas need to be established that are more tailored to the needs and the idiosyncrasies of particular national contexts.

Special attention in this paper is devoted to the question whether flexicurity policies can be successfully promoted in a national context characterised by segmented labour markets and widespread atypical and often unregulated employment, sub-protective welfare systems, a weak social consultation tradition, and the defensive responses of business to the challenges of globalisation. To this end, a considerable part of the work compares the experience of adopting flexibility and security measures in 4 EU countries (chosen on the basis of their distinct employment and welfare regimes and their vastly different degree of endorsement of flexicurity policies in their national policy agendas): 2 success stories – Denmark and the Netherlands- on one hand, and 2 reluctant supporters- Spain and Greece- on the other. The purpose of this comparative approach is to highlight the importance of institutional factors, as well as the (often under-estimated) key role of social attitudes and norms, in determining the direction and outcome of particular welfare and labour market initiatives.

The first 5 sections of this work provide an overview of the main components of the flexicurity policy agenda, as spelled out in detail by the EU documents and as implemented on the terrain in the two success stories, Denmark and the Netherlands. Sections 6, 7 and 8 attempt a comparative analysis of the impact of the national context (economic, social, institutional and cultural) on the outcome of the flexicurity agenda in the 4 countries under consideration. Finally, section 9 discusses the main findings of the report and questions the relevance of the flexicurity agenda in times of growing uncertainty and global economic crisis.

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1. Definition of concepts and typology of flexicurity

1.1. What does “flexicurity” mean and what it does not mean

The EU inspired neologism flexicurity –like the first of its two composing terms, flexibility- is vague enough to encompass a number of different versions. This is the reason why it is quite often mistakenly regarded as a euphemism for pure and simple greater labour market deregulation. However, labour market flexibility and flexicurity policies should not be confused and used interchangeably. The main difference between “flexibility” and “flexicurity” policies lies in the role of policy interventions to ensure that –in the pursuit of greater labour market flexibility- the needs and concerns of the workforce will also be taken into account.

Depending on the perspective, the content of flexicurity is perceived quite differently. From the business perspective, flexicurity means a greater degree of flexibility, especially with regards to 4 major fields:

- a) hiring and firing procedures: this implies a relaxation of the employment protection legislation, in order to reduce the cost of firing, whilst lifting the barriers to lay-offs;
- b) adjusting the number of workers and of hours worked to the fluctuations of demand: this implies wider use of fixed-term contracts, of temporary agency workers and of outsourcing. It also means the possibility to vary the working hours of the stable workforce, through flexible working arrangements, part-time work, annualisation of working hours, etc;
- c) improving the use of human capital within the firm: this can be achieved by enhancing multi-skilling, team working, job rotation and the redeployment of the workforce; and
- d) greater wage flexibility, i.e. performance-related pay, free wage fluctuation according to results, opting out of collective agreements, etc.

By contrast, from the labour perspective, flexicurity means mostly 3 things:

- a) job protection, or, at worst employment and income protection, in order to reduce the social risks and the uncertainties associated with economic restructuring and deregulation;
- b) incentives to allow for smooth transitions between working and non-working life: e.g. parental leave, shorter working hours, predictability of employment status, care facilities, etc.; and
- c) long-term leave for learning or personal reasons.

Striking a balance between these very different views of flexicurity is one of the main challenges of the flexicurity policy agenda, especially in a context of economic downturn and international volatility. As it is the government and companies who essentially determine the extent and form of flexicurity that is applied in practice, it is most important that the weaker partner in this deal –labour– can voice its concerns and protect its interests.

1.2. Types and possible combinations of flexibility and security

The concepts of flexibility, on one hand, and security, on the other cover a broad range of work organization practices, working patterns, employment contracts, labour market systems and welfare regimes. With respect to *flexibility*, there seems to be a broad consensus in the literature that there exist 4 different types that approximate Atkinson's *flexible firm* model, which typically distinguishes between the 4 following forms: (a) numerical flexibility; (b) working time flexibility; (c) functional flexibility, and (d) wage flexibility.¹ Another, more recent, configuration of the various forms of flexibility is the subdivision suggested by Gouldswaard & de Nanteuil, who differentiate between external and internal flexibility on one hand, and quantitative and qualitative flexibility, on the other.² These subdivisions correspond to the following four types of flexibility that largely overlap with Atkinson's: (a) numerical/ contractual flexibility; (b) productive/ geographical flexibility; (c) functional/ organizational flexibility and (d) temporal/ financial flexibility.³

1 See Madsen, 2006

2 See Eurofound, 2007

3 *ibid.*

Thus, depending on the institutional context and their business strategy, flexibility allows companies and organizations to vary the quantity of their workforce and of the total hours worked, to choose between a variety of employment contracts, to determine the take-home pay of their employees, and to affect the overall level of security and protection these are entitled to. On the other hand, workers, depending on their bargaining position and their labour market status, enjoy a varied degree of employment and social security rights (job security, access to training, job search assistance, unemployment benefits, social benefits, work-life balance, pension rights, etc.), ranging from a high level for the core workforce to none at all for the marginal or casual workers. Security, thus, assumes a different connotation and content for the different segments of the workforce, but also for the individual worker during his/her lifetime course. At the aggregate level, *security* can take 4 different forms: job security, employment security; income security; and combination security. The first three types of security are associated with a different degree of vulnerability, whilst the fourth, with work-life balance (see Diagram 1 for a detailed representation).

Diagram 1: Types of flexibility and security

TYPES OF FLEXIBILITY		TYPES OF SECURITY	
external numerical flexibility: <i>possibility to vary the amount of labour in response to even short-term changes in demand</i>	<ul style="list-style-type: none"> fixed-term employment contracts, temporary agency work subcontracting outsourcing easy hiring & firing procedures (low EPL index) 	job security: <i>expectation of a high job tenure with the same employer</i> (objective and subjective job insecurity)	<ul style="list-style-type: none"> indefinite duration contracts (workers in public sector or large companies) high EPL index reduced working hours early retirement
internal numerical flexibility: <i>possibility to change the number of hours worked and to determine the working time schedules</i>	<ul style="list-style-type: none"> part-time work overtime work night and shift work weekend working compressed working week 	employment security: <i>degree of certainty to get a new job if loosing the current one, even with a different employer</i> (employability= marketability of individual cumulative skills)	<ul style="list-style-type: none"> active labour market policies education, training, LLL
functional flexibility: <i>possibility to quickly redeploy employees to other tasks and activities</i>	<ul style="list-style-type: none"> task rotation multitasking job enrichment flexible organisation of work training team autonomy 	income security: <i>protection of income in case of sickness, unemployment or maternity</i> (vulnerability)	<ul style="list-style-type: none"> UB, social benefits minimum wage supplementary benefit for working fewer hours
financial flexibility: <i>possibility to alter standardised pay structures</i>	<ul style="list-style-type: none"> wage flexibility performance related pay local adjustments in labour costs reductions in SS payments bonus, fringe benefits 	combination security: <i>possibility to combine paid work with private life and social responsibilities</i>	<ul style="list-style-type: none"> different types of leave schemes voluntary working time arrangements early retirement

Source: Eurofound, 2008a, "Employment security and employability: a contribution to the flexicurity debate"

The above scheme is far from being flawless and unproblematic, as it assumes that the vast variety of business strategies and of labour market situations encountered in real life can actually fall into 16 well defined boxes of "ideal types" of flexibility and security.

In their widely known work, Wilthagen and Tros (2004) take this scheme a step forward and establish a matrix identifying the possible combinations between the four types of flexibility and the four types of security to produce a set of possible flexicurity policy mixes (see Diagram 2).

Diagram 2: Matrix: possible configurations of flexibility and security 4

	Job security	Employment security	Income security	Combination security
External numerical flexibility	- EPL - early retirement	- active labour market policies	- unemployment benefit - social benefits - minimum wage	- protection against dismissals during leave
Internal numerical flexibility	- part-time work - shorter working week	- EPL - LLL	- part-time - supplementary benefits - sickness benefits - study grants	- leave schemes - part-time pension
Functional flexibility	- job enrichment - training - labour leasing - outsourcing	- training - job rotation - team work - multiskilling	- performance-related pay	- voluntary working time arrangements
Wage flexibility	- local adjustments in labour costs - scaling or reductions in SS payments	- changes in SS payments - employment subsidies - in-work Benefits	- collective wage agreements - adjusted benefits for shorter working week	- voluntary working time arrangements

However, as the above matrix illustrates, in practice, one combination is not possible – that of external numerical flexibility and job security- whilst another two are to a greater or lesser degree mutually exclusive: external numerical flexibility is quite incompatible with work-life balance (combination security), whilst the same is true, though to a smaller degree, regarding internal numerical /working time flexibility. Employees with family responsibilities need to have predictable (and not long) working hours’ schedules and job stability. All other combinations are possible. Depending on the particular national labour market regime, the emphasis on either the flexibility or security component will vary, producing a different outcome.

The Wilthagen & Tros typology presented above has aroused some controversy as regards its interpretation as a list of different trade-offs between forms of flexibility and security. Leschke et al. (2006) from the *transitional labour markets* school focus their critique on the limitations of this matrix to

4 Wilthagen, mentioned in Eurofound, 2008a

assess both the flexibility and the security dimension of labour market reforms.⁵ They point out that this matrix is static and simplistic, as it does not represent the possible interrelationships between the different types of flexibility and security: the flexibility gains of employers do not necessarily entail a loss of security amongst the employees; similarly, security gains of employees do not necessarily mean a loss of flexibility for employers (as is the case of job security which enhances loyalty to the company and internal functional flexibility). Other combinations, however, can be “lethal”, as for example, when the relaxation of hiring and firing regulations can lead to an overall insecurity that has negative consequences on aggregate demand and even fertility. Hence, whether the outcome of the possible combinations between flexibility and security will be a trade-off, a mutually beneficial arrangement or a “vicious relationship” as they call it, will depend on the prevailing particular labour market and individual circumstances. To their view, the transitional labour markets framework provides a more dynamic insight to assess the impact of reforms, in terms of efficient and equitable flexicurity criteria.

To reinforce the arguments put forward by the above critique, one could add that it is not at all obvious whether, under any circumstances, flexibility is *always* harmful for the employees and that security *always* constitutes an unbearable cost for employers. It may well be the case that a higher degree of flexibility can enhance labour productivity and firm competitiveness and thus save jobs that would otherwise have to be shed. Or, inversely, that –in a context of intensified international competition– the ultimate outcome of less flexibility is less security for the workforce.⁶ Additionally, it is often the case that in times of uncertainty, a secure workforce can feel more committed to its job and highly skilled employees might be less tempted to venture for another job. To this end, one might consider a

5 For consistency purposes, the authors suggest two modifications in the terminology used in the Wilthagen & Tros matrix: (a) wage flexibility is re-named as ‘external numerical flexibility’, which is achieved through wage flexibility, out-sourcing and high quality temporary agency work; (b) combination security is coined as ‘option security’, in order to give it a broader meaning that includes civic engagement and further education.

6 For example, a high degree of employment protection or the prevalence of rigid patterns of work organisation can drive a firm out of business and its workforce to the dole. Alternatively, it can drive a firm to outsource part of its activities and/or have a greater recourse to unstable and precarious workers in order to circumvent restrictions, thus deepening labour market segmentation.

somewhat differentiated configuration of the possible combinations between flexibility and security that takes into account these different possibilities:

- a) A low degree of flexibility is associated with a high degree of employee security for the core workforce, but less security for the peripheral workforce (this is the case of well protected or rigid labour markets);
- b) a high degree of flexibility is associated with a low degree of security for both the core and the peripheral workforce (this is the case of deregulated labour markets);
- c) a high degree of flexibility could be associated with a higher degree of security, either at the macro-level through the creation of new jobs, or at the micro-level through the cautious exchange of rights between the more protected segments of the workforce and the weaker groups (this is the case of a win-win situation, or a “virtuous circle”).

2. Implications of various forms of flexicurity combinations

2.1. Implications for workers

The impact of flexicurity policies on labour ultimately depends on how effective these policies are in addressing not only the problem of unemployment but also of quality of life and social cohesion. When the *security* dimension of the flexicurity strategies is sacrificed in favour of the *flexibility* dimension, as is often the case when labour's negotiating power is weak, problems of vulnerability and social exclusion are bound to emerge.

Some groups of workers, in particular, are more vulnerable than others when exposed to high levels of flexibility that is not traded-off against some sort of security. Temporary workers (and all the variants of short-term workers), are considered as the most vulnerable segment of the workforce as, with few exceptions, they are usually trapped in low quality and insecure jobs and, most commonly, they have limited or no access to training, few if any employment and social security rights, and uncertainty regarding their future job prospects as well as difficulties in reconciling work and family life. Part-time workers, especially in the case of involuntary part-time work, also face serious discriminations compared to full time workers, in terms of access to training schemes, career prospects and professional status, but they are in a better position to combine work with family life due to their reduced working hours. Other vulnerable categories of flexible or atypical workers that benefit the least from flexicurity policies include the low educated workers, workers with irregular contracts, self-employed workers without employees, pseudo-independent (bogus) self-employed workers, workers in small firms, freelance workers, etc.

The household composition also plays a role in the employment patterns of the family members and, hence, in their degree of vulnerability. According to a Eurofound analysis of in-work poverty, there is a clear association between household composition, non-permanent contracts or interrupted career paths and greater vulnerability of workers, reflecting the growing incidence of the working

poor in recent years, in most European countries (see Pena-Casa and Latta, 2004, in Eurofound, 2007).

The widespread use of certain forms of flexibility is often the result of labour market rigidities. When employment protection is strong for the permanent workers, companies and organizations are motivated and inclined to have greater recourse to atypical workers, in view of increasing their numerical and wage flexibility.⁷ The core workforce thus retains its high degree of protection and employment and social security rights, to the detriment of the weaker segments of the workforce that are usually deprived of both. As a result, flexibility is concentrated at the margins of the workforce, thus reinforcing the divide between a privileged core of permanent employees with full employment and social security rights and an underclass of marginalized, casual workers with few if any basic rights and career prospects, often trapped into poverty. This is particularly the case of dualist labour markets with a strong “insiders-outsiders” effect.

Finally, one must also bear in mind that even the protected section of the “core” workforce is not immune from the precariousness of the working conditions of “peripheral” workers; contingent work and involuntary turnover of the permanent workforce are positively and significantly correlated. On the other hand, empirical evidence from the U.K. indicates that part-time workers, contrary to popular notions, do not experience more job insecurity than full-time workers, which suggests that one cannot readily lump them together with temporary workers as contingent, precarious and numerically flexible labour (European Commission-EU research, 2005). It appears that the security dimension is increasingly becoming the new dividing line between “good” jobs and “bad” jobs. An example of this new division is that a low-skilled and poorly remunerated job in a protected segment of the labour market is more secure, and hence more appreciated, than a well-paid highly skilled job in a volatile sector of activity.

2.2. Implications for companies and organisations

Greater flexibility is not always translated into enhanced economic efficiency for companies and organizations. Often, a high degree of flexibility, especially in the form of lower employment protec-

⁷ A typical example of this is the recruitment of temporary and part-time personnel in the public sector, to offset the rigidities associated with the employment status of the tenured personnel.

tion, extensive use of precarious workers or outsourcing, result into a lower investment of the company in human capital and, hence, in lower productivity. Workers that are under-paid have reduced motivation and attachment to their workplace. Increased labour mobility also weakens loyalty to the company/organization. By contrast, job stability, access to training, job enrichment, career opportunities and work-life balance improve the commitment of the workforce and its performance, to the benefit of the employer.

Diagram 3: Implications of various forms of flexibility for companies and workers

form of flexibility	implications for companies	implications for workers
temporary (fixed-term) employment contracts	<ul style="list-style-type: none"> • higher quality matches, higher efficiency • lower incentive to invest in human capital, decreasing productivity • opportunity to assess the potential of new recruits without risking dismissal costs 	<ul style="list-style-type: none"> • job instability leading to job insecurity • shorter duration of unemployment • “port of entry” or trap to precarious employment? • vulnerability to new social risks • few (if any) training opportunities, as well as employment and SS rights • low job satisfaction • lower work attachment • less combination security
involuntary part-time work voluntary part-time work	<ul style="list-style-type: none"> • higher numerical flexibility • more committed employees 	<p><i>as above</i></p> <ul style="list-style-type: none"> • possibility to combine work and family responsibilities
low EPL-index	<ul style="list-style-type: none"> • easy firing & hiring procedures to adjust the number of workers to demand fluctuations • disincentive to invest in innovation and functional flexibility, as a response to competitive pressures 	<ul style="list-style-type: none"> • job insecurity • income instability • uncertainty for the future
working time flexibility determined by employers (company oriented)	<ul style="list-style-type: none"> • better response to fluctuations of demand • better use of equipment and human capital 	<ul style="list-style-type: none"> • difficulties in achieving a work-life balance • possibility to adjust start and finishing times
individualized working time arrangements (employee oriented)	<ul style="list-style-type: none"> • mutual benefits for companies and workers 	<ul style="list-style-type: none"> • greater working time autonomy • possibility to accumulate hours for shorter or longer periods of leave
functional flexibility	<ul style="list-style-type: none"> • improved performance of the workforce 	<ul style="list-style-type: none"> • access to training, continuous updating of skills • increased employability • job satisfaction
wage flexibility	<ul style="list-style-type: none"> • rationalization of wage costs 	<ul style="list-style-type: none"> • increased income for some, decreased earnings for others

2.3. Implications for welfare regimes

Traditional social protection systems build around the male breadwinner model of full time, uninterrupted employment until retirement are no longer relevant for increasing segments of the workforce. As many scholars observe, the “standard employment contract” can no longer remain a reference point for the European welfare states.⁸

As labour markets become more flexible, the social protection systems need to adjust rapidly to the new socio-economic realities and provide support for safe transitions between employment and non-employment. If people have confidence that the welfare institutions will ensure them income security, they might be more willing to take risks in their working lives and accept temporary changes in their employment status. Social protection systems need also to provide a safety net for the more vulnerable segments of the workforce, especially the long-term unemployed and the growing number of the working poor.

Certain forms of flexicurity arrangements have a negative impact on social rights, the level of income and, ultimately, the financial sustainability of the social security systems. Casual or discontinuous employment patterns in particular (especially on-call work, very short hours’ work, involuntary part-time work and protracted fixed-term contracts) are closely linked to in-work poverty. Whilst the expansion of new forms of self-employment and the transition from employee status to self-employment, as Visser (2005) has pointed out, may produce a ‘regulation gap’ with regard to pensions and social security coverage, with exclusionary consequences due to under-insurance in the future.

The continuous growth of unstable incomes and low pay, but also of the non-employed active population, not only increase social inequalities and threaten social cohesion, but they also erode the long-term viability of social protection systems, already burdened by demographic ageing and budgetary constraints. As the link between paid employment and social rights is becoming weaker, the capability of social protection systems to compensate for the totality of employment and social security rights that were formerly ensured through participation in employment is also diminishing (Auer, 2008).⁹

⁸ See, amongst others, Viebrock & Clasen, 2009

⁹ Deeply concerned by these developments, some scholars and policy makers go as far as suggesting a radical de-linking between employment relationships and social rights. See for example Supiot’s proposal for social drawing rights mentioned in Auer, 2008.

3. The rationale behind flexicurity policies

3.1. The challenges of globalisation and the Lisbon strategy

Eager to address the challenges of increasing international competition, economic volatility and technological change, the European Commission has been investigating over the past 20 years for the appropriate policies and tools that would at the same time produce growth and jobs, whilst safeguarding the European social model. Within this context, the elaboration of policies that – unlike the American flexible labour market approach – would balance the flexibility needs of business with the security needs of the employees has been at the centre of policy debate in the EU since the mid-1990s. In 1996, the *Green Paper on partnership for a new organization of work* for the first time made a mention to the need of pursuing flexicurity policies in order to address the uncertainties inherent in the reorganization of work. Ten years later, in 2006, the Commission issued a *Green Paper on the modernization of Labour Law* where it specifically addressed issues related to different kinds of contracts and the flexicurity challenge (Eurofound, 2007).

In June 2007 the Commission adopted a Communication “Towards Common Principles of Flexicurity: More and better jobs through flexibility and security”, proposing the establishment of common principles of flexicurity to promote more and

better jobs – in line with the Lisbon objectives – by combining flexibility and security for workers and companies. These common principles, elaborated in close cooperation with the social partners’ organisations, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, were adopted by the European Council in December 2007.

Over the years, the flexicurity strategy became an important policy component of the European Employment Strategy, the Social Agenda and the Lisbon agenda. Guideline 21 of the Integrated Guidelines for Growth and Jobs stresses the need to promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the Social Partners. Other guidelines, in particular Guideline 18 on modern social protection systems, Guideline 19 on

Active Labour Market Policies, and Guideline 23 on Life Long Learning strategies also refer to the flexicurity components as defined by the European Commission and the Council.

Flexicurity policies carry by definition the burden of their two seemingly conflicting objectives, that of achieving the objectives of the renewed Lisbon strategy and of modernizing the European social model. Flexicurity is required to address at the same time the socio-economic challenges of globalisation, and the widespread diffusion of new technologies and demographic ageing¹⁰, whilst providing a safety net to workers to help them become more flexible and more “employable”. As security for workers is no longer guaranteed from the stable employment relationship, a set of policy interventions is required that will support safe transitions from one job to another and from activity to inactivity and vice-versa.

3.2. From job security to employment security

Job security, as it was understood in the 1970s and 1980s, as a more or less permanent full time job until retirement (with few-if any- spells of unemployment in between), now seems an impossible target. Even the less rigid variant of a guaranteed job within the company in conjunction with changes in the task or job content and in working time (like the Japanese model of internal labour markets in the 1980s) is more or less a thing of the past. Instead, what workers can aspire to nowadays is a life-time security deriving from a sequence of different jobs (often requiring different skills) with different employers and safe labour market transitions. This shift towards a new type of employment-related security has been labeled as *employment security* in the EU jargon and is widely used in all labour market related policy documents.¹¹ Employment –or labour market- security is enhanced when workers are able to adapt to changes in economic conditions, and thus to labour market adjustments, by constantly updating their skills through lifelong learning, and are willing to accept greater

10 In 2006, 16.8% of the EU-27 population was aged over 65 years; this rate is expected to reach 25% by the end of the decade (Eurostat, 2008).

11 Auer considers misleading the use of the concept of “employment security” in the EU literature and policy agenda (including the flexicurity agenda) and calls this shift from job security to a new type of security as *labour market security*, which combines some employment security within firms with security in transitions and mobility, in the form of active and passive labour market policies and social rights. He argues that in the transition phase (when a worker is unemployed), it is income and employability that may be protected –through labour market and welfare institutions- but not employment per se (Auer, 2008).

geographical and professional mobility. Providing a smoother transition between jobs, or from work to non-work and vice versa, is one of the basic pillars of flexicurity policies.

However, this smooth transition is not available to all workers. A considerable share of the EU workforce is trapped into insecure and low quality jobs, with very few prospects of improving their employment status and upgrading their skills. According to the analysis of the findings of an EU survey on the forms of employment integration in the EU-15 countries, in 2001 over half of the workforce was in low quality jobs, either secure, or insecure (Paugam & Zhou, 2007).

Moving away from the quest for *job security* to that of *employment security* (or labour market security) is not a question of an individual choice, not even so of business prerogative,¹² but rather of the prevailing institutional and labour market context. The expansion of precarious jobs is far from being compatible with increased workers' employability. Insecure jobs provide fewer, if any, training opportunities; they are all too often associated with low pay, poor job satisfaction, greater difficulties in achieving work-life balance and a clustering of negative features that increase the vulnerability of workers and jeopardize their future employment prospects. The more insecure workers feel, the less employable they become.

Employment security is also affected by the prevailing degree of satisfaction with the society in which individuals live and their confidence in the future. As the table below illustrates, the expectations from the future vary greatly in the EU-27 countries. Respondents from the majority of the "old" EU-15 countries are far more pessimistic about the future than those in the new members.

12 Although some types of firms can enhance the employability of their workforce through continuous training and multitasking (e.g. the learning organization).

Table 1: Overall, in 20 years' time, would you say that people's lives in your country will be better or worse than today? Would you say that you are very or fairly confident in having a job in 2 year's time?
EU-27 countries

COUNTRY	% worse than today	confidence in having a job in 2 year's time (%)	EPL strictness (2003)
EU-15 members			
Germany	67.8	48	2.21
Greece	66.9	37	2.83
France	64.3	45	3.05
Luxembourg	58.8	48	-
Italy	58.3	34	1.95
Belgium	57.9	49	2.18
UK	56.3	61	0.75
Austria	55.6	58	1.94
Portugal	53.2	39	3.46
Netherlands	38.3	62	2.12
Spain	37.4	43	3.05
Finland	37.3	59	2.02
Sweden	34.7	60	2.24
Denmark	32.4	61	1.42
Ireland	24.9	59	1.11
New members			
Cyprus	54.9	44	-
Slovenia	45.2	41	-
Hungary	37.9	33	1.52
Czech Rep.	32.2	56	1.90
Malta	22.8	39	-
Poland	22.6	29	1.74
Lithuania	20.2	42	-
Bulgaria	19.9	27	-
Latvia	19.4	54	-
Slovakia	19.3	29	1.34
Romania	17.1	40	-
Estonia	11.3	45	-

Sources: Flash Eurobarometer no. 227, 2008 & Special Eurobarometer 26, 2006
OECD Stat Extracts, Dataset: Strictness of EPL –overall (version 1). Available online:
http://stats.oecd.org/wbos/Index.aspx?DatasetCode=EPL_OV

It is interesting to note that: (a) a pessimistic attitude towards the future is closely linked to a low degree of confidence in having a job in the near future, and that (b) the degree of employment protection (EPL index) does not seem to affect the level of peoples' optimism about the future (compare for example Sweden and Denmark). Contrary to the argumentation commonly put forward by trade unions, the sense of security of workers is not boosted by strict employment protection legislation, in particular regarding dismissals (see for example Portugal and Greece); rather, it is boosted by active labour market policies and by an adequate level of unemployment insurance. As the Eurobarometer 2006 findings suggest,¹³ French and Portuguese workers with a high EPL-index (3.05 and 3.46 respectively, see table above) rate their chances of finding a job within 6 months –if made redundant– significantly lower, than Danish and Irish workers with a very moderate EPL- index (1.42 and 1.11 respectively), who rate them very high (see Table 2).

Table 2: If you were to be laid-off, how would you rate the likelihood of finding a job in the next 6 months (1= not at all likely, 10=very likely)?

Country	Score
Denmark	8.1
Ireland	7.6
Latvia	7.4
United Kingdom	7.3
Estonia	7.2
Finland	7.1
Sweden	7.0
Netherlands	6.9
Lithuania	6.8
Czech Republic	6.6
Belgium	6.5
Cyprus	6.5
Luxembourg	6.5
Spain	6.3
Slovenia	6.2
Austria	6.2
EU-25 average	6.1
Slovakia	5.8
Hungary	5.7
Germany	5.6
Greece	5.6
France	5.5
Malta	5.5
Poland	5.4
Italy	5.2
Portugal	5.2

Source: Special Eurobarometer 261, 2006

¹³ See Special Eurobarometer 261, 2006, p. 27

It is no coincidence that, with the exception of Germany, those EU-15 countries that score low in the expectation of finding a job soon are also countries spending little on active labour market measures: Portugal spends 0.70% of its GDP, Italy spends 0.59%, France 0.97%, and Greece a meager 0.17%. By contrast, Denmark devotes 1.83% of its GDP on active labour market policies (the highest amongst the EU and the OECD countries), the Netherlands 1.44% and Sweden 1.24%. It should be noted that high spending on active measures goes hand in hand with high spending in passive measures as well (unemployment benefits), indicating a dynamic and integrated approach to labour market problems (see Table 3).

Table 3: Public expenditure on labour market policies as a % of GDP, 2004

Country	Active measures	Passive measures	Total
Austria	0.60	1.39	1.99
Belgium	1.15	2.41	3.56
Denmark	1.83	2.66	4.49
Finland	0.98	2.07	3.05
France	0.97	1.72	2.69
Germany	1.14	2.31	3.45
Greece *	0.17	0.45	0.62
Ireland	0.62	0.90	1.52
Italy	0.59	0.76	1.35
Netherlands	1.44	2.23	3.67
Portugal	0.70	1.31	2.01
Spain	0.72	1.50	2.22
Sweden	1.24	1.32	2.56

** figures for Greece do not include Public Employment Services and administration costs
Source: OECD Employment Outlook 2006, Statistical Annex*

So, moving away from the concept of job security towards the concept of employment (or labour market) security involves above all a commitment by governments to spend more on active labour markets and unemployment insurance, rather than focus on how to ease hiring and firing procedures, or facilitate the growth of precarious (and insecure) work. This is the most effective way to address the challenges of labour market segmentation and marginalization, but also of poor economic performance.

3.3. Managing change and social risks

Among the most prominent new social risks is the sustainability of the social protection and welfare systems, and labour market segmentation. The increasing number of precarious jobs in the EU economies, not only deprives a large segment of the workforce from basic employment and social security rights, but it puts into jeopardy the viability of the social security systems, as well as social cohesion. Lower incomes and unstable employment (e.g. fixed-term contracts, on-call labour, small part-time jobs, etc.) are associated with a higher incidence of poverty. This in turn is translated into an increase in social spending.

Social protection systems play a central role in addressing the short and long-term risks associated with precarious employment and unemployment. They not only provide a (varying) degree of compensation for the loss or reduction in income, they also (or at least, they are meant to) help individuals and families maintain a socially acceptable standard of living, regardless of labour market participation,¹⁴ through various schemes of a minimum guaranteed income. The degree of security and the benefits provided, however, vary significantly, depending on the welfare regime. Inclusive welfare regimes, like those prevailing in the Scandinavian countries, are more effective in reducing the level of insecurity and vulnerability of precarious workers and the unemployed, compared to the other types of welfare regimes. By contrast, the liberal market employment regime emerges as the most polarized, in terms of cumulative disadvantage for those trapped in insecure and poor quality jobs, whilst in the Southern European dualist employment regimes, informal family networks assume a significant share of the welfare duties of a residual welfare state (see Diagram 4).

Diagram 4: Employment welfare regimes

Type of welfare regime	Forms of employment regulation	Level and form of social protection of the unemployed
<i>inclusive regime</i>	- Scandinavian (social democratic)	high degree of institutionalized protection
<i>liberal "market" regime</i>	- Anglo-Saxon	minimal protection
<i>dualist employment regimes</i>	- continental (corporatist) - Southern European (Mediterranean)	insurance-based, employment-centered protection sub-protective (importance of family and informal networks)

Source: Paugam & Zhou, 2007

¹⁴ This is termed decommodification (Esping-Andersen in Eurofound, 2007).

Another advantage of the Scandinavian type of welfare regime is that it is not incompatible with a dynamic and well-functioning labour market, suggesting that government spending on well-functioning welfare services should not be viewed as a cost, but rather as an investment.

“Inclusive employment regimes, with a high degree of centralization of collective bargaining and strong welfare and quality of work policies, tend to create an environment that is most conducive to the integration of employees into the labour market”. (Paugam & Zhou, 2007)

4. The EU flexicurity agenda: in search of the appropriate policy mix that balances flexibility and security

4.1. The key components of the EU flexicurity strategy

The European Commission, following a lengthy process of consultation and study, has established in 2007 the key components and the main guiding principles of the flexicurity strategy.¹⁵ It outlines the following 4 key policy components:

- a) flexible and variable contractual arrangements from the perspective of both employers and employees, “insiders” and “outsiders”;
- b) comprehensive lifelong learning strategies, to ensure the continuous adaptability and employability of workers, especially of the most vulnerable ones;
- c) effective labour market policies, that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs; and
- d) modern social security systems, that provide adequate income support, encourage employment and facilitate labour market mobility, as well as work.

The above components must be mutually supportive so as to produce the optimum result. And they must be guided by a set of *common principles* that will act as reference points for the member-states:

- 1) to pursue comprehensive labour market policies that promote flexible and reliable contractual arrangements, effective active labour market measures and modern social security systems;
- 2) to strike a balance between rights and responsibilities for all social actors involved: employers, workers, job-seekers and public authorities;
- 3) to accept that there is not one single policy strategy towards flexicurity: each country should adapt it to its particular circumstances and institutions;

¹⁵ European Commission, 2007b

- 4) to reduce the divide between “insiders” and “outsiders”, by preparing the former for job transitions, whilst giving the latter easy entry points;
- 5) to promote internal, as well as external flexicurity;
- 6) to enhance gender equality by giving equal access to quality employment for women and men, and by offering possibilities to reconcile work and family life;
- 7) to create a climate of trust and dialogue between the public authorities and the social partners; and
- 8) to contribute to sound and financially sustainable budgetary policies, and a fair distribution of costs and benefits.

In order to achieve these ambitious goals, the EU member states are urged to:

- put emphasis on active labour market policies, especially in the improvement of public employment services, to ensure the short duration of unemployment spells and the matching of skills to demand;
- encourage lifelong learning for workers: continuous vocational training can provide transferable skills and thus increase employability, whilst a well educated workforce is often more productive and less likely to be trapped into poor quality work;
- provide income security, rather than job security, through generous and inclusive social protection systems: social security systems have to be adapted to suit the needs of the flexible workforce, ensuring that even the non-standard forms of employment insertion are covered by minimum social rights;
- provide family-friendly policies to achieve a work-life balance, through mutually beneficial working arrangements that take into account the changing needs of the workforce throughout its life course;
- enhance the mutual trust between workers and employers: including the trade unions in policy formulation will increase the willingness of workers to accept flexicurity arrangements and will ensure the balancing of different needs.

Diagram 5: Key components of the EU flexicurity strategy

Policy components	Aims	Policy tools
flexible and reliable contractual arrangements (from the perspective of both employers and employees, “insiders” and “outsiders”)	<ul style="list-style-type: none"> to fight against labour market segmentation 	<ul style="list-style-type: none"> modernization of labour law, relaxation of EPL collective agreements modernize work organization
comprehensive and responsive lifelong learning strategies	<ul style="list-style-type: none"> to keep the skills of workers (especially the more vulnerable ones) up to date 	<ul style="list-style-type: none"> high quality initial education, broad key competences continuous training
effective active labour market policies	<ul style="list-style-type: none"> help reintegrate people into employment help people cope with rapid change support safe transitions 	<ul style="list-style-type: none"> job placement services training programs job creation schemes work incentives
modern social security systems	<ul style="list-style-type: none"> provide people with income security and support (disability, long-term care) facilitate transitions to new jobs, through efficient job search assistance and financial incentives (balance between rights and obligations) enhance work / life balance 	<ul style="list-style-type: none"> adequate unemployment benefits healthcare benefits pensions childcare

Source: Adapted by author from Eurofound, 2008, “Employment security and employability: a contribution to the flexicurity debate” and European Commission, 2007b, “Towards Common Principles of Flexicurity”

The specific combinations and sequences of policies will of course depend on the particular socio-economic and cultural circumstances prevailing in each country. The degree, to which the outcome of these policy configurations could be identified as a flexicurity policy needs, however, to be put into question. Moreover, although the key policy components of the EU flexicurity strategy and its stated aims are hardly contested by anyone, it is the specific content and mix of the policy measures that arouse the most controversy.

4.2. Four typical pathways to flexicurity

Conscious of the diversity of labour market and welfare regimes prevailing across the EU, the European Commission suggests four typical *pathways to flexicurity*, depending on the challenges that each country has to address.¹⁶

The *first pathway* aims at tackling contractual segmentation. It is useful for countries with segmented labour markets, with insiders and outsiders, as it would permit them to distribute flexibility and security more evenly over the workforce. This could happen, for example, by providing entry ports into employment for newcomers and promote their progress into better jobs. In these countries, security tends to rely on job protection rather than social benefits; unemployment benefits are low and social assistance systems are weak. Effective measures to address the issue of contractual segmentation could include improving the position of workers on fixed-term contracts, agency work, on-call work, etc. by offering them adequate protection and minimum rights, training opportunities, and social security rights with portability of entitlements (see for example the relevant Dutch experience).

In this respect, an interesting idea that is worth further consideration is put forward by the Commission. The consecutive use of fixed-term contracts could be restricted through legislation and collective agreements, whilst the open-ended contracts could be redesigned so as to include a progressive built-up of job protection: it could start with a basic level of job protection and protection would gradually increase with job tenure, until full protection is achieved. This is termed the “tenure track approach” that guarantees an automatic progress into better contractual conditions (European Commission, 2007b).

The *second pathway* suggested aims at developing flexicurity within the enterprise and offering transition security. This pathway is useful for countries with low job flows, as it would allow workers to continuously update their skills, but also provide safe and successful transitions to another job, thus enhancing the mobility between the companies /organizations. The measures proposed in this pathway include a continuous investment in lifelong learning policies, preventive actions to avoid redundancies or long-term unemployment, joint initiatives by all parties concerned in organizing safe

¹⁶ Ibid.

transitions, cooperation between firms in defining skill requirements and establishing skill development programmes, and conditionality of unemployment benefits as well as monitoring of job search efforts.¹⁷

The *third pathway* aims at tackling skills and opportunity gaps among the workforce and is useful for countries where there exist large skills and opportunities gaps among the population, in view of helping low skilled people to develop their skills and enter into employment. The measures that could help in this direction should focus at addressing the opportunity gaps at an early stage, in the initial education system, and at strengthening the skills of the low-skilled workforce through coordinated actions (e.g. validation of informal training, combination of work and training, introduction of individual training accounts, tax incentives to enterprises to develop comprehensive skills strategies, etc.). The overarching aim of these measures should be to enhance upward social mobility and avoid the problem of the working poor.

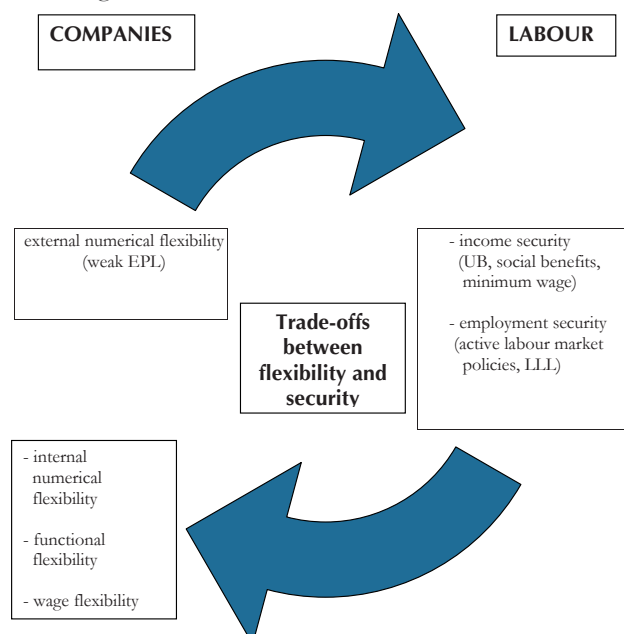
The *fourth pathway* relates to improving opportunities for benefit recipients and informally employed workers. It is useful for countries that have recently gone through a major restructuring and thus have large numbers of people on long-term benefits with few chances of returning to paid employment. This pathway puts emphasis on measures that facilitate the shift from informal to formal employment through effective labour market policies, labour taxation reforms, and a more stringent monitoring system to combat informal work. Regularizing informal work could be made more attractive by improving informal workers' rights and providing access to professional training. At the same time, measures to deter unemployed workers from taking up an informal job could be contemplated, such as the increase of the unemployment benefit to an adequate level, the conditionality of benefits, tailor-made job assistance to more vulnerable groups, more effective public employment services, etc. The strengthening of bipartite and tripartite social dialogue structures should also be able to help towards achieving this goal.

¹⁷ The Commission's document does not make any mention, of course, of the excesses often involved in and the shortcomings of this monitoring system.

The policies suggested above entail, of course, a substantial economic cost. Labour market policies in particular- both active and passive- require a lot of extra government spending, in terms of more efficient public employment services, updating of skills, job creation and adequate levels of unemployment benefits; the same is true for improved welfare services (social benefits, maternity and parental leave, childcare and elderly care, early retirement schemes, etc.). The financial dimension is a source of major concern particularly in periods of recession and in countries that simply lack the extra resources required to fund these policies.

4.3. Compensating mechanisms and trade-offs

A major feature of the flexicurity policies is the need to strike a balance between the conflicting interests of business and labour and to compensate the latter for accepting more uncertainty, in the form of more flexibility, to the benefit of the former. This is, by no means, an easy endeavour as it involves accommodating diverging and often conflicting interests, both between as well as within the social partners' organizations. The diagram below illustrates the potential “give-and-take” between business and labour. Companies are eager to increase the numerical flexibility of their workforce, i.e. to fluctuate the number of workers and of hours worked according to demand, through easy hiring and firing procedures, whilst workers are willing to accept some form of uncertainty if they are backed up by efficient labour market policies, both active and passive. Functional flexibility (i.e. multi-skilling, professional mobility, etc.) would be more acceptable by workers, but only firms with the appropriate work organization could offer it.



Arriving at a “win-win” solution for both sides implies accepting sacrifices on behalf of both negotiating parties, not only labour, and this cannot only result from a process of hard, but fair bargaining, a “quid pro quo”: firms relinquish some of the desired flexibility and workers relinquish some degree of job protection, pay compensation, or employment right. It is not unusual, when negotiations arrive at a deadlock or face difficulties, to down-play some of the problems, or even worst, hide them “under the rag”, only to see them re-emerge more saliently on the first occasion.

Trade-offs need to take place both at the *macro-level* (institutions), as well as the *micro-level* (companies and organizations). Unless backed up by state policies and finance, concessions from either workers or companies, cannot be sustainable. At the aggregate level a common trade off is between job security and employment security: a low degree of employment protection is offset by generous unemployment insurance and effective active labour market measures.¹⁸ Increased flows between employment and unemployment become more acceptable to workers if the level of unemployment compensation is satisfactory and if there exist opportunities for upgrading the skills of the unemployed. Another example of a negotiated trade-off at the macro-level is the relaxation in dismissal protection legislation for regular employees in exchange for a stricter regulation of temporary agency work.

At the micro-level, trade-offs between employers and employees can take several forms. The most common are:

- the provision by companies of various types of leave to their workforce (parental, educational, personal) in return for state subsidies;
- greater working time flexibility, in return for safeguarding jobs;
- greater functional flexibility (multi-skilling, task rotation), in return for job security;
- the reduction of working hours in return for working hours flexibility and reduced premium pay for overtime work.

¹⁸ Inversely, in different institutional environments, a strict employment protection legislation (especially for standard employees) is usually counter-balanced by minimal unemployment insurance, poor activation policies and few training opportunities.

5. Not a “one-size-fits all” model

The markedly different starting points of the EU countries, and the huge divergences in their socio-economic, institutional and cultural backgrounds, explain the great variety of national approaches to flexicurity. As a recent Eurofound document puts it:¹⁹

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.

This section briefly examines the different approaches to flexicurity within the EU countries and questions the transferability of national experiences.

5.1. An “ideal type” of a flexicurity system: the Danish model

Ideally, a successful flexicurity strategy would approximate OECD’s concept as a set of policy measures with the following characteristics:

- a moderate Employment Protection Legislation
- a high rate of participation of the workforce in lifelong learning programmes
- high government spending on active and passive labour market policies
- generous unemployment benefit systems balancing rights and duties of the workers
- broad coverage of the social security systems (an adequate safety net)
- and a high rate of trade union density.

Madsen (2006) outlines the *common principles* that should underlie all flexicurity arrangements:

- a) the principle of *integrating flexibility and security*, so that some form of flexibility is combined with some form of security, thus providing a safety net. This implies the accommodation of conflicting interests through compensating mechanisms, the use of well defined arrangements and instruments, and clearly spelled out distributional aspects;

¹⁹ See Eurofound, 2007

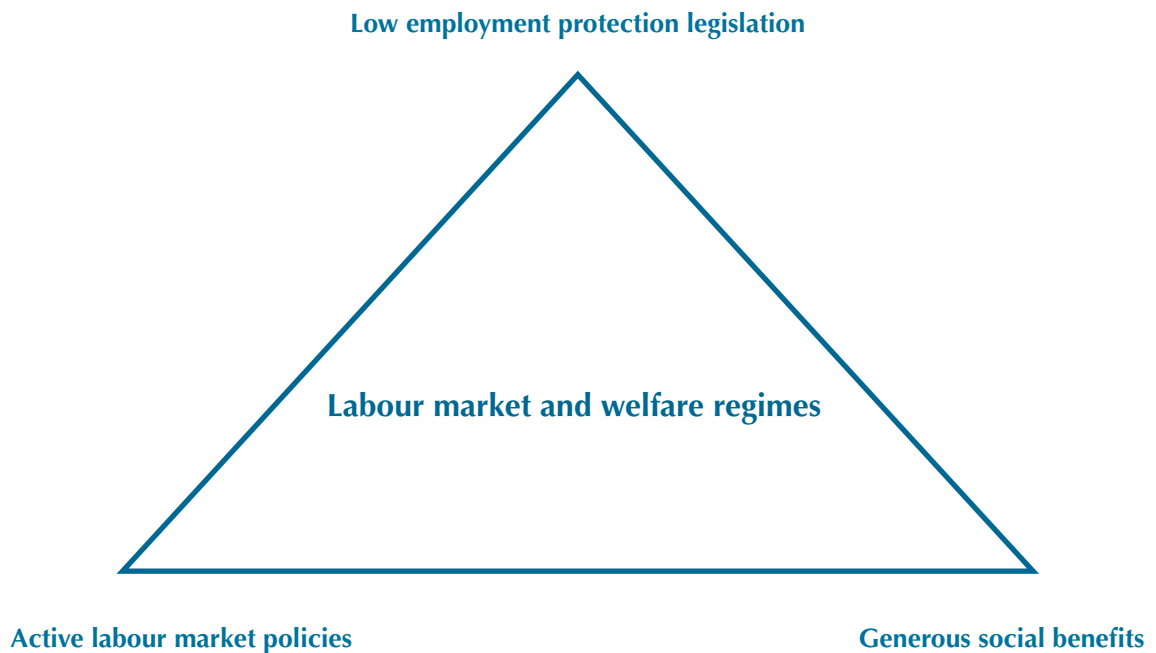
- b) the principle of *negotiated trade-offs*, implying that the employees who accept increased uncertainty in their working life receive some compensation in the form of extra security. This principle pre-supposes the participation of all relevant stakeholders in the decision-making process, political guarantees to ensure the implementation of the flexicurity strategy over time and transparency regarding the distribution of gains and losses;
- c) the principle of *sustainable employment for all*, including the weakest segments of the population, in view of enhancing social cohesion. To this end, the flexicurity strategy should aim at improving the distribution of welfare and living conditions, as well as empowering weaker groups to cope with their situation.

The country that is unmistakably always taken as a ‘role model’ in this context is *Denmark*, as it complies fully with all of the above criteria. The Danish “flexicurity model” can be described as a hybrid system, combining characteristics from the Scandinavian welfare state with a liberal employment regime. The term “flexicurity” in fact only describes some long-standing labour market practices rather than a deliberate strategy to comply with the pre-requisites of a model construction.

According to the *European Flexicurity Expert Group*, the success of the Danish flexicurity system is a result of combining adequate unemployment insurance, relative flexible labour laws and efforts to help people find jobs, as well as a very highly developed industrial relations system and social dialogue culture (European Commission, 2007). Its three basic components –high labour mobility (the result of low employment protection, even for permanent employment), strong activation policies, and generous social benefits- form the so-called “*golden triangle*” (see Diagram 6).

The main elements of this model are a high investment on active labour market policies, with a particularly strong emphasis on lifelong learning; generous social security systems enabling easy and safe transitions between different employment contracts and jobs; and a long tradition of social dialogue, based on mutual trust. The philosophy underpinning the Danish labour market approach can be summed up in the slogan “protect workers, not jobs”. The flip side of the coin is that this “golden triangle” is mostly tailored to the profile of highly skilled, mobile and flexible workers who are able to switch jobs and job functions easily.

Diagram 6: The Danish “golden triangle”



Despite the fact that some segments of the workforce fall outside the borders of this golden triangle, in particular unskilled and older workers and newly arrived immigrants, it has not led to labour market segmentation and the emergence of in-work poverty, as has been the case in many liberal economies (Viebrock & Clasen, 2009). The question inevitably arises: is this Danish “success story” transferable to the other EU countries and what lessons can be drawn from it?

Some scholars claim that the Danish flexicurity model would be difficult to sustain in countries which lack a strong ‘public-spiritedness’ (reflected in the low inclination to cheat on social benefit systems), or without strong public enforcement mechanisms that control for moral hazard in a generous and efficient social security system (Viebrock & Clasen, 2009). Apart from civic attitudes and mentality, there are other factors at play that make the Danish model unique. As Bredgaard, Larsen and Madsen (2005) point out, Denmark’s positive labour market and overall growth performance is the result of a long evolutionary process, rooted in particular historical pre-conditions and firmly supported by stable state institutions and social compromises between capital and labour; the capacity for change and the adaptability of both businesses and workers, their involvement in the drafting and implementation of legislation, and the increased sense of responsibility of the trade unions towards economic development, have been at the heart of the Danish success. The resilience of the

Danish flexicurity model in a context of a more and more open economy, will depend on its (so far outstanding) ability to maintain the balance between social and political compromises.

5.2. Learning from the others

Paugam & Zhou (2007) dismiss as utopian the idea that the Danish flexicurity model can be transferred to other countries in some pure and simple form, as the institutional context in other countries is very different. The most marked features of the Danish model –namely:

- the culture of collective negotiation between the social partners without the mediation of the state,
- the search of compromise between the divergent interests,
- the endorsement of the principle of the collective rather than the individual well-being (which is translated into a widespread consensus that high taxation is the means to achieve and maintain the high standards of the welfare state)
- and the long-term approach to problem solving, without taking into consideration the immediate political cost,

are rarely encountered outside the Scandinavian countries. In continental Europe and in its Southern part in particular, it is rare to encounter any of these features, let alone their concurrence. Any attempt to replicate this model elsewhere –except perhaps for the other Nordic countries- would be an impossible challenge, according to the authors. However, it is possible to look for *functional equivalents* of the Danish model in the spheres of training, long-term investment in education and lifelong learning, in collective bargaining and in fighting against the poor quality of work (Paugam & Zhou, 2007).²⁰

A more “transferable” experience is perhaps the *Dutch approach* to flexicurity. The Netherlands chose a different pathway to increase labour market flexibility and address the challenges of economic restructuring in the late 1980s and the 1990s, that of upgrading, or “normalizing” the employment and social security rights of atypical workers (Visser, 2002). In 1997, the “Flexibility and Security Bill” introduced drastic changes to the previous system of dismissal law and regulation that offered in-

²⁰ One could also add in the list of Danish (and Scandinavian) transferable good practices the provision of good quality and affordable child-care, and of generous parental leave schemes.

creased protection for regular workers and no protection to flexible workers: the Bill slightly reduced dismissal protection for standard workers, whilst it improved security for non-standard workers, especially part-time workers (Viebrock & Clasen, 2009).

Part-time work, especially for women, was perceived as an answer both to the need of business to adjust labour to the economic fluctuations, as well as to requests by a growing share of the female workforce to work reduced hours, and thus reconcile their conflicting work-life balance requirements. Following long negotiations between the social partners (with the active involvement of female union members) an agreement was reached to increase the attractiveness of part-time work by providing equal treatment to part-workers with full-time workers, on a pro-rata basis, in return for greater working hours' flexibility. During the 1990s, any discriminatory clauses in collective agreements marginalizing part-time jobs in terms of training opportunities, early retirement, taxation, and redundancy schemes were eventually removed (Tijdens, 2005). The principle of equal treatment of non-standard employment patterns was later extended to temporary work, whose level of protection substantially improved. The "Flexibility and Security Act" (1999) strengthened the position of temporary workers by reducing precariousness and gave employment and social security rights (including training opportunities, career development and supplementary pensions) to temporary agency workers, reflecting a balanced approach to flexicurity measures. More recently, with the 2000 "Adjustment of Working Hours Act" employees were given the right to request an adjustment of their working time (an increase or a decrease), according to their needs. The employer usually has to accept the request, unless there are serious budgetary or organizational constraints (*ibid.*).²¹

The EU countries can also learn from policy measures that have been adopted in other countries - either through legislation, or following collective labour agreements - and have proved successful in coping with labour market and social protection problems. These initiatives do not necessarily constitute a rational or deliberate policy choice to promote flexicurity per se; rather, they constitute attempts to enhance competitiveness and social cohesion, but also to address economic under-per-

²¹ See section 6 for a more detailed account of the Dutch experience.

formance, labour market distortions, social problems or budgetary constraints. For consistency and comparison purposes, however, we will label them as “flexicurity” policies (see Diagram 7).

Diagram 7

EFFECTIVE FLEXICURITY POLICIES IN EU COUNTRIES	
AUSTRIA	<ul style="list-style-type: none"> • new system of severance pay (2003): establishment of a personalized account held by the worker and financed by the employer. Workers can draw from this account in case of a dismissal or a change in their job. They can also transfer their entitlements to their new job • the Labour Foundations serve as transition agencies to support job-to-job placement in case of a threat of collective dismissals • extension of severance pay to self-employed • possibility to switch temporarily to part-time work for parents with children under 7 years of age • special programmes for vulnerable groups (young and older workers, women, unskilled workers, unemployed) • extension of SS coverage to those on “free service contracts” • paid study /training leave for up to 12 months without additional costs for the employer (covered by UB) • working time flexibility through collective agreement
BELGIUM	<ul style="list-style-type: none"> • “time credit” agreement concluded between the social partners in the private sector, providing greater individual working time • rules to avoid abuse in the use of successive fixed-term employment contracts (in certain sectors) • establishment of “training centres” at the company level
DENMARK	<ul style="list-style-type: none"> • the “golden triangle”= flexible contractual arrangements, extensive active labour market policies and generous social security and welfare systems • the LLL system is well developed: a high proportion of employees receive further training • employees are entitled to at least 14 days of further training annually • subsidised jobs for the unemployed and assistance in job search • high UB (90% for lower incomes, up to 4 years) for those actively looking for a job • the job rotation system stimulates the development of skills
ESTONIA	<ul style="list-style-type: none"> • new employment initiatives for people with disabilities (personalized job search plan, adaptation of workplace premises and equipment to their needs, assistance with job interviews)
FRANCE	<ul style="list-style-type: none"> • 2008 national cross-industry agreement introduces new way of terminating employment contracts, through negotiated agreement • a “contrat de transition professionnelle”(CTP) is offered to workers made redundant for economic reasons; the 12-month long contract provides the jobseeker with training, while paying him/her 80% of the previous salary received • individual right to training enhanced through new agreement on vocational guidance and skills management

FINLAND	<ul style="list-style-type: none"> • “change security” concept introduced: this consists of paid time off for workers during their notice period to look for jobs, an employment programme, an increased obligation of employers to inform and negotiate and more effective employment services • limitations in the use of successive fixed-term contracts and stricter control over temporary work • more security introduced for atypical workers (paid sick leave, study leave, annual holiday compensation) • individualized employment services • new system to assist workers involved in redundancy pro-cedures (action plans, training opportunities, enhanced UB) • introduction of working time accounts and the annualisation of working time in sectors with seasonal fluctuations
GERMANY	<ul style="list-style-type: none"> • individualized working time accounts introduced: about 40% of the employees are covered by this system, which allows them to switch from FT to PT, reduce their working hours and accumulate hours (and money) to use for early retirement or sabbaticals
HUNGARY	<ul style="list-style-type: none"> • the 2003 Labour Code allows employees to request a modification of their working time (from FT to PT, and vice-versa) • 26 weeks of paid maternity leave and 2 years of paid (at 70%) parental leave • various flexible retirement schemes
IRELAND	<ul style="list-style-type: none"> • national workplace strategy launched to identify how can key challenges be jointly addressed by the social partners by managing change and innovation (2005) • the “Towards 2016” social partner agreement identifies the need for greater participation, productivity and activation, with greater focus on the more disadvantaged groups in the labour market and on workplace learning (2006) • introduction of 2 new bills to enhance enforcement of labour legislation and set more stringent rules for employment agencies • workplace upskilling initiatives, with the involvement of employers and unions
ITALY	<ul style="list-style-type: none"> • measures to stabilize “atypical” employment and income support for the most disadvantaged groups • 2008 Finance Act improves protection of the unemployed, without changing the eligibility criteria: extension of benefit period, increase in the replacement rate • active labour market policies have been devolved to regions • accredited private employment agencies are authorised to engage in a number of activities
LUXEMBOURG	<ul style="list-style-type: none"> • restructuring companies obliged to establish a job retention plan, in view of minimizing the number of redundant workers: partial unemployment, reduced working hours, voluntary PT work, training initiatives to support redeployment or outplacement • economic incentives to private employers to recruit older workers • unemployed people who accept a job that is paid less than their previous one, are entitled an income supplement

NETHERLANDS	<ul style="list-style-type: none"> the “Flexibility and Security Act” (1999) strengthened the position of temporary workers by reducing precariousness and gave employment and SS rights to temporary agency workers more protection for temporary agency workers and limitations to the use of successive fixed-term contracts part-time workers guaranteed equal treatment in conditions of employment employees entitled to request an adjustment of working time (an increase or a decrease), according to their needs support in the transition from school to work 40% of all workers are covered by a training fund economic incentives to recruit long-term unemployed work
PORTUGAL	<ul style="list-style-type: none"> duration of unemployment benefit increased for older workers above 45 years
SPAIN	<ul style="list-style-type: none"> fixed-term contracts automatically transformed into open-ended contracts after 24 months of service with the same employer, following a tripartite agreement in 2006 to reduce the use of temporary work workers entitled to individual training leave, with companies training initiatives receiving subsidies and SS allowances 2007 law on equality provides workers with the right to reduce and adapt their working time schedules according to family responsibilities SS coverage extended to the self-employed workers (3 m.)
SWEDEN	<ul style="list-style-type: none"> introduction (through collective agreements) of career transition agreements to support workers if made redundant (counseling, guidance, career orientation, training, etc.)
UK	<ul style="list-style-type: none"> flexible working hours can be requested by employees caring for dependent family members (2003); maternity pay has improved the emphasis on LLL has been greatly increased individual support to job seekers a tax credit system has been introduced, aiming to support the employment of specific groups of job seekers.

Source: Eurofound, 2008b

In many instances, the policy outcome of the flexicurity measures introduced in recent years has far from been positive on employees. The most prominent example is that in some countries, access to unemployment benefit has become conditional on certain obligations, thus making it possible to impose sanctions in the case of unemployed persons who decline the offer of a job, or do not participate in the activities proposed by the unemployment centres (Belgium, the Netherlands, Portugal, UK). Elsewhere, the eligibility criteria for receiving unemployment benefit have become more stringent (Finland, the Netherlands), or the duration of the benefit period has been cut short for certain age groups (Portugal). Other initiatives that can be considered as having a negative impact on employees is the simplification of procedures and relaxation of constraints for individual dismissals (Portugal), the imposition of stricter eligibility criteria for receiving a training allowance (Germany), the reduction of unemployment benefits through their integration into the welfare system (Ger-

many), the abolition of incentives for early retirement (Netherlands) and the reduction of obligatory severance pay (Spain).²² Often these unfavourable towards labour measures are introduced to offset other more positive measures, but they also reflect the tendency for severe cuts in government social spending.

A closer look at the aforementioned policy measures indicates that, despite their notable differences, there emerge a number of *common policy features* across the EU countries:

- an absence of radical measures, suggesting that cautious and incremental initiatives are preferred to more spectacular and far-reaching reforms;
- an absence of polarization in the direction of either too much flexibility or too much security, reflecting the concerns of trade unions, on one hand, to avoid further labour market deregulation, and of businesses, on the other, to minimize rigidities and costs;
- a common trend to provide more security for non-standard employment and to reduce excessive precariousness;
- a concern with reducing business costs as well as social spending;
- a focus on lifelong learning policies and on job transitions (training initiatives, incentives to take up job offers, improvement of employment services);
- a top-down approach in many countries: flexicurity is not endorsed as a mainstream policy but rather as an obligation to comply with the requirements of the European Employment Strategy. As a result, rather than an integrated approach, piece-meal and fragmentary measures are often promoted.

5.3. Ardent supporters, reluctant followers and the front of rejection

Despite its high degree of institutionalization at various policy levels (the EU, the OECD, the ILO), the flexicurity agenda is far from being undisputed. As one would expect, the degree of endorsement of the EU flexicurity agenda varies greatly, both across countries and sectors as well as within. Businesses, in general, are in favour of flexicurity and they consider it as “an appealing concept

²² See Eurofound report on “Flexicurity and industrial relations”, 2008

because it offers a way to restore a positive link between competitiveness and social protection (...). Finding new ways to combine social protection and economic flexibility is fundamental to more and higher-productivity jobs.” (M. Stocker, advisor to Business Europe, in Euro Activ, September 2007, mentioned in Auer, 2008).” Both peak-level European business organisations, BusinessEurope (former UNICE) representing the large firms and UEAPME, representing the interests of SMEs, have endorsed the flexicurity agenda.

At the national policy level, one can distinguish largely between three groups of countries: the first group consists of the countries that have already gone a long way in promoting flexicurity policies, even without the incitation of the EU (Denmark, the Netherlands, Sweden, Finland and Austria)²³; the second group consists of countries that follow their own idiosyncratic path to address their economic and labour market problems like France²⁴, or that have to a varying degree been more or less consistently pursuing policies balancing the flexibility needs of businesses to the security needs of the workforce (Germany, Belgium); and the third group comprises the countries that are reluctantly complying with the objectives of the Social Agenda, the European Employment Strategy and, above all, the renewed Lisbon targets and are doing the minimum that is required from them in order to avoid the sanctions imposed by the EU (Greece, Portugal, Spain –until recently-²⁵ and Italy, as well as some of the new member states). These countries - either owing to a lack of political consensus or/and their traditional socio-economic and institutional structures- are unable to pursue a coherent policy to address the urgent economic and labour market challenges, and are simply trying to buy time in order to delay painful reforms and difficult decisions.

The diversity of national responses to the EU flexicurity policy agenda is best illustrated in Auer’s representation of the clustering of flexicurity countries (see Diagram 8). His clustering is based on 8 variables that are used as proxies for flexibility and security: working time flexibility, work organization, average employment tenure, EPL for regular and temporary jobs, labour market expenditure

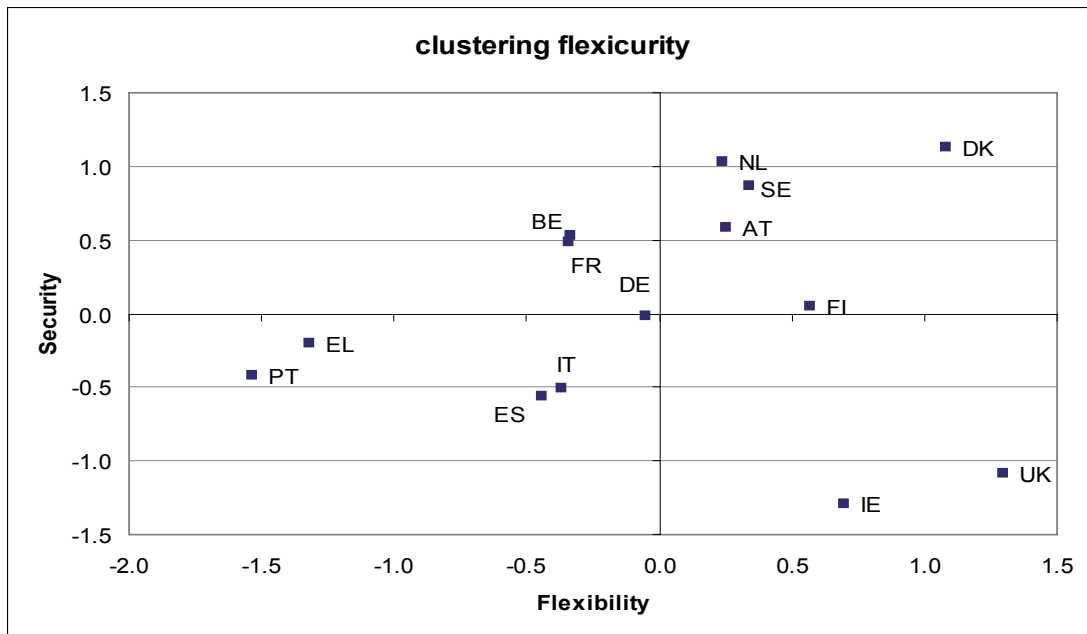
23 One could also include in this group the UK, with one of the most lightly regulated labour markets among the OECD countries; however, its flexicurity approach draws many criticisms, as it puts significantly more emphasis on the flexibility aspect rather than the security one, thus increasing social inequalities and job dissatisfaction. The same comment applies, to a lesser degree, to Ireland.

24 Auer mentions the recent French agreement on “the modernisation of the labour market”, the French response to the flexicurity agenda that contains both aspects of national idiosyncrasy and policy measures of a more general stance like portability and individual rights (Auer, 2008).

25 Spain has recently introduced a number of initiatives that enhance the rights of atypical workers and increase employability (see Diagram 6 above).

for 1% of unemployed, expenditure on social protection, and collective bargaining coverage (Auer, 2008).

Diagram 8



Source: Auer, *The politics in the political economy of flexicurity*, 2008

The flexicurity policy agenda is put into question by a number of critics that include trade unions, political parties, segments of the workforce, business sectors and individual scholars who –for different reasons- do not share the enthusiasm of the flexicurity supporters, or who even dismiss the flexicurity agenda altogether.

From the *labour perspective*, those who are skeptical or dismissive of the flexicurity agenda emphasize the fact that the existing systems of employment protection do not prevent a large number of European firms to engage in structural change, nor the creation of new jobs; despite having a more regulated labour market than in the US, European economies have the same rate of job creation and job destruction, with more protection for workers. Moreover, business is already enjoying historically high profits, so why this urge for more flexibility? Cutting wage costs and competing for the low skilled does not –according to this line of argument- lead to more and better jobs, rather, it is moving up the value added chain that constitutes the best reply to the challenges of globalisation (ETUC, 2008). A further point of union criticism is that while flexibility is usually realized through cuts in employment protection, the compensations in terms of safety for workers remain uncertain (see Auer, 2008).²⁶ Concerns are raised, also, by low skilled workers enjoying relative employment protection, who are reluctant to relinquish their current sense of security for the uncertain gains of becoming more flexible, even if this would be translated into more jobs or into safeguarding their own job in the long-term. Finally, the fiercest opponents of the flexicurity agenda include those unions and political parties who see it as an attempt to dismantle what is left of job protection and engage into a “race to the bottom” that could only lead to further labour exploitation, thus becoming “flexploitation”.²⁷

From the *business perspective*, flexicurity is not popular across the board. A large number of SMEs and traditional industry sectors prefer the “security” of their traditional / taylorist work organization practices-based on low wages and the low skills’ content of the job, long working hours, rigid pay scales, and job protection for the core workforce- rather than the uncertainties and the investment involved in innovation and in adopting new forms of work organization.²⁸ Micro-firms in particular, face considerable difficulties in adapting to the new challenges with employee-oriented measures that might drive them out of business altogether.

26 However, Danish trade unions openly support the Danish flexicurity model, whilst Dutch unions, sceptical at first, eventually endorsed and promoted flexible employment, as part-time work became increasingly popular.

27 Trade unions in Portugal and Greece adopt a similar stance, as well as some traditional left parties. In Germany too, trade unions tend to view flexicurity as a disguise for job de-regulation, despite a number of agreements concluded at the firm level (Leschke et al., 2006).

28 The new forms of work organisation require a significant innovative capacity on behalf of the firm, a continuous updating of the skills of the workforce, a flattening of work hierarchies, team working, task rotation, multiskilling of employees, job enrichment, etc., all of which involve substantial risks and additional costs for the firm.

Finally, from an academic point of view, critical approaches to the flexicurity paradigm often go hand-in-hand with a criticism of the ambiguities of the European Employment Strategy and low approval rates of the European Commission's policies in general. Hyman, for example, points out that the EU discussion of labour market challenges pushes under the carpet a number of crucial issues and fundamental dilemmas, in order to reach a common agreement based on the lower common denominator. He fears that the European social model is under increased pressure by what he calls the "Wal-Mart model" (an exemplar of ruthless high-scale employer) that identifies flexibility with disposable labour, elastic hours and open-ended tasks, rather than choice, status and discretion, which are his vision of flexibility- a synthesis of work and life, fostering the diversity of social productivity and enabling individuals to pursue a flexible life time distribution of their contribution to society (Hyman, 2003). A more moderate critical approach stresses the fact that the flexicurity agenda is not applicable in countries with a residual, sub-protective social welfare system and an adversarial industrial relations context with a long tradition of mutual social mistrust.

6. The national context and its impact on the configuration of flexicurity policies through a comparative approach of 4 different countries: Denmark, the Netherlands, Spain and Greece

The way each country responds to the socio-economic challenges, such as competitive pressures, high unemployment, industrial restructuring, or simply globalisation, depends on a variety of inextricably linked socio-economic, political and cultural factors that need to be taken into account: the institutional context, the political and historic legacy, the structure of the economy, the labour market and welfare systems, and the absence or presence of a consensus culture are amongst the most prominent. This is also the case with the flexicurity policy agenda that all EU countries have agreed to endorse.

Why is it that balanced trade-offs between business and labour are possible in some countries whilst not in others? What makes unions and labour accept wage restraint, or greater work flexibility, with some form of compensation, whilst others refuse even to discuss the issue? Why do businesses in some national contexts behave responsibly, whilst in others not? Why is the state a credible and reliable interlocutor in particular countries and not in others? This is an example of the range of questions related to the flexicurity agenda that need to be addressed by a comparative analysis of four EU countries with a distinct development path, or “variety of capitalism”: Denmark, the Netherlands, Spain and Greece.

Comparative analyses are useful because they encourage a critical approach of what is considered as the norm or “conventional wisdom” and shed light on the huge diversity of factors at play, of possible pathways, and of national idiosyncrasies.

6.1. The socio-economic context

6.1.1. Structure of the economy

A country's ability to address the challenges of intensified international competition and sustain or improve its competitive advantage in the world economy largely depends on the structural characteristics of the economy.

Greece and Spain share a common historical legacy as semi-peripheral, late industrializing countries, ruled during long periods by an authoritarian central state, and characterized by a number of common structural weaknesses, such as:

- a late de-ruralisation and tertiarisation of the economy;
- a not fully proletarianised manufacturing working class;
- a strong economic role of the family;
- high incidence of SMEs, of which a large number of family-run micro-firms;
- tolerance of tax evasion by SMEs
- traditional forms of work organization;²⁹
- protected internal markets.

After their accession to the EEC, however, Spain and Greece have followed a different developmental path. In *Greece*, successive governments in the post-dictatorship era have opted for the low road to competitiveness, based on low-cost and low-quality products and services, rather than investing in the development of human capital and innovation capacity. This production “paradigm” has now reached its limits, as rising competition from countries with significantly lower labour costs is driving out of business a growing number of firms, especially SMEs.³⁰ What once was a comparative advantage (low labour costs / low wages), has now become a burden and a trap.

29 Spain and Greece score the highest incidence amongst all EU countries of those working under taylorist or traditional forms of work organisation (European Commission, 2007).

30 Average wages in Greece are still low compared to the EU-15 average, standing at about 68%, but they are considerably higher than wages in the other Balkan and Eastern-European countries, not to mention the emerging economies.

Although the Greek economy has made significant progress following its accession to the EEC in 1981 and recorded high annual growth rates that ranged between 3%-5.5% (well above the EU average), it still suffers from a number of structural weaknesses such as: a government gross debt which reached 95% in 2007; soaring general government and current accounts deficits (3.5% and 13.4% of GDP in 2007 respectively), low labour productivity -despite long working hours and low average wages³¹, very low R&D spending (0.6% of GDP in 2005), constantly declining foreign investment, an ineffective and over-sized public sector, and high unemployment rates (7.7% in 2008). Not surprisingly, the economy's international competitiveness has been dramatically deteriorating over the past few years, reflected in a steep fall from the 37th position in the world economy in 2004 to the 67th place in 2008.³² The comparison with the other 26 EU countries is not any more encouraging, as Greece ranks in just the 23rd position among the EU countries regarding its overall performance.³³ Moreover, the underground economy is still thriving, having been fuelled since the early 1990s by mass immigration flows, and is estimated to account for as much as 35% of GDP. The road to modernisation and the full convergence of Greece with the more developed EU countries is also seriously hampered by a deeply rooted system of political exchange and patronage, whose foundations have remained intact over the years, regardless of the political party that was in power.

Spain also opted for the same low-road to competitiveness after the re-establishment of democracy in the mid-1970s. But in the mid-1990s, the social actors realised that the declining international competitiveness of the Spanish economy and the dislocations generated by the European integration process made necessary a shift away from labour-intensive and low-qualified production towards more capital-intensive industries, based on innovation, quality, value-added and productivity (Royo, 2007). These developments triggered off a period of impressive economic performance, with high annual growth rates close to 4% of GDP, until the onset of the present global financial and economic crisis. However, in many respects, long-standing structural weaknesses have not been successfully addressed: GDP growth is falling rapidly (whilst the EU forecast for 2009 is very bleak, -6.2%), un-

31 Greece has the highest annual contractual working time in the EU-27: 1820 hours, compared to 1760 in the EU-27 and 1690 in the EU-15, as well as a lot of overtime work: 32% of employees work more than 48 hours/week (Kouzis, 2008).

32 See the "Global Competitiveness Report" issued by the World Economic Forum in 2004 and 2008, and the respective GCI rankings. Available on line: www.weforum.org/gcr

33 See the World Economic Forum Lisbon Review 2008. Available on: www.weforum.org/gcr

employment levels are still very high and rising (8.3% in 2007, 11.3% in 2008, the highest in the EU), the current accounts deficit is constantly growing (9.5% of GDP in 2008), labour productivity is low, inflation rate is high and persistent, whilst household and business debt is soaring, R&D spending remains just above 1.1% of GDP (2005 figures), the productive sector is still largely dominated by traditionally low-tech, low value-added sectors and a large share of GDP growth is attributed to the volatile tourist industry and an over-sized construction sector. In Spain too, the Global Competitiveness Index (GCI) has fallen, though not as dramatically as in Greece, from the 23rd position in 2004 to the 29th position in 2008.

The *Netherlands* was successful in avoiding sliding from the core towards the semi-periphery in the 1970s largely through consensus based policy innovations, and by continually revising its model of liberal corporatism to create a new 'Dutch Miracle', albeit one largely based on wage flexibility through atypical employment, particularly part-time work (Kleinknecht, 2002). At present, the Dutch economy has sound public finances with a budget as well as a current accounts surplus, high annual GDP growth rates until recently (3.5% in 2007 but estimated to slowdown in 2009), the lowest level of unemployment in the EU (2.6% in 2008), a low inflation rate, R&D spending standing close to the EU average at 1.8% of GDP (2005), and an overall favourable business environment. As a result, it ranks amongst the strongest and more competitive economies, not only in Europe, but also in the world: the Netherlands rank in the 4th position among the EU-27 countries and in the 8th position in the Global Competitiveness Index in 2008 (an improvement of 4 positions as compared to 2004). However, the Dutch economy is being deeply affected by the current financial and economic crisis. According to the latest Central Planning Bureau's estimates, the prospects for 2009 and 2010 are bleak: unemployment is expected to rise to 5.5% in 2009 and 8.7% in 2010 (from a low 3.8% in 2008), whilst general government deficit is expected to record a 5.6% deficit by 2010 (from a 1% surplus in 2008); accordingly, GDP growth rate will fall by 3.5% in 2009 and a further 0.25% in 2010.

Denmark is the best performing EU economy at the world scale, ranking in the 3rd position of the 2008 Global Competitiveness Index, just behind the USA and Switzerland. Its successful macroeconomic record is illustrated by its budget and current accounts surpluses, very low unemployment levels that had fallen to a record low of 3.3% in 2008, low inflation, an impressive rate of R&D

spending (2.4% in 2005, 3rd highest in the EU), an attractive business environment, a well established knowledge society, and innovation performance well above the EU average. Furthermore, in contrast with the 3 other countries under consideration, Denmark's non participation in the European Monetary Unions increases the leverage of Danish authorities in domestic policy making.

Among the structural weaknesses facing the Spanish and the Greek economies, perhaps the one that is more relevant to understand the differences in labour market performance (as compared to Denmark and the Netherlands) and the fate of the flexicurity agenda in the 2 Southern-European countries, is the high proportion of SMEs, especially of micro-firms, and their role in fostering or hampering the conditions for the successful implementation of workplace changes.

Share of micro-firms in the economy

Greece stands out amongst the EU countries in terms of the numerical predominance of SMEs in general and micro businesses in particular.³⁴ A notable number of them belong to the group of family-run enterprises and own-account workers (i.e. self-employed people without employees). There exist over 800 000 SMEs, which represent 97.5 % of all firms and 56.8 % of total employment in Greece.³⁵ The overwhelming majority, over 90%, of these SMEs employ less than 10 employees. With 6 occupied persons per enterprise in 2005, the SMEs in Greece are far smaller on average than in the EU-15, with 6.9 persons per enterprise, or in Denmark with 7.9 persons.³⁶ Overall, micro-firms account for 56.5% of non-financial business economy employment in Greece, compared to 29.6% in the EU-27 (Eurostat, *Statistics in Focus*, 31/2008 –figures refer to 2005).

Spain's economy also heavily relies on SMEs, particularly on micro-firms, with 40.8% of the workforce employed in firms with less than 10 employees³⁷. Micro-firms contribute 39% of non-financial business economy employment³⁸; 87.6% of SMEs employ between 1-9 employees³⁹; almost

34 Greece has one of the highest densities of SMEs per 1000 inhabitants in the EU-27: almost 75 firms, whilst Spain has less than 60, against less than 40 firms in the EU-27 on average (Eurostat, *Statistics in Focus*, 31/2008 –figures refer to 2005 and the non-financial business economy).

35 The comparable figures for the EU-15 as a whole in 2003 were 92.4 % of all firms and 39.7 % of total employment (Mouriki & Traxler, 2007).

36 See Observatory of European SMEs Survey, 2007.

37 J.I. Anton's analysis from the Observatory of European SMEs Survey, 2007.

38 Eurostat, *Statistics in Focus*, 31/2008 –2005 figures.

39 Observatory of European SMEs Survey, 2007

8 out of 10 Spanish firms have less than three employees and more than half have no employees at all. Most SMEs operate in the service and commerce sectors, where the level of unionization is low. This leads to an individualization of labour relations, thus providing firms with increased flexibility in the organisation of work (Royo, 2007).

The prevalence of SMEs, and in particular of micro-firms, in Greece and Spain, can provide an explanation as to why the business sector in these two countries has not been able to play a leading role in the shaping of the national growth model and in facilitating change and policy innovation (acting as “institutional entrepreneurs”). SMEs are especially burdened with economic backwardness and have a very poor record of regulation enforcement and a widespread recourse to informal employment. At the same time, they lack the human and technical resources that would allow them to reap the full benefits of the programmes directed to them through the Community Support Frameworks and to adjust to the new environment and challenges ahead (Mouriki & Traxler, 2007).

In addition, owing to their size SMEs, and micro-firms in particular:

- are unable to take advantage of economies of scale;
- apply traditional forms of work organisation and their innovation capacity is low;
- have limited access to public resources and bank loans and are the first victims of tightening credit conditions;
- suffer disproportionately from excessive administrative regulations;
- make little use of Information and Communication Technologies and modern management techniques;
- face difficulties in recruiting skilled labour;
- lack resources to train their employees, and do not have an incentive to do so in the first place;
- do not have a valid interlocutor from the workers’ side, as unionisation is either very weak or non-existent in small firms;
- their competitive advantage is often based on low costs and weak institutional regulation.

By contrast, in *Denmark* and the *Netherlands*, firms have been central actors in the national developmental path and participate in the design and implementation of policies. The more a firm is

embedded within this national developmental path, institutions and culture, the more likely it is to coordinate its corporate strategy to the interests of other actors in the national society, particularly to balance the firm's 'economic' interest with societal interests such as cohesion and equality (European Commission, 2005). Moreover, in these two countries, even SMEs (on average larger than in the Southern European countries) are willing to address the challenges of intensified competition and technological change by pursuing organisational changes and becoming "learning organisations". Although Denmark's industrial structure is dominated by SMEs, about half of the organisations analysed in a 2001 survey had carried out organisational changes, whilst 2 out of 3 employees in Denmark and the Netherlands were found (in a 2000 EU comparative study) to be employed by "learning organisations", well above the EU average of 39% (mentioned in Bredgaard et al., 2005).

6.1.2. Welfare regimes

As we have seen in section 3.3., the 4 countries under consideration fall into different welfare regimes that affect their level of social protection (see Box below). Denmark and the Netherlands, although belonging to a different welfare regime, are regarded as models of how labour markets can perform successfully without compromising social protection.⁴⁰ In Denmark, in particular, the authorities had realized early that a high level of social security is the pre-condition for a flexible labour market and that any cuts in welfare spending would eventually lead to a reduction in labour market flexibility. By contrast, Spain and Greece, both typical examples of the Southern European welfare model, are an illustration of poor labour market performance and residual social protection systems.

⁴⁰ Although, as Visser (2005) points out, the *high disablement rate* (12% of the labour force in 2000) remains a sour spot in the Dutch welfare state.

Country	Type of welfare regime	Level and form of social protection of the unemployed
Denmark	inclusive regime (social democratic)	high degree of institutionalized protection
The Netherlands	continental (corporatist) regime	insurance-based, employment-centered protection
Spain Greece	Southern European welfare regime ¹	sub-protective (importance of family and informal networks)

Despite some major changes in the welfare regimes over the past 20 years and successive institutional reforms, *Spain* and *Greece* still retain some of the traditional features of the Southern European welfare regime, such as:

- under-financed and ineffective social services (total social expenditure in Greece had reached its highest level, 26% of GDP in 2004, as compared to Spain, where it remained at 20% of GDP);
- the residual and fragmented character of the social protection systems, covering only those with a full-time and uninterrupted career;
- clientelism and patronage networks that distribute social benefits to favoured groups, creating a polarization between the more and the less privileged segments of the population;
- the central role of the family in providing care and support to its vulnerable members. In addition to its traditional functions, the family has additionally become the main ‘shock absorber’ against high youth unemployment and a protracted school-to-work and youth-to-adulthood transition (Karamessini, 2008a);⁴¹
- the persistence of the male breadwinner model, despite its gradual erosion resulting from the growth of the dual-earner model. As a result, social security systems continue to be organized around the concept of derived rights (male breadwinner/female carer). Additionally, the male bread-winner continues to enjoy high levels of job security, owing to the urgency of safeguarding the earnings and the career of the sole family bread-winner (Esping-Andersen, 1999);

41 Unlike Northern Europe, in the Southern Europe, young adults leave their parental home at marriage and continue to receive family support during their adult life in many areas (housing, childcare, daily chores, unforeseen expenses, etc.).

- high continuity in female employment patterns, reflecting the absence of safe labour market transitions;
- low unemployment compensation and coverage;⁴²
- poorly developed family and work-life balance policies: existing policy measures and programmes fall short of effectively addressing the problems that arise from the conflicting and complex roles of both women and men. As a result, individuals have to invent their own, often informal or costly arrangements that will allow them to strike a balance between work and private life. This is becoming increasingly difficult in a context of high levels of unemployment and job insecurity, of institutional rigidities, and of traditional social perceptions and attitudes.⁴³

The residual protection provided by the welfare system in Greece is being further accentuated by the fact that so far, no minimum income guarantee scheme has been introduced, to alleviate the impact of social inequalities⁴⁴, whilst in Spain it has been introduced by the regional governments. As a result, the percentage of the population in both Spain and Greece that is at-risk-of-poverty, even after social transfers, is amongst the highest in EU-25, standing at 20% (see table 4).

Table 4: At-risk-of-poverty rate (% of total population) - 2005

	DK	NL	SP	GR	EU-25
<i>before</i> social transfers	30	22	24	23	26
<i>after</i> social transfers	12	11	20	20	16
● employed	5	9	10	13	8
● unemployed	26	27	35	32	40
● retired	16	5	25	25	16

Source: Eurostat Yearbook 2008, Europe in figures, Living conditions and welfare

42 Owing to the very low unemployment compensation rates and the short duration of benefits in Greece, the family has to step in and support its most vulnerable members. In Spain the duration of the unemployment benefits is longer and the categories of potential recipients broader.

43 In Greece, despite the inadequacy of childcare and elderly-care infrastructure and the rigidity of working time patterns, the issue of reconciling work with family life is very low on the political agenda. Moreover, there is a striking lack of demand or interest on behalf of unions, but also of employees, for family-friendly policies. This paradox may be explained by the fact that female participation rate is still very low in Greece, whilst informal support networks (traditional family), although diminishing in importance, still cover, to a large degree, childcare needs.

44 Not surprisingly, Greece stands out amongst most EU-27 countries for its economic inequalities, as the income of the 20% wealthier segment of the population (owing 40.4% of total income) is 6 times the income of the poorest 20% of the population, that only owes 7% of total income (see INE/GSEE, 2008).

We observe that in Spain and Greece, social transfers, although a significant and growing share of GDP at least in Greece, have a very limited effect in reducing the share of the population that is at-risk-of-poverty, as opposed to Denmark and the Netherlands, where social transfers seem to be very effective in bringing down the risk rate. Even employed persons run more than twice as greater risk of being poor in Greece and Spain than in Denmark, suggesting a larger incidence of working poor in these two countries, but also in the Netherlands.

6.1.3. Education and skills

Ongoing education and training is considered as key for the success of the flexicurity agenda, as it enhances the employability and adaptability of the workforce and provides individuals with the necessary skills that will allow them to respond to rapid technological change. The differences in the level but also the effectiveness of spending on education and training across the 4 countries under consideration are very eloquent.

In *Greece*, despite a rise in formal education, the expenditure rate remains one of the lowest among the OECD countries, barely 3.4% of GDP (2004 comparative figures), as compared to 7.2% in Denmark, 5.1% in the Netherlands, 4.7% in Spain and 5.8% in the OECD-average (see OECD, *Education at a glance*, 2007). Even more pronounced is the low level of spending on vocational training and lifelong learning that continue to absorb very limited funds and demonstrate a low effectiveness compared to other EU member states. High enrolment rates in upper secondary and tertiary education indicate a drive towards formal education and a narrowing of the gap with the more developed OECD countries. In 2005, the share of the population aged 20-24 years having completed at least upper secondary education was 84%, as opposed to 74.5% in the EU-15, whilst in Spain, the rate was below the EU-15 average. The enrolment rate in tertiary education of young people aged 20 years in 2004 was as high as 60.2% in Greece, against 37.7% in Spain and 33.1% in the EU-15. However, the completion rate was much lower in Greece than in Spain. Overall, *Spain* possesses a higher share of high educated working-age population compared to Greece and has developed an important pool of highly educated population of working age. On the other hand, in Spain, the early school leaving rate is 31%, the third highest in the EU, and conceals considerable regional variations. Greece, by con-

trast, appears to have opted for a cheap mass tertiary education, characterised by the steady growth of enrolments and the decreasing expenditure per student (Karamessini, 2008b). Despite high youth educational attainment, the youth unemployment rate in Greece remains 3 times higher than the EU average.

Participation in lifelong learning programmes has grown over the past years in Spain, but has remained extremely low in Greece. The creation of paths between the education and the training systems and the links between initial and continuing training have been established in both Spain and Greece since the early 1990s. Yet the participation of the adult population in lifelong learning programmes has remained in both countries much lower than in the EU-15, particularly so in Greece, where it stood at just 2.1% of the population in 2007, as compared to 10.4% in Spain, 16.6% in the Netherlands and an impressive 29.2% in Denmark (Eurostat, 2007). The lack of training opportunities for adults and the absence of a system of official recognition of non-formal and informal learning constitute the main shortcomings of a fragmented approach to the education and training systems in Greece, as well as a most ineffective use of the generous EU funds directed to this goal.

In *Denmark*, the upper secondary completion rate stands at 81% for the adult population aged 25-64 and 87% for the younger cohorts aged 25-34 (OECD, *Education at a glance*, 2007), slightly below the EU average and national targets for 2010 and 2015 (85% by 2010, 95% by 2015). The share of the adult population (aged between 25-64) having completed tertiary education is also one of the highest in the OECD and stood at 34% in 2005 (ibid.) According to the recent EU Annual Progress Report, however, high spending on education does not appear to yield the level of results that would be expected; efforts are still needed to bridge the gap to the national target for tertiary youth completion rate of 50% and take measures to enhance the quality of labour supply in the future. Even so, it remains that the Danish public training and education system is one of the most comprehensive in Europe and thus is able to correct –as it has been argued- the “market failure” resulting from the high mobility rate of the workforce (Bredgaard et al., 2005).

In the *Netherlands*, the rate of adult population having completed upper secondary education in 2005 was 72% and that of the younger cohorts aged 25-34 was 81% (OECD, 2007), still below the EU target of 85% by 2010. The percentage of adults aged 25-64 having completed tertiary education stood at 30% in 2005, slightly above Spain (ibid.) However, one of the major challenges facing the

Dutch educational system that needs to be addressed is the poor achievement levels of children from disadvantaged groups and a migrant background.

6.2. The process of social concertation

Governments are believed to engage in corporatist policy concertation primarily when they are in a situation of weakness and need to reinforce their legitimacy in view of carrying out painful reforms that are likely to arouse significant opposition (e.g. labour market and welfare reform). What is sought in this process is support and consent on behalf of social actors that enjoy a veto power (Afonso, 2009).

“When the state shares public space, it usually lacks the legitimacy, competencies, and implementation capacity to single-handedly carry out desired reforms of social and employment policy. Therefore, formal or informal forums for tripartite social dialogue between the government and the social partners facilitate their developing a shared understanding of the problems, as they discuss policy alternatives and their implications, and reach compromises on a common purpose” (Ebbinghaus 2005, mentioned in Afonso 2009).

As many scholars have observed and the European Commission pointed out, one of the fundamental requirements for the implementation and success of the flexicurity agenda is a supportive and productive social dialogue between the social partners and public authorities. This vital prerequisite –of fundamental importance in view of generating sufficient support to pursue far reaching and controversial reforms- raises doubt as to the transferability of the model to countries where social partnership is not firmly established and levels of social trust are low.

It appears that the strong and long-standing presence of a consensus culture in the Netherlands and Denmark has played a most significant role in the successful economic and labour market performance in these countries, as opposed to both Spain and Greece, where “consensus” was established at a much later stage and under the increasing pressure of the European integration process.

⁴⁵ The Dutch and Danish experience suggests that behaviours, routines and informal rules can be equally if not more consequential than detailed regulations. On the other hand, a long tradition of social consultation and consensus building does not always guarantee a balanced and fair deal for the partners involved in the process of social consultation.

The *Dutch* growth model, in particular, has heavily relied both on the consensus culture ('overleg') based on high levels of trust between social actors, as well as on a corporatist system of labour relations that favoured social peace. The two main institutions of social consultation that have always played a crucial role in the formulation of policy are the bi-partite Foundation for Labour (StAr) and the tri-partite Socio-economic Council (SER). The Foundation is the main seat for the preparation of joint opinions and central agreements, whilst the role of SER is to produce advice on social and economic legislation and supervise works councils (Visser, 2005).

An outstanding example of the success of this consensus culture is the *Wassenaar Agreement*. In the early 1980s, the Netherlands was suffering from a longer and steeper recession than most other countries, and its budget deficit and unemployment rate were high. Trade unions were convinced that sacrificing wage increases would enhance the international competitiveness of the Dutch economy and thus lead to job creation and employment security. The weak position of unions and their awareness of the gravity of the situation made them adopt a realistic attitude which led to the conclusion in 1982 of the bipartite *Wassenaar Agreement* between the unions and employers' organisations. This Agreement, unique in many senses, stipulated wage moderation in exchange for a working time reduction and greater labour market flexibility. As Visser and Hemerijk have pointed out: "*the net result of Wassenaar was a change in the relationship between government and the social partners from conflictual, self-interested bargaining to a more consensual atmosphere in which it was possible to develop a common policy agenda*" (Visser & Hemerijk, 1997, in Bruff, 2008b). ⁴⁶

⁴⁵ According to Bruff (2008a) and the neo-Gramscian perspective, the presence or absence of a consensus culture in any given country depends on the potential for synthesis between different versions of common sense, whilst from the 'variety of capitalism' perspective it depends rather on social learning and path-dependency.

⁴⁶ The outcome of the Wassenaar Agreement was less clear, however, in terms of economic performance. Undoubtedly, wage moderation and flexibilisation of labour relations did indeed lead to a job-intensive growth and full employment. The Netherlands experienced the most impressive employment growth among all EU countries during the 1980s and early 1990s. But wage moderation also led to low productivity growth, a decline in the speed of technological progress and the deterioration of the competitive position of Dutch industry (European Commission, 2005).

Some scholars argue that this “consensus by reluctant acquiescence rather than consensus by positive agreement” has been possible because the social partners share a common awareness of the vulnerability of the Dutch economy, and because wage moderation enjoys a “remarkable” legitimacy in the Netherlands, unlike any other country (Bruff, 2008b).

Following the Wassenaar Agreement, two major tripartite central agreements concluded in the 1990s, were the *New Course* agreement of 1993 on working time reduction, and the *Flexibility and Security* agreement of 1996 (Visser, 2005). The rapid deterioration of the economy and growing social unrest indicated at the beginning of the 2000s that the era of consensus was over. This period, however, only lasted until 2004, when consensus was once again re-established, although this time heavily skewed against labour. Unions agreed to a wage freeze, in return for fewer cuts in welfare spending that the government had unilaterally planned –without consulting the social partners. On this occasion, Bruff (2008a) makes the point that the exchange of concessions was even more asymmetric than in the 1980s and 1990s, although it came from the state and not from the employers.

In *Denmark* centralised negotiations and dispute solving mechanisms were established long before most other European countries. As early as 1899, the labour market parties had reached an agreement on how to regulate labour market issues without state interference (Larsen, 2004).⁴⁷ Public authorities assumed a more active role in the formulation of labour market policies only after the 1960s. Social partners have always been and continue to be an important driving force behind the developments in labour market policy through their institutionalised participation not only in the making and implementation of policy, but also in administration, through their representation in councils, committees, commissions and regional bodies with increased competences (ibid.). The long tradition of consensus-creating institutions and the prominent role of the social partners allow room for broad compromises when far reaching reforms are needed. By contrast, the parliamentary system and government coalitions traditionally have little influence on labour market policy formulation.

According to Larsen (2004), Denmark’s successful labour market performance is hard to explain rationally and on the basis of conscious and deliberate policies, as it is strongly based on practical experience and the institutional setting that mitigates the power struggles between the social actors.

47 The so-called “September Compromise” of 1899 also recognised the employers’ right to hire and fire at will (Bredgaard, Larsen & Madsen, 2005).

A basic ingredient of its success is the long-established acknowledgment, which nobody really questions, that labour market policy includes both economic and welfare political goals, and that these goals are not mutually exclusive; thus ‘workfare’ and ‘welfare’ elements have always been complementary to each other (ibid.). Understanding the peculiar way of balancing these economic and social considerations can provide a useful insight in explaining the Danish success. A lot of measures were able to go through because the actors involved could always count on the rationality of the opposite parties and the collectivist culture embedded in society (ibid.).

Overtime, Danish businesses and unions alike have been strongly opposed to any government initiatives to introduce changes in the balance achieved between flexibility and security. However, the consultative role of the social partners has been diminishing in recent years, whilst central administration is regaining power. Similarly, the disciplining elements of labour market policies and economic considerations have been gaining a more prominent position at the expense of welfare and social integration considerations. However, the institutional framework seems to be able to secure a certain balancing of the two dimensions (ibid.).

Spain developed its coordination mechanisms only recently. The strong state involvement in shaping industrial relations, divided unions with weak collective bargaining capacity and low membership, and the absence of a consensus culture have delayed the emergence of a process of tripartite regulation of the labour market and welfare systems. As Royo (2007) points out, it was the relative failure of government imposed labour market reforms in the second half of the 1980s and the first half of the 1990s, and continuous confrontations with the unions demanding higher wages, that convinced Spanish employers to develop a partnership approach with unions in order to address these shortcomings. This increased cooperation among the social actors was also the result of a change in attitudes of Spanish employers, who realised that, in order to adjust more flexibly to changing market conditions and address the challenges of European integration, they needed the cooperation of workers and unions in establishing social peace. They thus became willing to accept greater employment stability in return for wage moderation and more internal flexibility at the workplace. Unions, on their part, weakened by the collapse of social bargaining in 1986, were eager to extend their influence beyond their shrinking core constituency and regain their capacity to influence policy making (ibid.).

During the 1990s, tripartite collective bargaining produced as many as 25 agreements between the social partners, covering a wide range of issues, from wage moderation, to internal and external flexibility and welfare reforms. However, according to Royo (2007), while contractual and legislative changes provided greater flexibility to employers and weakened labour, they have not led to a deregulation of the industrial relations system, as unions managed to exploit international constraints and the firms' determination to avoid conflictual relations with labour, so as to retain their position in the concertation process. This trend towards greater coordination and centralisation (despite union fragmentation and the absence of a centralised wage setting system) point to a distinct form of neo-corporatism, 'competitive corporatism'⁴⁸, characterised by pacts among weaker organisations with governments acting as the instigator.

Greece, despite the transformation process triggered off in the 1980s when the socialists came into power, has been unable to establish fully functioning consensus institutions that would facilitate the synthesis of different and often opposing views and thus allow national policies to successfully adjust to the country's external environment. Deeply entrenched political exchange relationships with the state, internal fragmentation and conflict of interests within both organised business associations and trade unions, makes them hesitant to fully engage in the social dialogue process and develop a common approach.

Business interest associations in Greece are still differentiated not only according to the type of business activity and the size of firms, but also along political party affiliations. The participation of Greek business interest associations in the European institutions, however, has reinforced their bargaining power and autonomy vis-à-vis the Greek state, whilst it opened up new opportunities for domestic action, through their institutionalized access to public policy within the framework of corporatist bodies.⁴⁹ As for unions, they are primarily plagued by political cleavages and antagonisms. Despite the introduction of social dialogue institutions and other initiatives since the early 1990s, the politicisation of unions and their reliance on state intervention and political exchange have not in the least weakened over the years. This politicisation, compounded by antagonism between factions and the lack of political consensus over reforms, undermines social concertation (Zambarloukou, 2006)

48 This term is used by Rhodes, 1998 mentioned in Royo, 2007.

49 This rise of organized business in Greece has been described as an "artificial neo-corporatism", owing to the fact that it was not caused by a genuine, endogenous development, but rather by a bottom-down process, unleashed by the growing requirements for macro governance in the wake of European integration (Aranitou, 2002).

and the establishment of a common ground, even on issues whose urgency is undisputable like the reform of the social security and pension systems, or labour market reforms. The only exception was the period before the accession of Greece to the European Monetary Union when the need to comply with the formal criteria for joining the euro-zone gathered support from a wide spectrum of political and social forces, including the trade unions that had accepted a wage freeze in order to ease the transition pains. Most of the time, reform attempts are blocked by some key interest groups who take advantage of their position in the institutional environment to prevent any (real or presumed) attack on their vested interests.

The inability of the social partners to articulate a coherent and sustainable common policy agenda –despite their formal participation in a significant number of corporatist institutions responsible for public policy design⁵⁰- leads into unilateral, and hence ineffective, legislative initiatives by the state authorities. This is because the influence of the social partners in policy formulation and implementation is formalistic rather than substantial, whilst the government tends to oscillate between involvement of the social partners and unilateral decisions. The lack of central direction and continuity allows the social partners to absolve themselves from the responsibility of constructing a consensus on labour market and welfare reforms (Ioannou 2000a). This incapacity to arrive at a compromise on almost any issue that requires a trade-off is simply a reflection of the historic failure of the central authority in Greece to act as a coordinating force between the various interest groups and to impose the public interest on private or narrow corporatist interests.

6.3. Labour market systems

Labour market institutions and performance vary considerably across the four countries under consideration. Denmark and the Netherlands have amongst the most flexible labour markets in the EU, as well as generous unemployment benefits and effective active labour market policies; whilst Spain and Greece, at the other end of the spectrum, retain the characteristics of traditional and segmented labour markets, with low unemployment insurance and limited spending on active labour market policies.

⁵⁰ The social partners' peak organisations - GSEE for labour and SEV, GSEVEE, and ESEE on behalf of business- have the capacity to nominate their representatives in a wide array of public institutions, decision-making bodies, ministerial committees, steering committees, monitoring committees of EU funded programs, etc.

6.3.1. Prevailing labour market characteristics

Employment structure

As stated earlier, the male breadwinner model is still resisting in *Greece* and *Spain*, despite the steady growth of female employment rates, albeit from very low levels until the late 1990s. As low average wages in these countries⁵¹ cannot guarantee a family wage, women tend to seek full time employment, in order to ensure a better income. Thus the incidence of part-time work in these two countries is much lower than the EU average.⁵² However, Spain has the largest share of workers employed on fixed-term contracts in the EU-27 (34%), whilst Greece can “boost” of its impressive number of undeclared workers (estimated at around 20% of the workforce). Precarious forms of employment are also growing rapidly. In Greece, in the period 2003-2006, pseudo-independent contract work, also known as “bogus self-employment” increased by 77%, and interim work by 27% in only one year, whilst around 70% of the total increase in employment is attributed to flexible working patterns (Labour Inspectorate Annual Report, 2007). Self-employment is also very widespread in Greece, accounting for 40.7 % of total employment, as compared to the EU-27 average of 16.6 % (Employment in Europe 2008).

The *Netherlands*, often admired for its ‘employment miracle’, owes its impressive track record of job creation (four times larger than the EU average) mostly to the rapid expansion of part-time employment over the past 30 years, a development that ranks it in the first place amongst all EU-27 countries and justifies its name as ‘the first part-time economy in the world’ (Visser, 2002). According to Tijdens (2005), 3 factors have played a major role in this spectacular growth in part-time employment:

- a) the employees have the right to adjust working hours to their needs: since 2000, workers in firms with 10 or more employees have the right to adjust their working hours by 20%;
- b) this adjustment can take place within one’s job, so there is no need to seek for another job;
- c) the marginalisation of part-time work has been avoided by removing all discriminatory clauses on working hours⁵³

51 Average annual wages in Greece and Spain were only 25 934 USD and 27 735 USD respectively in 2006, whilst in the Netherlands the average wage was 45 337 USD and in Denmark 56 598 USD, more than double than in the former countries (OECD Employment Outlook, 2008).

52 The remuneration of part-time jobs in Greece is even lower than the unemployment benefit which currently stands at € 430,75 per month.

53 An illustration of this non-marginalisation is the fact that 2 out of 5 women working part-time are in managerial, professional or technical work (Visser, 2002).

Visser (2002) attributes the expansion of part-time work, particularly amongst married women with children, also to particular institutional and normative changes, such as the changes of attitudes towards work, motherhood and childrearing; the introduction of equal pay legislation; tax reform that made female employment worthwhile; and the endorsement of work sharing policies by unions as well as by employers. Part-time jobs have thus become the main entry point into paid employment for young people and a transitional arrangement between domestic activities and employment, mostly for women (Visser, 2005). The fact that only a minority of Dutch women prefer to work full time⁵⁴, especially during the childrearing years, has led to the “one-and-a-half-job-per-household” model, unique in Europe (ibid.). Although part-time jobs are neither atypical nor flexible (81% of part-time jobs are standard jobs on indefinite duration contracts, subject to full dismissal protection), they have increased the aggregate flexibility of the Dutch economy (Visser, 2002). Other forms of flexible employment are also widespread: temporary agency work (quite common among first time job seekers), fixed-term contracts, on-call work, flexi-time, new forms of self-employment (subcontracting), etc.

In *Denmark*, the EU country with the highest female participation rate, the only flexible form of employment that is widely practiced and is above the EU-27 average is part-time work, which accounts for 23.6% of total employment (still, only half the rate of the Netherlands). All other flexible or atypical forms of employment are rather rare, indicating that the Danish employers enjoy a more than satisfactory level of flexibility, not so much through flexible employment patterns, as through very high levels of numerical flexibility and labour mobility, the result of low-cost and uncomplicated hiring and firing procedures (backed by a generous state support system). As Bredgaard et al. (2005) observe, 25%-30% of the Danish workforce change employers every year.⁵⁵ Additionally, the Danish workforce is highly salaried (93.7%, as compared to just 59.3% in Greece) and thus subject to rights and obligations.

54 The incidence of full time employment amongst women is the lowest in Europe, 18%, as compared to 45% in Denmark (Visser, 2002).

55 It is estimated that owing to this great labour mobility, between a third and a quarter of the workforce is affected by – a usually short spell of- unemployment in a year (Bredgaard et al., 2005).

Table 5: Key employment indicators - 2006 (%)

	EU-27	EU-15	DK	NL	SP	GR
full time equivalent empl.	58.9	58.4	69.0	57.3	60.8	59.3
female employment rate	57.1	58.4	73.4	67.7	53.2	47.4
part-time employment	18.1	20.8	23.6	46.2	12.0	5.7
fixed-term contracts	14.4	14.7	8.9	16.6	34.0	10.7
self-employed	16.6	14.6	6.3	13.9	14.5	40.7
employment in agriculture	6.4	3.7	3.0	3.1	5.0	14.4*
employment in services	68.6	72.6	76.1	79.8	65.4	62.7*
unemployment rate	7.9	7.4	3.9	3.9	8.6	8.9
• youth unemployment	17.5	16.2	7.7	6.6	18.0	25.2
• female unemployment	8.8	8.4	4.5	4.4	11.6	13.6
• long term unemploy.	3.6	3.1	0.8	1.7	1.9	4.8

Source: *Employment in Europe, 2008*

* 2005 figures

Employment Protection Legislation

A highly controversial issue in the literature is to what extent a high degree of employment protection is associated with poor labour market performance, reflected in increased levels of unemployment, low labour mobility and costly hiring and firing procedures. Or, inversely, whether employment protection is associated with increased labour productivity, greater loyalty of the employees and a higher propensity of firms to invest in training. Less contested, however, is the impact of strict employment legislation on the margins of the workforce and the strengthening of divisions between ‘insiders’ and ‘outsiders’. As the empirical evidence suggests, in the majority of European countries, reductions in the strictness of Employment Protection Legislation are usually confined to the peripheral workforce and very rarely affect regular workers.⁵⁶ De-regulation at the margins of the labour market increases labour market segmentation, as atypical workers have to carry a disproportionate share of the burden of economic adjustment, thus leading to more precarious employment (Viebrock & Clasen, 2009).

Despite successive legislative initiatives since the mid-1990s, Greece and Spain continue to have the most restrictive EPL in the OECD. In Greece, however, labour market rigidity has watered down significantly following a series of legislative initiatives during the period 1990-2005, that introduced a number of flexible working arrangements (part-time work, telework, interim work, annualisation

56 See Boeri T., Conde-Ruiz, J. I. & V. Galasso, 2003, “Protecting against labour market risk: employment protection or unemployment benefits?” *CEPR Discussion Paper*, no.3990, mentioned in Viebrock & Clasen, 2009.

of working time, temporary agency work, etc.), as well as a relaxation of collective dismissals procedures, especially in firms with less than 50 employees. Limited labour mobility, both occupational and geographical, high firing costs for white-collar workers and the minimum wage provision for newly recruits constitute the main rigidities that persist in the *formal* labour market.

However, the persisting relative strictness of EPL in Spain and Greece, does not mean that employers do not still enjoy significant margins of employment flexibility allowing them to minimize non-wage labour costs (social security contributions, severance pay, annual leave, social benefits, etc.), by having recourse to atypical, irregular and even undeclared forms of work (see below, degree of enforcement of regulations). Moreover, in these 2 countries, relatively strict EPL is associated with low labour market spending, suggesting a trade-off between income and employment security.

In the Netherlands and Denmark, increasing labour market deregulation and low employment protection even for permanent employees (in the case of Denmark), have been offset by providing a comprehensive safety net to the unemployed through the welfare institutions (especially through unemployment insurance).

A common practice to circumvent restrictive EPL is to introduce new legislation “on top” of the pre-existing one that allows a wider recourse to certain forms of flexible labour –such as fixed-term contracts, temporary agency work, bogus self-employment, on-call work, zero-hours contracts, etc. This practice is known as “institutional layering”, a concept used by Streeck and Thelen in their typology of incremental institutional change.⁵⁷

A meaningful discussion of the appropriateness of the EPL index as a measure of labour market efficiency should, however, take into account the fact that indicators used by OECD and other international organisations are exclusively based on the prevailing rules and decrees and do not take into account their enforcement and what actually happens at the workplace and in the real economy.

⁵⁷ Streeck, W. & K. Thelen, 2005, *Beyond continuity: institutional change in advanced political economies*, Oxford University Press. Mentioned in Houwing (2009).

Degree of enforcement of regulations

The enforcement of regulations and of labour and social security legislation in particular, is not an issue in countries with strong monitoring and sanction mechanisms and a quasi non-existent informal sector, like Denmark and the Netherlands. By contrast, in Southern Europe, very often a rigid and complicated regulatory framework goes hand-in-hand with widespread violation of legislation and an extensive underground economy. Greece, is the country with the highest incidence of violation of employment rights in the EU (Kouzis, 2008), as the benefits of violation still seem to outweigh the cost of sanctions imposed. Attempts to contain the expansion of the underground economy have repeatedly proved unsuccessful as the informal sector is constantly boosted by the massive influx of often undocumented migrant workers and the labour reserve of unemployed women and youth, that together constitute a vast pool of undeclared and cheap labour. Although hard to measure, undeclared work is estimated at about 25% of the total workforce and accounts for about 20% of the national GDP (see INE/GSEE 2007 Annual Report). The non-enforcement of regulations is not the privileged ground only of the informal sector of the economy. Within the formal labour market too, organisations and firms often have recourse to a series of practices that violate the labour and social security legislation. The most widespread illegal or “irregular” practices include: undeclared and/or unpaid overtime work; minimum or partial social insurance of the workforce; non payment of a part of the wage an employee is entitled to; non payment of social benefits; the absence of an individual employment contract or the coercive signing of resignation on behalf of an employee working with an individual contract; the transformation of a full time contract into a part-time one, against the will of the employee; the illegal and unpaid extension of the part-timers’ working hours schedule, etc.⁵⁸

It is hard to say whether it is the relative rigidity of formal rules until recently that encouraged the Greek entrepreneurs, in particular SMEs owners, to operate partly or totally informally, or whether this entrepreneurial attitude is the result of the low road to competitiveness adopted in Greece and the prevailing “culture of convenience”. In any event, the weakness of the inspection mechanisms to monitor the enforcement of regulations and the rarity of sanctions imposed,⁵⁹ but also the fear of

58 See the annual reports published by the Labour Inspectorate, Ministry of Employment and Social Security.

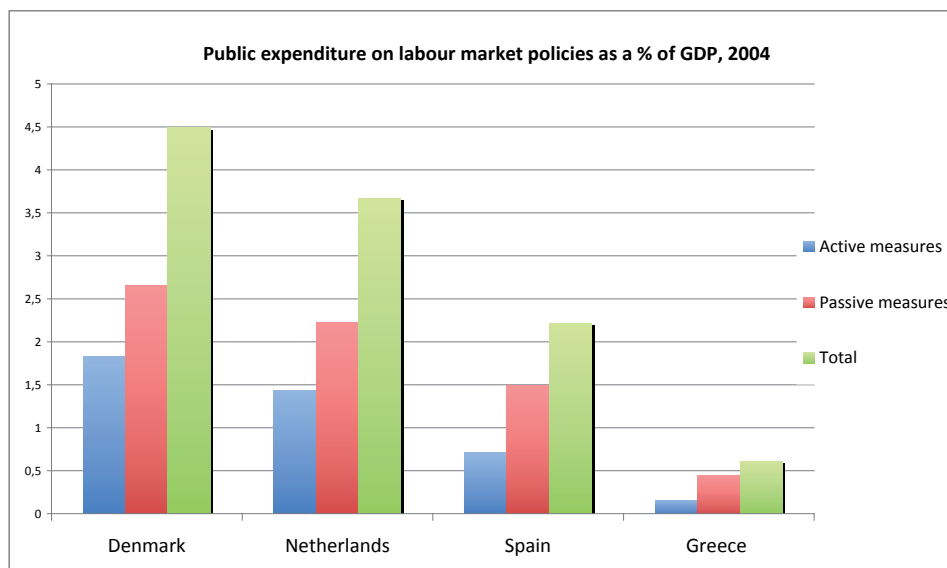
59 There are 647 social inspectors employed at the Labour Inspectorate in charge of controlling 844 103 firms. In 2007, they carried out 35805 controls and imposed sanctions in 7850 cases. The other inspection mechanisms (the Social Insurance Foundation and the tax authorities) are also vastly ineffective and capture only a small fraction of violations.

the precarious workers to denounce their employers, encourage a significant number of companies and organisations, even large ones, to systematically use the violation of legislation as a way of cutting labour costs and staying in business.

Active labour market policies

As we have seen in section 3.2. (Table 3), Greece has the least developed active labour market policies in the EU-15, with Spain doing better than all the other Southern European countries, whilst Denmark is the EU champion in both active and passive labour market spending and the Netherlands rank at the 2nd position regarding active measures and total expenditure. Overall, total public expenditure on labour market policies in Denmark is twice as big as in Spain and more than 7 times as big as in Greece, pointing to one of the most consequential underlying factors for the huge differences in the enforcement of the flexicurity agenda amongst these countries.

Table 6



* figures for Greece do not include Public Employment Services and administration costs
Source: OECD Employment Outlook 2006, Statistical Annex

Unemployment insurance

The replacement and coverage rates and the duration of benefits of the unemployed vary greatly in the 4 countries under consideration. Greece and Spain have among the lowest coverage rates in the EU-15, 36% and 47% respectively, whilst in Denmark it is close to 90% of the total workforce.⁶⁰ Greece is also the country with extremely low replacement rates, 50% of the minimum wage (i.e. € 430,75 per month, increased to €454,25 as of May 2009), and short duration of benefits (up to a maximum of 12 months), whereas in Denmark, the duration of the Unemployment Benefit can reach 4 years and the replacement rate is 80%, in the Netherlands the replacement rate is 70% and the duration can vary from 6 months to 5 years, whilst in Spain the replacement rate is also 70% of the minimum wage and the duration ranges between 1-3 years.

As mentioned earlier (section 5.2.) in countries with more generous unemployment insurance systems, eligibility criteria are becoming stricter and the duration of the benefits' period shorter (like in Denmark and the Netherlands). By contrast, in countries with low replacement rates, the tendency is to marginally improve the conditions attached to unemployment compensation. However, the 2002 labour market reform in Spain has made the receipt of the unemployment benefit subject to job activation and the non repeated refusal of "suitable" job offers or of a temporary job (Karamessini, 2008a).

Labour market segmentation

The dividing line in the labour markets has traditionally been between 'insiders' (those enjoying a stable job and full employment and social security rights) and 'outsiders' (the marginalized, precarious workforce, with few if any employment and social security rights). In recent years, however, labour market segmentation has been reinforced along new dividing lines: internal and external labour markets, workers with decent wages and the working poor. In Spain and Greece in particular, labour market segmentation has been reinforced in 3 ways: (a) through increased labour market flexibility and the growth of precarious jobs; (b) through the re-invigorated of the underground economy and

⁶⁰ ECHP 2002 data, mentioned in Karamessini, 2008a.

the informal sector as a result of mass immigration inflows; and (c) through the increasing violation of labour and social security legislation, especially in SMEs (Karamessini, 2008b).

In *Greece*, labour market segmentation is significant and pervasive, not so much in the formal labour market but because of the existence of several labour markets. On one hand, there is the formal labour market consisting of two sub-systems: (i) the permanent employees working in the public sector and in the public utilities, with a high degree of employment protection and a very low degree of flexibility; and (ii) private sector employees with a varying degree of protection but greater flexibility than the first groups. On the other hand, there exists an informal or “underground” labour market, the extent of which cannot be measured but only estimated, consisting mostly of migrant workers, women and young people that fall outside the scope of any statutory regulation and, hence, are highly flexible and, of course, insecure. This informal labour market is totally deregulated and is characterised by wages not covered by the minimum rates stipulated in the collective agreements, unfair dismissals, prolonged working hours, poor health and safety at work conditions and a total absence of employment and social security rights. These three labour markets operate in parallel and complementarily to each other.

In *Spain*, according to the EU 2008 Annual Progress Report, labour market segmentation is the highest in Europe, mostly owing to the significant share of temporary work in total employment. An agreement with the social partners in mid-2006 has helped to bring down the rate of fixed-term contracts by 5 percentage points to 29.4% in the second quarter of 2008. Still, the rate of fixed-term contracts for immigrant workers is extremely high (over 50%) and the unemployment rate for these groups has increased more rapidly than for the rest of the population.

6.3.2. Institutional initiatives to enhance labour market flexibility

In the *Netherlands*, flexible working arrangements, in particular part-time work, flexi-time and temporary work, have greatly contributed to the successful labour market performance and especially to high employment levels. As Visser (2005) observes, the 1996 ‘Flexibility and Security’ law is a compromise, not just between employers and employees, but also within the unions between workers with and those without stable jobs. A relaxation of statutory dismissal protection for regular employment contracts is exchanged for an improvement in the rights of temporary workers and the

introduction of a ‘presumption of an employment relation’ in the case of freelance work and ‘sub-contracting’ self-employment. Temporary contracts, after 3 renewals without interruption, become permanent, whilst flexible workers gain access to social benefits on the basis of the average hours worked. The overall flexibility of the Dutch labour market is also related to the politics of wage restraint and low wages for new entrants.

In *Denmark*, one of the long-standing structural features of the labour market system (dating back to the early 1980s) was the combination of high labour mobility and a well developed social safety net. This high mobility is made possible by the low level of employment protection (even for permanent employees, who constitute the vast majority of the workforce) and the generous unemployment insurance system, coupled by vigorous activation policies. This limited formal employment protection applies to the major part of the labour market, irrespective of size of enterprise, sector of activity or type of employee (Bredgaard et al., 2005). The successive labour market reforms introduced since the early 1990s have been targeted at re-calibrating the balance between welfare support and activation initiatives, with increasing emphasis on the latter (ibid.).

In *Spain*, an attempt to enhance labour market flexibility was first made in 1994, with the relaxation of the regulations regarding collective dismissals and the introduction of temporary employment agencies. The disappointing results of the 1994 reforms and the dramatic increase of temporary work, led to the 1997 *Interconfederal Agreement for Employment Stability* (AIEE). Unions agreed to reduce dismissal costs for certain categories of workers in exchange for a commitment from employers to reduce the proportion of temporary contracts (Royo, 2002 in Royo, 2007); a wage guarantee fund was established to cover part of the cost of compensation of dismissed workers, whilst reductions in severance pay were introduced, along with other incentives, in view of boosting job creation for the most vulnerable workers. Reforms in 2001 and 2006 expanded these incentives to other groups and granted subsidies for the conversion of fixed-term contracts to permanent ones. At the same time, these reforms increased disincentives for the use of fixed-term contracts by introducing severance pay after their expiry, limiting the number of renewals and setting a 24-month limit to the accumulated duration of contracts. Part-time work was also encouraged since 1998—with the consent of

unions- leading to the abolishment of discriminations against part-time workers and the provision of entitlements to employment and social security benefits (Karamessini, 2008b:519-520).

The labour market legislative framework in *Greece* has over a long period been one of the most restrictive and outdated in Europe. Whilst providing a high degree of protection to those already in employment, it left outside the scope of regulation a significant number of informal or atypical working arrangements and considerably restricted access to employment to first-time job seekers. It also formally allowed firms and organisations little room for functional as well as numerical and wage flexibility.

The successive labour market reforms introduced during the period 1990-2005 were an attempt to strike a balance between employment growth and competitiveness by increasing labour market flexibility. It must be stressed, however, that these legislative initiatives were not the result of pressures on behalf of firms, but rather of the external coercion to bring into line the obsolete national regulatory framework with developments in the EU. The main labour market legislative initiatives included: the annualisation of working time (with workers' councils' consent), the encouragement of part-time work⁶¹, the reduction of indirect labour costs for low paid workers, the rationalisation of the collective dismissals' system, the introduction of fixed term work⁶², telework, interim work and alternate work and the establishment of private employment agencies and temporary work agencies. However, a significant number of more innovative and employee-friendly flexible working patterns that are widely used in other EU countries have not yet been introduced in Greece, such as working time accounts, job rotation, voluntary reduction of working time, partial early retirement, etc. The main form of flexibility remains overtime work: employers prefer it because it costs less to pay overtime, even at a premium rate, than recruit new personnel; employees are keen to work overtime because they can top up their low wages. The popularity of overtime amongst workers also explains the failure of all the attempts to promote the annualisation of working time: unions are not interested

61 Part-time work remains unpopular both with employers and employees (organisational problems for the former, extremely low remuneration –even below the UB- for the latter).

62 Fixed-term contracts have been widely used in the public sector to provide jobs to favoured groups, especially before elections, but also to by-pass restrictive recruitment procedures and criteria. In the private sector, their incidence has been declining since 2004, owing to the stricter regulations in their use imposed by the EU directive on fixed-term contracts (up to 2 renewals and up to 24 months of cumulative duration).

in consenting to its use as workers prefer to work overtime during peak seasons and get premium payments, rather than be compensated by time-off in lieu in slack periods.

The change of administration in 2004 marked a shift towards more business-driven legislative initiatives. Owing to strong reactions from employers, the previous overtime regime⁶³ which made recourse to overtime work easier and less costly for companies was restored, whilst the annualisation of working time was made less dependent on unions' consent.

6.3.3. The Industrial Relations system

Unlike the fully developed Industrial Relations system in Denmark and the Netherlands, that has allowed the social partners to engage in the design and implementation of labour market and welfare reforms (albeit unevenly over time and across actors), in Spain and Greece, adversarial and confrontational industrial relations remained a key feature until the late 1980s. Following the fall of the dictatorships, the social actors in both countries had to struggle hard to shape their organisational identities and develop a stable industrial relations system, within a context not only of a fragile institutional environment, but also of scarcity of large firms in traditional industry sectors.⁶⁴

It was not until external pressures resulting from increased international competition and the process of European integration (European Single Market, European Monetary Union) that a social consultation approach developed in *Spain*, thus making labour market and welfare reforms possible (Royo, 2007). A major breakthrough in Spanish industrial relations was when the social partners agreed in 2001 on the need to reconcile flexibility and security (Valdes Dal-Re, 2004). Unions conceded wage moderation and increased flexibility in exchange for employment stability, the creation of new jobs, the reduction of the working week and their participation in the elaboration of the welfare reform (Royo, 2007). In 2006, in an attempt to rationalise the fragmented collective bargaining system that weakened unions' leverage, the *Interconfederal Agreement on Collective Bargaining* (AINC) was signed. This agreement stipulated that some issues should be reserved for national sectoral bargaining rather than regional or company-level bargaining. These issues include: wage structure, occupational classi-

63 In 2000, legislation was introduced aiming at curtailing the excessive recourse to overtime work and boosting job creation, by making overtime more expensive for companies. By contrast, the previous –and current– regulations stipulate that the first 5-8 hours of overtime work are paid at a normal hourly rate and do not require authorisation from the Labour Inspectorate.

64 For instance, in Greece, 98% of firms employ less than 20 persons and thus –according to the legislation– are union-free (Kouzis, 2008).

fications, the regulation of temporary contracts, information rights of work committees and working time arrangements (ibid.).

Although these very same exogenous factors had initially triggered off a process of coordination and social consultation in *Greece* also, the results were very short-lived and inconclusive. The only instance of a somewhat successful outcome of tripartite social dialogue was the *Confidence Pact* concluded in 1997, the only accord of this type ever signed in Greece.⁶⁵ As soon as Greece joined the EMU in 2001, the previous adversarial climate of controversy and intense rivalry between the social actors was re-instated. All subsequent attempts at a tripartite social dialogue failed, owing to the absence of a firm political commitment on specific issues from all sides. Instead, the central state unilaterally imposed labour market and welfare reforms that were doomed to failure. However, the regular rounds of bi-partite collective bargaining between the peak level organisations that conclude the *National General Collective Labour Agreement* every year or every 2 years, act as a functional equivalent to social concertation (Ioannou, 2000a). The topics on the collective bargaining agenda include mainly wage setting, allowances, leaves (maternity, parental, holiday leaves), and less often training issues or working time reduction. More general issues (the so-called institutional ones) are also addressed. Unlike the other 3 countries however, unions in Greece have persistently refused to include flexibility issues in the collective bargaining agenda.

6.3.4. The effectiveness of labour market reforms

The measure of success of labour market reforms is the degree to which they produce the anticipated positive effects on job creation, improved labour productivity and enhanced flexibility for companies and workers alike. Mainstream legislative labour market initiatives tell only part of the story. How these regulations are re-defined at the lower levels of negotiations or implemented at the workplace can reveal a great deal of deviation from the original aims, as company practices often diverge significantly from institutional regulations.

⁶⁵ This pact is commonly seen as rather ineffective, mainly because such essential policy fields as wage bargaining, taxation and social security were excluded from its agenda. Moreover, the peak organisation of SMEs refused to sign it. The fate of the pact reflects general problems of the social dialogue in Greece (Ioannou, 2000a).

Moreover, the overall level of labour market flexibility achieved in a country should be examined also from the perspective of whether this flexibility at the workplace is geared more towards the employer than towards the employee, or whether its outcome is balanced. Chung (2007) has classified the EU countries according not only to their degree of flexibility (low, medium or high), but also according to the additional criterion, whether the flexibility arrangements that are practiced actually favour one or the other side or both (see Table 7). She concludes from her analysis, that countries with a high flexibility score for establishments also have high flexibility scores for the workforce, and vice versa.⁶⁶ Not surprisingly, Denmark and the Netherlands fall under the first group whilst Spain and Greece fall under the second.

Table 7: Division of countries, their level of flexibility and to whom it is geared towards

Country	Overall Flexibility	Geared towards
Denmark, Finland, Sweden, Belgium, the Netherlands	high	employees
France, Germany, Ireland, UK, Poland, Czech Rep.	medium-high	both
Austria, Luxembourg, Latvia, Slovenia, Italy, Hungary	medium-low	both
Cyprus, Greece, Spain, Portugal	low	employers

Source: Chung, 2007

The impact of labour market reforms is also affected by the outcome of collective bargaining at the various levels of negotiation. In the *Netherlands*, the good intentions of the legislator and the fair provisions of regulations or agreements are often overturned at the sectoral or firm-level of collective bargaining. This is more so during periods of economic downturn, when trade unions are in a weaker position to negotiate the flexicurity agenda. As Houwing (2009) observes, an agreement may be considered as fair and balanced at the level of the peak organizations, but at the sectoral level, unions often have to consent to deviating provisions in the collective agreements to the detriment of workers (especially temporary agency workers, whose security is significantly reduced), accepting more flexibility than the one laid down by legislation.⁶⁷ So even if the intention of the legislator is to strike a balance between flexibility and security, the security dimension is often weakened at a lower level of negotiation, especially so as the most vulnerable groups in the workforce are those the least represented by unions. The market forces seem to acquire a greater influence in policy outcomes

⁶⁶ The two liberal economies, the UK and Ireland, are a case apart, with a medium-to-high level of flexibility geared more towards the establishment (*ibid.*).

⁶⁷ Houwing's research findings confirm that between 2001-2004, there has been a shift towards more flexibility in a number of sectors of the Dutch economy.

when it comes to a lower-level decision making structure, thus strengthening the liberal aspects of legislation at the expense of protection (ibid.).

Economic rationality and the fear that labour market developments will destroy macroeconomic balance have always been the primary foundation of the Danish labour market policy. During the years of economic crisis, the right to employment and financial support became central elements in labour market policies. *Denmark* developed one of the most generous and expansive unemployment insurance systems in the world (managed by the unions) providing 90% replacement rate after 1 year (or 26 weeks in the past 3 years) of service.⁶⁸ Growing concerns about the impact that the unemployment insurance schemes would have on the willingness and the ability of the unemployed to re-enter the labour market, soon resulted to a shift in policies: after the mid-1980s, passive policies were supplemented by active measures, focussed on continuing education and supplementary training, in an attempt to make the workforce more flexible (Larsen, 2004). As structural unemployment was rising, the prevailing employment and support schemes came under heavy criticism, eventually leading to a new policy shift in the 1990s. Rather than curtailing unemployment benefits (such an initiative would face strong political opposition), the labour market reform act in 1994 was instead heavily oriented towards stricter eligibility criteria, shorter duration periods and individualised activation measures. Job rotation schemes were introduced, to provide job opportunities for the unemployed and training opportunities for those already at work.

These initiatives proved very successful and unemployment was halved in 5 years, a development that has been labelled as the “Danish miracle” (Larsen, 2004).⁶⁹ Since then, the 1994 reforms were adjusted several times towards more activation of the unemployed persons and tougher conditions for receiving the unemployment benefit. In 2003, new labour legislation was introduced giving more emphasis on training, especially for the low-skilled and the unskilled. However, the attempt to reduce unemployment benefits for the highly paid employees met with fierce resistance from the unions and was soon abandoned, indicating that there still persist considerable political barriers to more comprehensive cuts (Bredgaard et al., 2005). Overall, as several scholars observe, during the past 15

68 The offset of this system was that the unemployed could remain on the insurance system almost indefinitely (Larsen, 2009).

69 Nevertheless, there are still unresolved marginalisation and social exclusion problems on the Danish labour market: about ¼ of the active population of working age (mostly immigrants and refugees) are excluded from the labour market and become benefit recipients (see Bredgaard et al., 2005).

years, the Danish labour market policy has gradually increased measures of social discipline at the expense of social integration, suggesting a systematic shift in labour market policy away from welfare to ‘workfare’.

Labour market reforms in *Spain*, have so far had limited success in addressing high levels of unemployment and extensive labour market segmentation. During the 1980s, reforms of a restrictive system of dismissal protection increased flexibility at the margins through liberalising fixed-term contracts and temporary work agencies, although regulations concerning core jobs remained virtually unchanged (Viebrock & Clasen, 2009). As a result of these reforms, employment growth was restricted to the “outsiders” and transitions from fixed-term or part-time to open-ended or full time contracts remained difficult, thus increasing labour market segmentation (ibid.). Subsequently, in 2006, Spain reduced to some extent the asymmetry between open-ended and fixed-term contracts (the only EU country to do so), as a result of the pressure exerted by the large numbers of temporary and unemployed workers on the Spanish government to reduce the protection of the open-ended contracts (Boeri, 2009). Nonetheless, the share of temporary employment in Spain remains extremely high, particularly amongst the younger age group aged 15-24 years, where 2 out of 3 of total youth employment are in a temporary job. Moreover, temporary workers, that constitute 34% of the total workforce, have few prospects of improvement: only 4.5% have their contract transformed into an open-ended one, whilst 82.6% of fixed-term contracts are renewed as such (ibid.).

In a context of relatively high dismissal costs and rigid permanent contracts, Spanish employers have been using temporary contracts as instruments to introduce flexibility in the labour force. They thus ended up relying heavily on temporary employment in order to adjust to fluctuations in demand. They are, however, now becoming increasingly aware that this increasing segmentation between permanent and temporary workers “*hinders workers’ occupational training, their motivation, and in sum the competitiveness of the firm and the quality of its products*” (leader of the employers’ confederation CEOE, mentioned in Royo, 2007).

The significant labour market reforms in *Greece* during the 1990-2005 period, eventually had limited success in boosting firms’ competitiveness and improving labour market performance. The new overtime regulations introduced in 2000 actually increased rigidities for companies, as job creation was given priority over enhanced flexibility. At the same time, the encouragement of part-time work

only marginally increased total employment levels, but it reduced costs in the retail sector and selected services. Similarly, the encouragement of fixed term contracts mostly benefited the agricultural and tourism sectors. Overall, legislation facilitating and/or encouraging flexibility had isolated positive effects but a limited overall impact. This may be explained partly by the low share of the workforce affected and partly because it was unable to change deeply-rooted attitudes and policies. Thus, the predominance of informal activities and violations persists, while the formal part of the market has only marginally become more flexible (European Commission, 2005).

The example of Greece suggests that legislation is not in itself a sufficient pre-requisite for promoting flexibility, if the main social actors do not share the same policy objectives, and are not involved in all stages of policy design and implementation, but also, if the enforcement of the regulations at the workplace is poor, owing to the ineffectiveness of inspection mechanisms and the lack of political will.

6.4. The influence of cultural factors in managing change and uncertainty

Culture is an umbrella concept that encompasses a wide range of definitions. It is often, mistakenly, seen as homogeneous and static and its potential to change and develop overtime is overlooked. Cultural factors, in particular, are often under-estimated when addressing policy implementation issues and assessing the impact of reforms. However, individual and collective behaviour cannot be explained solely on the grounds of economic and political considerations.

Resistance to change

Opposition to change, and opposition to reform in particular, is a common situation in most European countries, especially in times of growing uncertainty for the future.

Quite often changes are rejected because individuals prefer the certainty of acquired rights (and vested interests, in the case of more powerful segments of the workforce) rather than the uncertainty of future gains, even if no change at all entails the risk of losing everything (a job, an income, a pension, etc...). Nowhere is this clearer than in the vehement opposition to the reform of the social security and pension systems in a number of European countries, despite the increased awareness of the issues at stake. Similarly, people are understandably unwilling to accept labour market transi-

tions, which entail a change in their income and their professional status, if reliable and sustainable alternatives to the security provided through the employment relationship are not available. Can income be safeguarded outside the employment relationship through the ailing social welfare systems? This question has in recent years become a source of major concern for the European workforce. Given that transitions lie at the heart of the flexicurity agenda, the answer to this question is of vital importance.

Consensus culture vs. adversarial culture

Consensus about economic and social policy goals between the main social actors (employers' and unions' organisations, political parties, state bureaucracies and interest groups) is a pre-requisite in view of adjusting labour market and welfare institutions to change. Otherwise, they will become (or remain) dysfunctional and thus undermine economic performance (Bruff, 2008a). Reforms that involve hard choices and a redistribution of costs and benefits in particular, like the welfare state reform, require "the construction of a political will and long-term commitments built on norms of trust and networks of civic engagement, in order to overcome the inevitable oppositions of groups who will loose" (Visser & Hemerijk, 1997:182, in Bruff, 2008a:32). However, the conditions that make it possible for trust and consensus culture to thrive are very unevenly distributed.

Why is the ideology of social partnership present in some countries whilst not in others? Katzenstein has attempted to answer this question in his study of 7 small advanced industrial European states in the mid-1980s.⁷⁰ In a more recent article (Katzenstein, 2003) that reviews his previous work, he reiterates the point that the striking differences in the patterns of historical evolution and the strategies in the countries under investigation as compared to those in larger countries can explain why the former were more successful in adapting flexibly to the requirements of market competition and political legitimacy than the latter (Katzenstein, 2003:12-13). In the small countries, the perception of vulnerability generated an ideology of social partnership and an ability to learn from past mistakes and adapt to external challenges. This made the acceptance of reforms easier (Katzenstein, 2003).

70 Austria, Belgium, Denmark, Netherlands, Norway, Sweden and Switzerland. See Katzenstein, P, 1985, *Small states in world markets: industrial policy in Europe*, Cornell University Press.

Hemerijk and Schludi⁷¹ take this point further and argue that the successful reforms in a number of policy areas in Denmark and the Netherlands during the 1990s benefited from a “shared awareness” of policy problems, triggered by the memory of deep crisis and deep failures. Similarly, Katzenstein points out that “exogenous shocks activate deeply seated institutional memories and practices in small states with an indigenous tradition of corporatist politics” (Katzenstein, 2003:24).

An overview of the successful performance of the European countries studied by Katzenstein and other scholars (Auer, Cox, Hemerijk, Mansbridge, Visser et al.) suggests that their success is linked to 4 crucial factors: (a) the high level of trust in political institutions, (b) the learning capacity of political leaders, (c) the capacity of national institutions to respond to socio-economic challenges by adjusting to change, rather than avoiding it or going against the tide, and (d) the capacity of domestic actors to listen and understand the language and preference of the others.

It is the combination of these factors that made consensus building possible and produced efficient and equitable policy outcomes in Denmark and the Netherlands, but not in Spain and Greece.

In Spain and Greece these conditions, especially regarding consensus building, did not apply for a number of reasons:

- i) unlike Denmark and the Netherlands that had entered world markets early, Spain and Greece are late industrializing countries and part of the periphery of Europe;
- ii) Denmark and the Netherlands emerged from the devastating experience of the 2nd World War with an ideology of social partnership and an elaborate set of fully institutionalized concertation policies (Katzenstein, 2003). By contrast, Spain and Greece emerged from the 2nd World War deeply traumatized and divided by a bitter and prolonged civil war; this event and the subsequent period of authoritarian regimes in both countries (albeit with a milder form in Greece), undermined the prospects of developing an ideology of social partnership, until parliamentary democracy was fully restored in the mid-1970s. Since then, the process of European integration provided a fertile ground for the development of a consensus culture, but-at least in Greece- not to the extent and the degree of robustness encountered in the other pair of countries;

71 Hemerijk A. & M. Schludi, 2000, “Sequence of policy failures and effective policy responses”, in Scharpf F.W. & V. Smith (eds), *Welfare and work in the open economy: vol.1: from vulnerability to competitiveness*, Oxford University Press, pp.125-8, mentioned in Katzenstein, 2003

- iii) external pressures, like the need to comply with the EMU criteria or with the guidelines of the European Employment Strategy, undoubtedly led to significant changes in the consultation process in Spain and Greece, but were not sufficient in triggering off a process of imitation in view of replicating the successful trajectory of negotiated change of Denmark and the Netherlands.

Individualism vs. communalism

An extensive literature that examines the interaction between economic development and culture pays particular attention to the question of how the orientation of a society towards individualism or collectivism is affected by and in turn determines the course of economic development.

Weber had stressed the importance of Protestantism, and its emphasis on rational thought and the pursuit of individual interests over communal ties in “shattering the fetters of kinship group” and triggering off economic growth (Weber in Bell, 2001). According to this line of argument, many scholars have argued that the extended family and other traditional networks can become an obstacle to economic development because, by providing a safety net to its members (informal insurance), it deters them from taking risks and accumulating wealth. Similarly, strong family or community ties can also interfere with the functioning of the economy, as personal relationships tend to override the allegiance to impersonal institutions and to abstract moral concepts, thus encouraging favouritism and nepotism (Plateau, Lewis and Tanzi, in Bell, 2001).

By contrast, the literature on social capital and trust emphasizes the economic benefits of collectivism and stresses the importance of social networks and trust in the creation of prosperity, making the point that the absence of mutual trust can explain much of the economic backwardness. This literature investigates, in particular, how and to what extent social norms can induce people to behave in socially beneficial ways, i.e. to cooperate, if this does not maximize their material self-interest. One such norm is the “reciprocity” norm that encourages “conditional cooperation”: “people like to help those who are helping them and to hurt those who are hurting them” (Rabin, in Bell, 2001). According to Putnam, “voluntary cooperation is easier in a community that has inherited a substantial stock of social capital, in the form of norms of reciprocity and networks of civic engagement” (Putnam, in Bell, 2001). These stocks of social capital tend to be self-reinforcing, producing high levels of cooperation, trust, reciprocity and civic engagement and eventually, collective well-being. Conversely, the

absence of these traits is also self-reinforcing, leading to an equilibrium of low trust and low social capital – a “miasma” (ibid.). An example of such a “miasma” is provided by Banfield, in his account of a community in Southern Italy entangled in an individualistic culture (“amoral familism”) that prevents it from developing collective action to escape from backwardness (mentioned in Bell, 2001).

A third broad approach to the question how economic development and culture interact puts forward the argument that economic development can in fact promote collectivism and cooperation. As people become wealthier, they can afford to act more on the behalf of communal good and place greater weight on non material values. The same is true at the aggregate level: wealthier nations tend to implement more redistributive policies, like progressive taxation and public assistance to the poor (Kuznet, in Bell, 2001). Thus, increases in prosperity tend to strengthen the collective values of a society. Whether this is the result of self-interest rather than of genuine internalized morality is open to question. In any case, even if “it is material interest, not moral sympathy, that underlies social cohesion” (Rosenberg in Bell, 2001), Bell makes the point that overtime, the widespread practice of cooperation may imbue such behaviour with normative content, so that what has started as materially motivated cooperation, becomes a moral imperative and generates a degree of genuine collectivism (Bell, 2001).

A final line of argument focuses on how economic development erodes collectivism and promotes individualism. An influx of wealth or rapid economic growth can either direct a society towards an equilibrium of high income and widespread cooperation, or, inversely, as many scholars suggest (Ball, Hirschman and others), it can undermine economic performance, leading to a miserable equilibrium and self-destruction. According to Bell, the outcome will depend on the rate of economic growth. If growth is very fast, then the material incentives to defect from the norm of cooperation become large, before the society has had enough time to accumulate sufficient social capital to deter opportunistic behaviour. On the other hand, slow growth allows time for the gradual building-up of social capital, so that a strong norm of cooperation has come to existence (Bell, 2001). However, even long-term stability of an industrial economy carries within it the seeds of self-destruction as it allows time for special interest groups to organize and engage in collective action, in order to pursue their material self-interest in ways that eventually lead to economic stagnation (Olson, in Bell, 2001).

Bell concludes from his analysis that what ultimately affects a society's degree of collectivism or individualism and their interaction with economic development will depend on the following conditions:

- a) The degree of development of formal institutions: the weaker they are, the greater the influence of cultural factors on economic development. When effective formal institutions are present, the need for social capital and trust to solve 'social dilemmas' will be smaller;⁷² when they are poorly developed, the potential for some aspects of collectivism to place a drag on economic development will also be greater, e.g. by encouraging favouritism in the allocation of public resources. However, it is worth noting here another possibility, whereby institutional arrangements are in place but not enforced, thus encouraging anti-social behaviour on the part of both individual and collective actors, and undermining trust and consensus.
- b) The initial conditions prevailing in a society, regarding its level of material prosperity and the robustness of its institutions. Individualism is more pronounced in countries where the economy does not perform so well and where there is low trust in the ability of the state authorities to pursue fair and effective economic and social policies.
- c) Which aspects of collectivism prevail: a collectivism that extends beyond personal relationships and facilitates collective action, or a narrow collectivism restricted to a small group of people, unwilling to trust and cooperate with the outsiders, considered as hostile?
- d) The strength and scope of collectivism in a society, i.e. the degree to which the members of a wider group are willing to relinquish some of their personal interests in favour of collective interests; and the size and composition of the group in which the feeling of collectivism has force. The widening of networks of interaction and exchange presents opportunities for social and economic progress.
- e) The establishment of generalized norms that widen the scope of collectivism and transcend personal relationships: this may entail the dissolution of traditional ties based on a strong sense of narrow collectivism and replacing them by a new generalized collectivism. This, according to Bell, is one of the major cultural challenges faced by society.

⁷² Letki & Evans make a similar point: in countries where high levels of institutional accountability and predictability have been achieved, social trust is high. But in the absence of formal rules and accountability, interpersonal trust becomes a substitute for institutional trust (2005:525).

The above analytical framework is useful in explaining the differences in both the economic performance and the response to the flexicurity agenda, in the 4 countries under consideration. *Denmark* and the *Netherlands* enjoy highly developed formal institutions, a prosperous and well performing economy, and a collectivism that extends well beyond the boundaries of a narrow group of people and encourages interaction and cooperation for the benefit of the wider community. These traits are essential in forging a climate of trust and social partnership that make mutual concessions and negotiated change possible. By contrast, *Greece* is situated exactly at the antipode, with dysfunctional institutions, (illustrated mainly in the poor enforcement of regulations, the absence of accountability and favouritism towards privileged groups); an economy prone by structural weaknesses; a narrow sense of collectivism, based on traditional ties of allegiance; and an unwillingness to put the collective interest above the individual one. Even when the principal actors are aware of the issues at stake, they seem unable (or unwilling) to pursue common action.⁷³ Overall, Greece typifies the society that has enjoyed rapid economic growth, without having had time to develop its social capital that would foster widespread cooperation and direct it towards a high rather than a “miserable equilibrium”. *Spain* stands somewhere in between, having started from a point of departure similar to that of Greece, but slowly moving since the mid-1990s towards a more continental Europe system of cooperation and social negotiation, in order to address the challenges of globalization and European integration.

Trust in the institutions

One important aspect for the implementation of the flexicurity agenda is the institutional capacity of the state to implement the necessary control and enforcement mechanisms that prevent individuals from moral hazard (i.e. cheating against a generous social benefits system) and companies/organizations from breaking the law (Viebrock & Clasen, 2009). The tendency to break the law in many countries (esp. in the European South), whether with regard to the violation of the labour and social security legislation or tax evasion practiced by both individuals and businesses, is often associ-

⁷³ An illustration of this attitude is the lack of common understanding on how to address the present huge public finance deficit or the social security and pensions' reform.

ated with a weak enforcement capacity of the state (despite a formally rigid regulatory framework), as well as with a widespread belief that “all are not equal vis-à-vis the law”.

Trust in the institutions (domestic as well as international) and in the quality of enforcement mechanisms constitute an essential aspect of democratic and effective governance. Dysfunctional domestic institutions tend to reproduce the vicious circle of mistrust, lack of consensus and ineffectiveness. If institutions such as the national government or the legal system are viewed as weak and unaccountable, citizens are less likely to trust them, to adhere to their decisions and to respect their authority. Moreover, a low level of credibility of the political system and of the enforcement mechanisms drastically undermines the willingness of people to accept change and far reaching reforms. The success story of Denmark and the Netherlands would not have been possible if their labour market and welfare regimes were not embedded in an institutional environment enjoying a high degree of social legitimacy and trust. The famous “golden triangle” that accounts for the success of the flexicurity agenda in Denmark in particular (and its Dutch variant), would not have been able to deliver these results if it was embedded in a dysfunctional and low trust institutional environment (see Diagram 10). By contrast, the fragile institutional arrangements in Greece (present and past) and the absence of a common vision for the future allow little scope for successful labour market and welfare reforms (see Diagram 11).

Diagram 10: The institutional environment

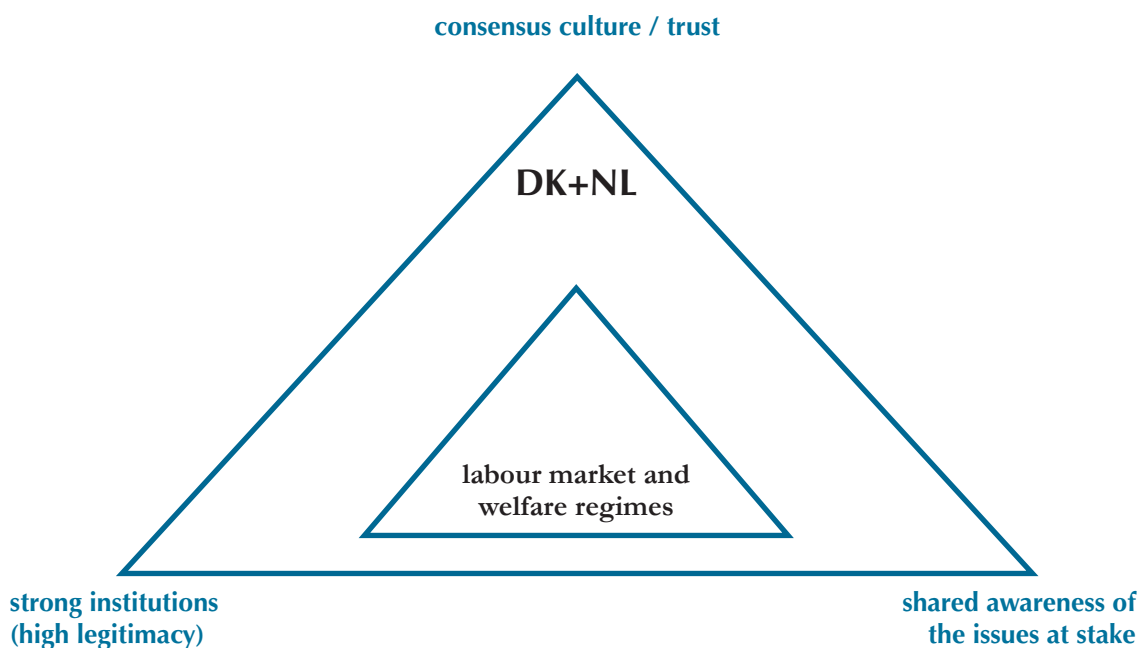
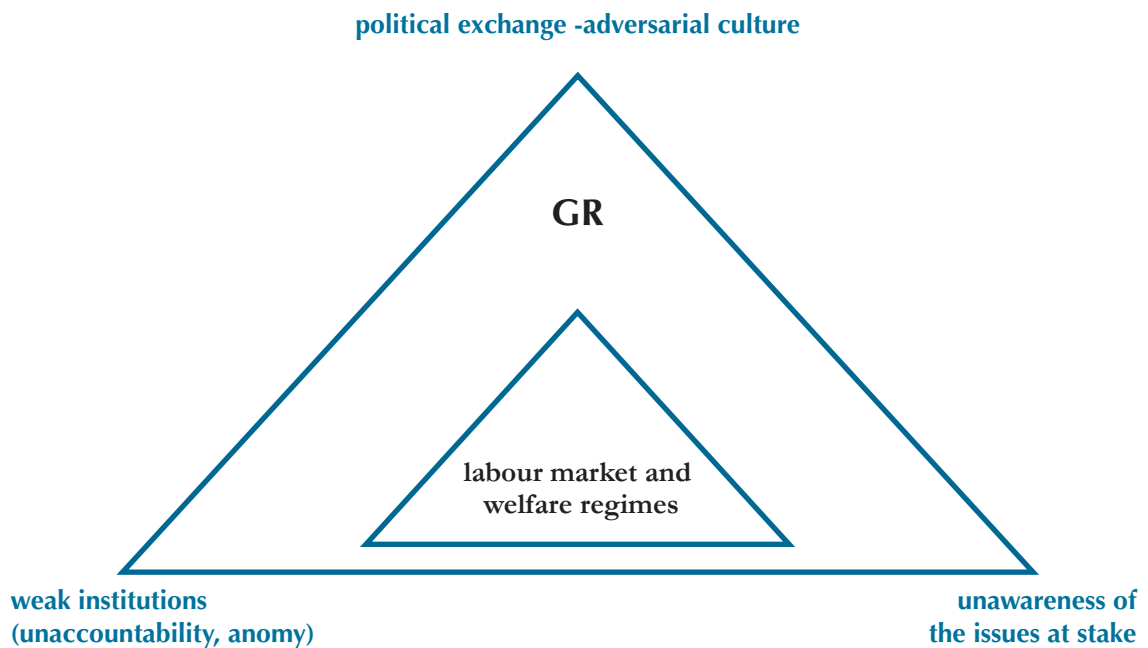


Diagram 11: The institutional environment



The differences amongst the citizens of the 4 countries under consideration in their degree of confidence in a number of domestic institutions and public policy issues are striking. According to recent Eurobarometer findings (Eurobarometer 70, autumn 2008), the citizens of Denmark and the Netherlands are the ones with the greater degree of trust in their institutions (central and local government, political parties, Parliament, legal system) and the policies delivered by state authorities in a number of areas (health care, unemployment benefits, pensions, poverty and inequalities, functioning of the public administration). By contrast, the Greek public opinion projects a deep and widespread dissatisfaction –that is growing overtime- with the general situation that prevails in the country, including the quality of public services. Moreover, Greek citizens believe that their country is the taillight of the European Union, as they rate the situation in a series of domains to be worse than in other European Union member States. Whilst they express increasing distrust in the national government, parliament, the political parties, the local authorities and the legal system, European Union institutions get a confidence vote. Spain occupies an intermediate position in the continuum, usually close to the EU average.

In particular, Greek citizens in their majority express their *strong dissatisfaction* for the pensions (GR: 91% - EU-27: 58%), the way inequalities and poverty are addressed in Greece (GR: 89% - EU-27: 67%), the unemployment benefits (GR: 89% - EU-27: 51%), the way public administration runs in Greece (GR: 89% - EU-27: 55%), and the health care provision in the country (GR: 78% - EU-27: 43%). Moreover:

- 77% of Greeks seem not to trust their **national governments**, as opposed to 32% of Dutch citizens, 38% of Danes and 49% of Spaniards (EU-27:61%). The current Greek negative rate (i.e. distrust) is the 3rd highest of the entire survey sample;
- 7 out of 10 Greek citizens state not to trust their **national Parliament**, as compared to only 25% of Danes and 40% of Spaniards (EU-27: 58%);
- a high rate of distrust is recorded by the Greek respondents who take a negative standpoint vis-à-vis **political parties**, 86%, as compared to 46% in Denmark and 64% in Spain (EU-27: 75%). The Greek negative rate is the 4th highest of the entire survey following the ones of Latvia (91%), Portugal (89%), Croatia (86%) and Bulgaria (86%);
- a majority of Greek citizens expresses feelings of distrust toward the **regional or local public authorities** (GR: 66%, DK:30%, EU-27: 44%) as well as the **legal system** of the country (GR: 56%, DK:20%, EU-27: 47%).

By contrast, the EU bodies enjoy the confidence of almost 6 out of 10 Greek citizens, substantially above the EU average (GR: 58%, EU-27:47%). Trust is further expressed toward the European bodies, i.e. European Parliament (GR: 59%, EU-27: 51%), European Commission (GR: 56%, EU-27: 47%), Council of the European Union (GR: 56%, EU-27: 42%), and the European Central Bank (GR: 51%, EU-27: 48%).

Expectations from the future

A growing pessimistic attitude towards the future of the national and global economy and the problems of inflation and unemployment is now shared by the majority of the European citizens, although concern is more pronounced in countries with a weaker economic performance. The proportion of the population that considers that the situation is good has fallen dramatically during the past few months, regarding both the European and the national economy. Over half of Europeans

now expect the employment and economic situation in their countries to worsen over the next 12 months (Eurobarometer 70, autumn 2008).⁷⁴

Inflation and the economy are now viewed by European citizens as the two most important issues facing their country. The proportion mentioning the economy as the most important concern has increased by 17 percentage points since spring 2008. The proportion mentioning inflation increased between autumn 2007 and spring 2008 (+11 points) and retained this level in autumn 2008. This new order –replacing crime and immigration as main concerns – further highlights the impact of the current economic crisis on the state of public opinion (Eurobarometer 70, autumn 2008).

Long-term expectations are also very important in determining individuals' attitudes towards change and reform. Two recent Eurobarometer surveys (mentioned also in section 3.2.) bring into surface the significant differences in the expectations of the respondents in the 4 different countries regarding the social reality in 20 years' time and the prospects of finding a job in the event of being laid-off. Respondents from Greece are by far the most pessimistic and have a gloomy outlook on a majority of items, whilst respondents from Spain, the Netherlands and Denmark have a brighter view of the future social reality (see Table 8). Roughly twice as many respondents in Greece feel that their life will be worse in 20 years' time, than in the other 3 countries, whilst a significantly larger number than in the other countries, think that people will not be able to afford the medical treatment they might need, and that family ties will be weaker. Confidence in the institutions (education, meritocracy, equal opportunities) is substantially weaker in Greece than in Denmark, the Netherlands and even Spain. The same pessimistic attitude of Greek respondents can be seen regarding their future earnings and working conditions, as well as their prospects of finding a job (see Tables 9 & 10).

This is not to say that pessimism or optimism towards the future is associated with the mentality or the idiosyncrasy of a nation's population, but rather with its perception of the reality and of the institutional environment: Greeks are not by nature less optimistic than Danes, for example, they are simply more aware of the dysfunctions of the domestic institutions and of the potential of their leadership to effectively address the challenges and overcome the crisis.

⁷⁴ See http://ec.europa.eu/public_opinion/index_en.htm

Table 8: Share of respondents agreeing and strongly agreeing with the statements (%)

Expectations	Greece	Spain	Netherl.	Denmark
peoples' lives will be worst than today in 20 years' time	67	37	38	32
extension of working lives expected	91	56	87	73
no guarantee of finding a good job for people with high educational qualifications	87	62	55	59
there will be more equal opportunities for women and men	66	82	81	80
people will earn less than today because of competition from the BRIC countries *	77	57	46	41
working conditions will be better	35	57	57	63
young peoples' chances in life will depend more on merit than family and social background	66	67	80	82
access to education and training will be easier for everyone	50	76	60	71
the gap between the rich and the poor in my country will be wider	87	64	71	70
many people in my country will not be able to afford the medical treatment they need	84	50	54	46
family ties will be weaker	78	63	52	49
the quality of life will be better	35	63	44	53
there will be new ways to participate in decision making, involving people more	42	50	61	60

* Brazil, Russia, India and China

Source: European Commission, "Expectations of European citizens regarding the social reality in 20 years' time. Analytical Report". Flash Eurobarometer 227, 2008

Table 9: Confidence about finding a job in the next 6 months, in the event of being laid-off (10= very likely, 1 not at all likely)

EU-25 average	Greece	Spain	Netherlands	Denmark
6.1	5.6	6.3	6.9	8.1

Source: Special EUROBAROMETER 261, 'European Employment and Social Policy', 2006

Table 10: Confidence in having a job in 2 year's time (%)

Greece	Spain	Netherlands	Denmark
37	43	62	61

Source: Flash Eurobarometer no. 227, 2008 & Special Eurobarometer 26, 2006

Low expectations go hand-in-hand with a defensive attitude towards labour market and social reforms that could put into jeopardy vested interests and trigger off new social risks. The concept of "flexicurity" in particular seems to remain still blurred in some national contexts: for example, although a large majority of respondents in Greece agree that life time jobs with the same employer are a thing of a past, only 1 in 2 are ready to accept that job mobility is a useful asset nowadays in view of finding a job, compared to more than 9 out of 10 in Denmark (Special Eurobarometer 261, 2006).

Dissatisfaction with the economic situation

Dissatisfaction with the overall and the personal economic situation also undermines the willingness of individuals to take risks in their professional career and accept drastic changes. Here again, we notice striking differences in the attitudes of citizens from the 4 different countries.⁷⁵ Nine out of ten respondents in Greece and 8 out of 10 in Spain express dissatisfaction about the economic situation in their country, as opposed to only 28% in Denmark and 32% in the Netherlands (EU-27: 69%). Dissatisfaction rates record a significant increase when compared to the Eurobarometer survey carried out in autumn 2007 (GR:+14, SP:+34, DK:+26, NL:+22, EU-27:+20). The same deep concern applies to the employment situation, as 9 out of 10 Greek and Spanish respondents find it to be in a bad state, as opposed to less than 1 in 10 in Denmark and the Netherlands (GR: 92%, SP:89%, NL: 9%, DK:8%, EU-27: 69%). The Greek negative rate is the 3rd highest in the entire survey, behind Portugal (95%) and Hungary (93%). Dissatisfaction with the personal job situation and the financial situation of the household is also much more widespread in Spain and Greece than in Denmark and the Netherlands ("my personal job situation is bad or rather bad": GR: 40%, SP: 39%, DK: 11%, NL:

⁷⁵ See EUROBAROMETER 70, Autumn 2008, http://ec.europa.eu/public_opinion/index_en.htm

8%, EU-27: 27% and “the financial situation of the household is bad or rather bad”: GR:54%, SP: 41%, DK:13%, NL: 7%, EU-27: 34%).

This consistently pessimistic attitude of Greek citizens, as compared to the Danish and the Dutch, regarding the economic situation and the future outlook is also confirmed by national surveys. A recent such survey carried out in Greece reveals the concerns and the fears about the future of the majority of the people interviewed: ⁷⁶

- 80.7% say things have worsened over the past year
- 64.4% fear that they might become poor
- 58.9% are afraid of economic hardship, but, on the other hand:
- only 24.6% are willing to accept personal sacrifices to overcome the economic crisis
- only 28.3% would be willing to work more for the same pay
- only 16.5% are willing to pay more taxes
- and a mere 9.6% would forego part of their income in return for reduced working hours.

This reluctance to show solidarity towards those worst off is less a reflection of a highly individualistic attitude, than an increased awareness by the respondents of their deteriorating personal situation that they do not wish to see get even worst. The prospect of relinquishing their fragile equilibrium is not an option for them.

Although pessimism about the present and the future of the economic situation cuts across the vast majority of the population, the problems are more pronounced for certain segments of the workforce in Greece, in particular the young people. What, in fact, they can expect after spending 16-20 years in education is:

- prolonged (and non compensated) unemployment, as there are very few entry points;
- precarious jobs, underpaid and with few if any employment and social security rights;
- a monthly wage of about € 700 per month, which by no means constitutes a living wage in Greece;
- curtailed social security and pension rights for the new cohorts;
- unfair inter-generational income and social welfare distribution;
- a deterioration of their living conditions, compared to their parents' generation.

⁷⁶ This is a dire situation that calls for more “security” rather than for more “flexibility”.

⁷⁶ Kappa Research, published in the newspaper TO VIMA, 1-1-2009.

7. Performance of the 4 countries with regard to the main goals of flexicurity

Looking back to the professed aims of the flexicurity agenda (see Diagram 5, section 4.1.)⁷⁷, we can observe how differently the 4 countries perform, with regard to 3 fundamental policy concerns of this agenda: employability, vulnerability and economic efficiency.

7.1. Employability

Using specific dimensions to measure employability, such as training, educational attainment, employment protection, and activation measures, significant differences across the 4 countries are brought into light (see Eurofound, 2008e):

- the higher the rate of participation in lifelong learning programmes, the higher the level of average employability. In Spain and Greece, both indicators are low, whilst in Denmark, both are high, with the Netherlands slightly lagging behind Denmark;
- the correlation between the average level of education and the average employability is very high in Denmark and the Netherlands, whilst it is low in Spain and Greece;
- employment protection does not enhance employability: Denmark, with an average to low job protection enjoys high employability, contrary to Spain and Greece that have a high level of job protection but low employability, whilst the Netherlands seem to have the best of both worlds as the labour force enjoys a relatively high job protection with above average employability;
- unemployment benefit is positively linked to job security: workers in countries with generous unemployment benefits also feel less insecure and, consequently, more inclined to attempt transitions, as is the case in Denmark.

⁷⁷ Aims of the flexicurity agenda: to fight against labour market segmentation; to keep the skills of workers (especially the more vulnerable ones) up to date; to help reintegrate people into employment; to help people cope with rapid change; to support safe transitions; to provide people with income security and support (disability, long-term care); to enhance work / life balance; and to contribute to sound and financially sustainable budgetary policies (European Commission, 2007b).

Sustainable employment seems to be exceedingly difficult for particular segments of the workforce in Greece and Spain, like the young people. First time job seekers encounter great difficulties, as a result of labour market rigidities but also of a mismatch between the supply and demand of skills and qualifications. This difficult transition from education to work entails a delayed emancipation of the youths from the family and their protracted co-residence with the parents. On the other hand, the high expectations of educated young people for upward social mobility and their aspiration for spending and leading a comfortable life deters them from accepting any job offer, especially a precarious and low paid job which is often the only available option. This divergence between social and economic expectations and labour market reality potentially contains the seeds of social unrest.

7.2. Vulnerability

The degree of labour market integration, and hence of vulnerability of those with low quality, insecure jobs or no job at all, differs strongly between employment systems. Paugam & Zhou (2007) distinguish between 4 types of employment integration:

- a) high quality secure integration, with opportunities for self-development and stability;
- b) high quality insecure integration;
- c) low quality secure integration; and
- d) low quality insecure integration, characterized by cumulative disadvantages and labour market marginalization.

As pointed out in section 3.3, inclusive welfare regimes are much better placed to reduce the degree of *vulnerability* of the weakest segments of the workforce. Not surprisingly, Denmark is the country in which employment integration is the strongest, with almost 60% of the workforce (as compared to only 38% in the EU-15) enjoying high quality and secure employment integration. It does particularly well in ensuring that potentially more vulnerable categories of employees are protected from poor quality and insecure work. A comparison between Denmark and Spain shows that a significantly lower share of atypical workers, low skilled workers and workers employed in low-level (routine) services tend to be concentrated in low quality and insecure jobs in Denmark, than in Spain. Overall, the Nordic employment regime displays the highest percentage of high quality secure inte-

gration (48.3%) and the lowest low quality insecure integration (13.9%), whilst the Southern regime displays an inverse picture: the lowest percentage of the former and the highest percentage of the latter. Hence, Paugam & Zhou conclude that there are almost twice as many chances for a worker living in a Southern European country to be caught in an insecure and low quality job than there is for a worker in a Nordic country, despite the fact that in Southern Europe 1 in 3 jobs are low quality but secure.⁷⁸

How many people are considered to be vulnerable in the 4 countries under consideration, and to what extent? A report by the European Foundation (Eurofound, 2008e) offers us a useful insight in this respect: (see Box)

Spain	a small share of people, but with higher than average vulnerability
Greece	a moderate share of people, with a modest vulnerability
Denmark	a higher share of people, but with the lowest degree of vulnerability
Netherlands	a slightly above average share of people, with an average vulnerability

There seems to be a trade-off between the *number* of vulnerable people (and their proportion to the total population) and the *extent* of their vulnerability, that takes different forms in each of the 4 countries, depending on the welfare regime in place. Overall, workers are less vulnerable in countries with a higher “decommodifying” and more generous welfare system, as in the Nordic countries (Eurofound, 2008e). However, even in countries where social protection is inadequate (as is the case of Southern Europe), the family and other informal networks can alleviate –as providers of welfare- the negative effects associated with vulnerability.

7.3. Economic efficiency

Last but not least, a measure of success of the implementation of the flexicurity agenda is the policy outcome in 3 important areas of economic efficiency:

- a) the overall economic performance of the country, especially regarding its public finances and budgetary policies (see section 6.1.);
- b) the ability of companies and organizations to survive and prosper in a highly competitive (and volatile) international context; and

⁷⁸ Probably owing to a higher EPL index there.

- c) the adaptability of the workforce to rapid technological change, reflected in the matching of supply and demand and in the capacity of an economy to make the best use of its human capital, especially in relation to skills' requirements.

In all of the above areas, the performance of both Spain and Greece (especially the latter) leaves much to be desired:

- employment growth has been restricted to the marginal workforce and/or the informal sector of the economy;
- participation in further training and lifelong learning programmes remain very low, thus depriving the economy of the necessary skills and qualifications;
- traditional forms of work organization continue to prevail in the vast majority of firms;
- the competitive advantage of firms is still based on low-cost, low technological capacity activities and weak institutional regulation. For how much longer?

8. Challenges ahead

8.1. Addressing growing inequalities and labour market segmentation through institutional and social reforms

Social protection systems need be drastically re-designed so as to take into account the impact of more flexibility on individuals and the welfare system, rather than punishing flexible workers, as is the case today in most countries. This implies broadening the concept of what constitutes “standard forms of employment” to encompass the variety of flexible working patterns and of employment contracts practiced nowadays. The revised systems should also aim to encourage individuals to take risks (positive mobility) by moving towards more individualized social security rights and greater protection from new risks.

The revised systems should be based on 4 broad principles (Eurofound, 2007):

- a) on the equality of treatment between the various forms of employment contracts;
- b) on the transitions between activity and inactivity, as well as between different employment statuses and contracts;
- c) on the transferability (and, whenever possible, the maintenance) of acquired rights, on the occasion of job changes, protected labour market exits or unemployment;
- d) and on the aggregation of insurance periods, especially in building pension rights.

Increasingly, the occupational schemes will have to complement the state-funded social security systems, especially in terms of health care and pension.

8.2. Social dialogue and the representativity crisis: who represents the precarious workforce and the “outsiders”?

Can there be win-win solutions in the context of labour market reforms? This implies that not only large companies and the “insiders” benefit from the deal but all the stakeholders as well: the “outsiders”, small firms and society at large.

Gathering support in favour of far reaching reforms presupposes a broad coalition of heterogeneous forces that will result from a process of social consultation. As the European Commission has put it (2007b, p.18), *“the active involvement of social partners is key to ensure that flexicurity delivers benefits for all (...). Integrated flexicurity policies are often found in countries where the dialogue –and above all the trust- between social partners, and between social partners and public authorities, has played an important role”*.

Perhaps the most fundamental challenge in the social dialogue process is to persuade the representatives of divergent and often conflicting interests to sit around the same table and contemplate the prospect of mutual concessions. Workers’ representatives have to be convinced that labour market reforms, and especially enhancing flexibility can be mutually beneficial and will not put into jeopardy basic employment and welfare rights, including decent pay and working conditions, whilst employers’ representatives must be reassured that their concessions will be cost-effective and sustainable, and will not harm their competitiveness in the long run. Social partners’ organizations need also to overcome their internal divisions and contradictions. Unions, in particular, need to address the security needs of the flexible workforce too, perhaps at the expense of the “insiders”. Otherwise, they risk seeing their membership shrink even further and their influence diminish.

The precise content of the flexicurity agenda and the best ways of implementing it is a good starting point for the social partners to engage in a meaningful dialogue, the scope of which will ultimately depend on their genuine willingness to seek present day solutions to urgent problems. If there is no such thing as a common agenda, whether it is called “flexicurity” or “labour market reform”, or “Lisbon strategy”, or just “response to the crisis” (as seems to be the case in the Southern European countries), one needs to be devised before it is too late to influence the course of events.

8.3. Economic viability of the flexicurity arrangements and distribution of costs: who pays the bill?

One of the most difficult dilemmas facing policy makers, social actors and individuals alike, regarding the implementation of the flexicurity agenda, is related to the question: who shall bear the substantial costs involved, especially in providing employment and income security? Is it only the governments, or do the other social actors also have to contribute? How is the burden to be shared?

Budgetary constraints, including (in some countries) the *Stability Pact*, and the ongoing economic recession make it increasingly difficult to finance active labour market policies and compensatory social protection that are required in order to provide safe transitions to the workforce and enhance the security dimension of the flexicurity nexus. The financing of the welfare system, in particular, will be coming under increased pressure owing to demographic ageing. For their part, businesses are also reluctant –even unable– to assume their share of costs, in a period of shrinking profits and falling demand. The quest of a new “business ethic” does not seem a realistic expectation under the prevailing circumstances.

The question of who pays the cost of the flexicurity strategies, especially of the security dimension, inevitably brings into surface the issue of public finances and of taxation. The example of Denmark, points out that it is possible to develop effective employment policies without a reduction in social expenditure. But is this experience transferable elsewhere, especially in countries with under-financed welfare systems, without recourse to increased taxation? European citizens seem to be torn between two irreconcilable situations: (a) whilst everyone seems to be aware of the fact that the financing of more efficient social protection systems may require higher taxation, yet (b) there is reluctance to assume the cost of the extra burden involved. So, despite deep concern regarding growing social inequalities amongst the majority of European citizens, and a wide consensus on the need for society as a whole to assume more responsibility for the elderly and the sick, only 40% agree to pay higher taxes to support people in need (European Commission, 2008, Flash Eurobarometer).

Does this mean that a breakaway from the universal and tax-financed welfare model is unavoidable, as many scholars suggest?

Perhaps the answer lies in a drastic reallocation of government spending from other policy areas, as well as a more efficient use of available resources, including the several EU funds.⁷⁹ The participation of the private sector in financing some of the measures required (e.g. investing in the training of their personnel and providing family friendly policies to working parents) should also be seriously considered. Finally, adopting a long term perspective rather than a short-termist approach would help both governments and companies assess the future benefits to be reaped from today's spending, in terms of greater economic efficiency and social cohesion.

⁷⁹ For example, the European Social Fund, the European Regional Development Fund, the European Globalisation Adjustment Fund, etc.

9. Concluding remarks

9.1. Main findings of the report

- 1) The flexicurity agenda attracts a number of criticisms and some of its aspects are highly questioned, not so much as regards its guiding principles – the need to strike a balance between the flexibility needs of business and organisations, and the security needs of the workforce is not seriously disputed- but rather for its controversial policy content and implementation. Three are the main points of criticism:
 - a) it is a trade-off between unequal partners (business and labour);
 - b) it does not specify who pays the bill for improving the security of the workforce;
 - c) its success heavily relies on the soaring numbers of the precarious workforce with few (if any) employment and social security rights.
- 2) Despite its shortcomings, the flexicurity agenda remains the only articulate policy agenda in the EU, without a credible alternative. It also constitutes a definite improvement compared to the labour market deregulation approach popular in many OECD countries. However, it is more suitable for countries with good economic performance and strong institutions than for countries with major structural weaknesses, segmented labour markets and residual welfare states.
- 3) The success of the flexicurity policy agenda boils down to 2 fundamental requirements: *resources* and *trust*. Resources to finance the costly active and passive labour market policies, and trust to build up consensus and enable mutual concessions between the social partners. If a country lacks either or both of these ingredients, it does not qualify for a successful policy outcome.
- 4) There is no single recipe or path to follow to increase economic competitiveness and enhance social cohesion: countries with a very different welfare regime (like, for example, Denmark and Austria) have been successful in pursuing both goals.

- 5) Overcoming opposition to the flexicurity agenda is possible only through social dialogue and participation of all the stakeholders in the decision-making process. Otherwise, flexicurity will continue to incite the same opposition as pure flexibility, despite its notable security dimension and success record in some countries.
- 6) Building broad coalitions is of paramount importance in view of pushing through difficult reforms that put into jeopardy vested interests and with an uncertain outcome. In a context of adversarial relationships and of low mutual trust, it is hard to expect the social partners to reach an agreement on labour market and welfare reform,

Additionally, the *cross-country analysis* of Denmark, the Netherlands, Spain and Greece, illustrates that:

- i) countries with a long tradition in social consultation and negotiated change, like Denmark and the Netherlands, are better placed to successfully address challenges and pursue reforms. However, even in these countries, the balance of power between business and labour at any given time can lead to an asymmetric exchange of concessions;
- ii) the presence of a “culture of compromise” is the result of historic factors and is more likely to be encountered in countries where the social actors share a common awareness of vulnerability and of the real issues at stake (i.e. Denmark and the Netherlands);
- iii) although the process of European integration has given a significant impetus to the social consultation process in both Spain and Greece, there is still a long way to go, especially for the latter. Exogenous pressures alone are not enough to trigger off a substantial shift in the attitudes of social actors towards concertation and cooperation;
- iv) the scope and the effectiveness of social consultation also depend on the quality of the interlocutors engaged in the concertation process: how forward looking they are, to what degree they can grasp the real challenges and opportunities, and whether they can transcend narrow interests and mistrust to develop a new partnership approach;
- v) the increasing heterogeneity of the workforce raises the question as to how suitable are traditional unions, by definition representing the interests of the more established and protected workers who form their constituency, to negotiate the flexicurity agenda and ensure the employment and social security rights of the more vulnerable segments of the workforce

- (non-standard workers). Is it their responsibility to fairly distribute the risks and costs associated with greater flexibility across the various segments of the workforce? In the case of segmented labour markets, this dissonance of interests is even more striking;
- vi) the prevalence of an individualistic culture, or of a narrow collectivism, prevents the development of collective action and cooperation for the benefit of the wider community;
 - vii) institutional adaptability and the capacity of social actors to learn from previous mistakes has allowed Denmark and the Netherlands to adjust successfully to contemporary challenges;
 - viii) dysfunctional domestic institutions –in particular a low legitimacy of institutional rules and a poor enforcement of regulations- reproduce the vicious circle of mistrust, lack of consensus and individualism. Overcoming this fundamental dysfunction requires agreement between the social actors on both the causes of the problem and the remedies to apply;
 - ix) the positive labour market performance in Denmark and the Netherlands has been mostly attributed to their successful implementation of the flexicurity agenda: low employment protection and intense activation policies in Denmark, high incidence of flexible but fairly protected employment in the Netherlands, a social partnership approach in both countries. However, other factors have also contributed to their success, such as: wage restraint in the Netherlands, effective enforcement mechanisms in Denmark, a supportive welfare state, the demographic composition of the workforce and an increased awareness of their vulnerability in both countries, to mention just a few. These factors are path-dependent and non-transferable as such to any other national context. They can be useful, however, from a learning perspective;
 - x) by contrast, a highly segmented labour market and a residual welfare regime, compounded by substantial structural economic weaknesses, have undermined the chances of successful economic and social reforms and of a strong and lasting economic performance in Spain, and particularly in Greece.

9.2. Is the flexicurity agenda still relevant in the present-day economic downturn?

There is no doubt that with soaring unemployment levels, an aggravation of poverty and inequalities and growing insecurity, the future does not look bright. This gloomy outlook is compounded by the on-going twin financial and economic crisis and the inability of even drastic policy measures to contain it. It does, however, also provide an opportunity to reconsider some “*conventional wisdoms*” that have haunted economic policies for too long and to pursue more radical and far-reaching reforms. These “*conventional wisdoms*” that have traditionally been preached by mainstream economic thinking are now increasingly coming under question. To mention just a few:

- that self-regulated markets can produce wealth and prosperity for all (“markets are always right”, according to the dogma)
- that greater labour market flexibility and less Employment Protection Legislation will make the European economies and firms more competitive and create more jobs (what about the quality of jobs and of employment relations?)⁸⁰
- that deregulation of the labour market, the welfare and the industrial relations systems are necessary to address the challenges of globalization and increased competitiveness
- that over-regulation and too much welfare undermine the efficiency of the economy, especially of the productive sectors (see the Nordic countries)
- that labour is a regrettable cost (that must be minimized to the limits) and not an asset (on which to invest), whilst managers and CEOs can receive manifold pay and bonuses than the average employee⁸¹
- that businesses should not bear any of the costs associated with the security dimension of the flexicurity agenda.

In the light of the rapidly deteriorating global economic environment the question inevitably arises: how relevant is the flexicurity agenda as a political strategy in the present-day economic downturn? One is tempted to observe that this ambitious agenda, conceived in a period of growth, stability

80 It is the economies of countries with the most deregulated and flexible labour markets, like the USA, Britain and Ireland, that seem to be the hardest hit by the global financial crisis and the economic downturn.

81 In some companies, the ratio between lowest and highest earnings could be as high as 1:365!

and prosperity and with the more developed European countries in mind, appears like wishful thinking when “Rome is burning”, if not the cause of all evil. Can it still deliver its promises regarding enhanced competitiveness, job creation, and social cohesion, at a time when firms are closing down and laying off workers at an unprecedented scale, and the foundations of the European Social Model are shaking? Could it be perhaps already outdated as we are caught amidst a transition period with an uncertain outcome that might even force upon the developed world a paradigm shift?

A new policy agenda is undoubtedly needed for the EU countries to remain competitive and for the European Social Model to survive the multiple pressures (demographic ageing, growing inequalities and economic stagnation), especially more so as in the (not so) long run, the cost of maintaining the welfare state is expected to outrun the wealth produced. Given the significant cross-country divergences, this agenda must be tailored to the needs of each country. In this sense, the flexicurity agenda and the European Employment Strategy can serve as a *benchmark* for the countries lagging behind, but not as a straightjacket, condemning them to the status of a “pariah” of the European integration process.

9.3. Pre-requisites for a successful policy agenda

Even in the context of an increasingly flexible and global economy, there are margins of autonomy by which social reform may lead to greater solidarity in terms of employment integration. If the flexicurity policy agenda –or any other alternative policy strategy- is to have any chances of success, a number of *pre-conditions* must be met:

- 1) A shared awareness of the real issues at stake and a potential for synthesis of the different perceptions of reality, through a genuine deliberation involving all interested parties. The process of social consultation, however, involves overcoming a number of critical hurdles:
 - a) the definition of employment and welfare rights on one hand, and of economic efficiency on the other;
 - b) the low or disputed representativeness of the employers’ and workers’ organizations;
 - c) the establishment of implementation and monitoring mechanisms;
 - d) the lack of confidence in adhering to the terms of the eventual agreement;

e) the fair sharing of costs between the different stakeholders.

In essence, it presupposes:

- a common understanding on the urgent need to pursue and manage change in the areas of labour market, productivity and social cohesion, in a context of unprecedented economic constraints;
 - a clear agenda with a strong commitment from all sides: the state, employers, union;
 - the involvement of all interested parties, especially those with a weaker bargaining power;
 - a commitment at all levels of negotiation and implementation to pursue feasible security for all, rather than strict employment protection or the total shift of employment protection towards social protection” (Auer, 2008).
- 2) Mutual and balanced concessions between business and labour, in view of arriving eventually at a “new deal” between the social partners for more radical reforms that will be able to address the huge challenges ahead. The element of “fairness” should be present in every bilateral or tripartite agreement signed, in every piece of labour legislation introduced. This will not be possible, unless the most salient *asymmetries* in the labour market systems are restored, such as:
- the asymmetry between the rights and entitlements associated with open-ended contracts and those associated with fixed-term contracts;
 - the asymmetry in the balance of power between employers’ organizations and trade unions, but also within unions, the asymmetry in the fair representation of all segments of the workforce;
 - the asymmetry in the quality of sacrifices requested by the workforce, as opposed to those requested by businesses;
 - the asymmetry between the skills required by firms/organizations and those supplied by the workforce, and the education and training systems.
- 3) A long-term perspective and the capacity to seek new solutions to new challenges
- 4) An ability of the central authorities to convince of the necessity and appropriateness of a policy programme.
- 5) A change of attitudes and mentality.

9.4. The fate of the flexicurity agenda in times of uncertainty

In the light of the present-day global economic downturn it is hard to predict whether the flexicurity policy agenda will either perish, to be replaced by the next fashionable and politically useful concept, or outlive its critics, to become an enduring component of a particularly European approach of combining employment and social policies (Vierbrock & Clasen, 2009). In any event and regardless of the outcome of this particular approach, European policy makers and national authorities and social actors need to address some daunting challenges.

The first challenge stems from the concern regarding the fate of the victims of labour market deregulation. The reduction in job security and the growth of precarious work jeopardise the chances of the “outsiders” (whose share in the total workforce is on the rise) to fully participate in the labour market, with a “proper” job and full rights and entitlements. Increasing labour market segmentation and growing inequalities inevitably pose the question: should those better off relinquish part of their security and income to improve the situation of the more vulnerable, especially of the precarious workforce and the working poor?

The second challenge is associated with the growing awareness that the “precarisation” of large segments of the workforce, and the rise of in-work poverty, further undermine the sustainability of the European Social Model. In the (not so) long-run, the cost of maintaining the welfare state is expected to outrun the wealth produced. How will the ESM survive? Can the Nordic model of reconciling economic efficiency with a satisfactory level of employment integration for the great majority of workers be transferred to other socio-economic contexts? The answer eventually lies in the perception of the welfare state also as a productive factor that can not only provide a safety net for people to take risks, attempt transitions, and learn new skills, but also improve the functioning of the labour market by reducing segmentation and wage dispersion and improving the matching of supply and demand.

The third challenge is about not losing sight of the real issues at stake (issues that are often disguised in the debate): providing decent work, fighting against precariousness and in-work poverty, enhancing social cohesion, whilst at the same time boosting productivity and improving economic performance. This will require building up consensus in view of arriving at a “new deal” between the

social partners for more radical reforms that will be able to address the huge challenges ahead. However, as power relations between the main players always determine the outcome of the negotiations, the strength of business vis-à-vis organised labour will undermine the fairness and sustainability of this new deal, unless the state assumes its role as an arbiter and ensures a positive interaction between the different players with no winners and losers.

Last, but not least, those EU countries that are lagging behind need to come to terms with the bare truth that struggling to remain competitive in the world economy as low-cost production countries is not an option anymore. Lowering labour costs will not make business more viable or more competitive, as the gap in wages and in employment conditions of the other low cost countries outside the EU is huge and widening. What could increase the competitiveness of these economies would be increased investment in the knowledge society, in innovation and in human capital.

As a final point, and coming back to the initial questions raised in the introduction of this work, we can sum up are conclusions in a nut shell:

- a) The flexicurity policy agenda is best suited to countries with good economic performance, robust institutions and a consensus culture. In this sense, it definitely constitutes a step forward from aggressive (and one-sided) neo-liberal and deregulation policies.
- b) Its relevance for countries with structural weaknesses, weak institutions and a poor social partnership approach is highly questionable. Alternative and more appropriate strategies –tailored to the particular national idiosyncrasies- need to be designed and pursued.
- c) Even in countries with a success record, there are winners and losers in the process of implementation of the flexicurity agenda. Uneven trade-offs reinforce the divides within the workforce, lead to new inequalities and threaten social cohesion, as well as the viability of the European Social Model.

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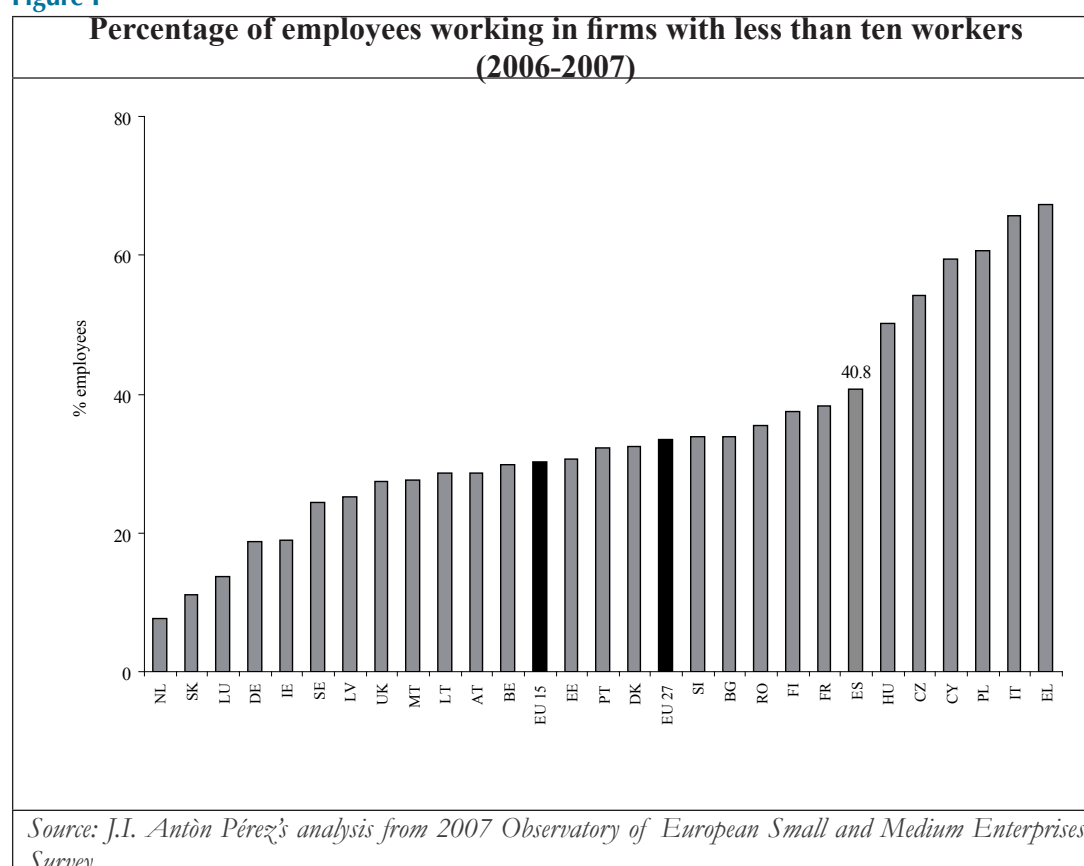
Annexes

Diagram I: Flexicurity indicators

	DN	NL	ES	GR
OECD-EPL index ²: 1998	1.42	2.12	2.93	3.54
2003	1.42	2.12	3.05	2.83
contractual and working arrangements (2007):				
• contract of limited duration * ³	8.7%	18.1%	31.7%	10.9%
• part-time work				
- EUROSTAT * ⁴	24.1%	46.8%	11.8%	5.6%
- OECD ⁵	17.7%	36.1%	10.9%	7.8%
- involuntary PT	9.7%	3.7%	32.9%	26.6%
share of adult population in education and training (2007) *	29.2%	16.6%	10.4%	2.1%
educational attainment of the 45-54 years age cohort (2005) ⁶	78%	69%	41%	51%
educational attainment of the 25-34 years age cohort (2005)	87%	81%	64%	74%
public expenditure on labour market policies as a % of GDP ⁷				
• active measures	1.68%	1.40%	0.63%	0.16%
• passive measures	2.66%	2.08%	1.49%	0.40%
participant stocks in ALMP (as % of the labour force-2004) ⁸				
all measures	4.88%	12.03%	9.32%	0.17%
• training	1.24%	8.74%	0.98%	0.03%
• employment incentives	1.15%	0.58%	7.72%	0.04%
• integration of disabled	2.49%	2.11%	0.58%	0.03%
• start-up incentives or direct job creation	-	0.60%	0.04%	0.06%
employment rate (2007) *				
• total (Lisbon target=70%)	77.1%	76.0%	65.6%	61.4%
• women (Lisbon target=60%)	73.2%	69.6%	54.7%	47.9%
• older workers (Lisbon target=50%)	58.6%	50.9%	44.6%	42.4%
unemployment rate (total, 2007)*	3.8%	3.2%	8.3%	8.3%
youth unemployment (less than 25 y.), 2007*	7.9%	5.9%	18.2%	22.9%
long-term unemployment rate (over 12 months) as a % of total unemployment ⁹	18.2%	41.7%	27.6%	50.3%
growth in labour productivity (2000-2007) ¹⁰	0.8%	1.2%	0.0%	3.1%
labour productivity per hour worked (2007)¹¹	1.9%	1.7%	0.6%	1.7%
net replacement rates after 5 years of unemployment (2001) ¹²				
• without social assistance	67%	60%	37%	20%
• with social assistance	79%	70%	50%	20%
at-risk- of- poverty rates ¹³	12.0%	13.0%	20.0%	21.0%

average annual wages (2006, average USD, per FTE) ¹⁴	56 598	45 337	27 735	25 934
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Figure 1



(Footnotes)

- 1 The question of the distinctiveness of a Southern European model of social protection and welfare state has caused much debate, with some scholars arguing that the 4 countries, Italy, Greece, Spain and Portugal, constitute a 'fourth world of welfare capitalism', whilst others insisting that they are simply a subcategory of the corporatist, continental welfare regime (see Karamessini, 2008a). However, the centrality of the family and the immaturity and residual character of the social protection systems differentiate substantially the Southern European welfare regimes from the continental European ones.
- 2 Notes: OECD 2003, overall index, version 1
- 3 Eurostat definition: (a) persons with seasonal employment; (b) persons engaged by an agency or employment exchange and hired to a third party to perform a specific task (unless there is a written work contract of unlimited duration); (c) persons with specific training contracts.
- 4 Based on self definition as a part-time worker (spontaneous answer)
- 5 Based on a common definition of part-time work. See OECD Employment Outlook, 2007
- 6 OECD, Education at a glance, 2007. Same for row below this.
- 7 EUROSTAT, 2004
- 8 OECD Employment Outlook 2006, Statistical Annex
- 9 OECD Employment Outlook, 2007
- 10 The Conference Board and Groningen Growth & Development Centre, Total Economy Database, January 2008
- 11 Employment in Europe, 2007-forecast
- 12 OECD, Tax-Benefit Models. www.oecd.org/els/social/workincentives
- 13 EUROSTAT, 2006 (after social transfers)
- 14 OECD Employment Outlook, 2008
* EUROSTAT, 2007

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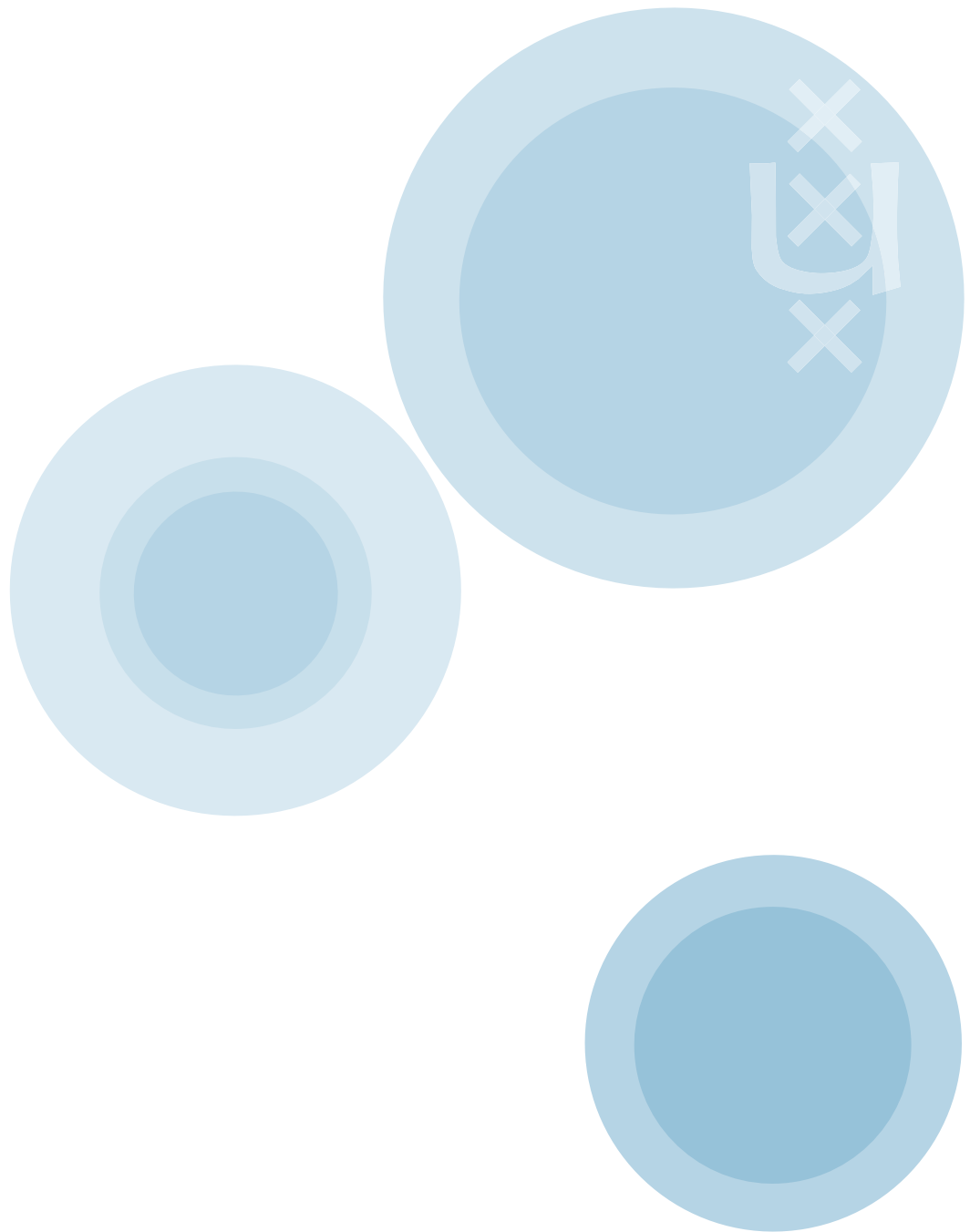
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- Psychology
- Health and safety studies

AIAS provides both teaching and research. On the teaching side it offers a Masters in Comparative Labour and Organisation Studies and one in Human Resource Management. In addition, it organizes special courses in co-operation with other organisations such as the Netherlands Centre for Social Innovation (NCSI), the Netherlands Institute for Small and Medium-sized Companies (MKB-Nederland), the National Centre for Industrial Relations ‘De Burcht’, the National Institute for Co-determination (GBIO), and the Netherlands Institute of International Relations ‘Clingendael’. AIAS has an extensive research programme (2004-2008) on Institutions, Inequalities and Internationalisation, building on the research performed by its member scholars. Current research themes effectively include:

- Wage formation, social policy and industrial relations
- The cycles of policy learning and mimicking in labour market reforms in Europe
- The distribution of responsibility between the state and the market in social security
- The wage-indicator and world-wide comparison of employment conditions
- The projects of the LoWER network



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