



Reconciling labour flexibility with social cohesion — Facing the challenge



Council of Europe Publishing
Editions du Conseil de l'Europe

Reconciling labour flexibility with social cohesion – Facing the challenge

The opinions expressed in this work are the responsibility of the authors and do not necessarily reflect the official policy of the Council of Europe. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic (CD-Rom, Internet, etc.) or mechanical, including photocopying, recording or any information storage or retrieval system, without the prior permission in writing from the Publishing Division, Communication and Research Directorate (F-67075 Strasbourg or publishing@coe.int).

Cover design: Graphic Design Workshop, Council of Europe
Council of Europe Publishing
F-67075 Strasbourg Cedex
ISBN 92-871-5813-4
© Council of Europe, November 2005
Printed in Belgium

TITLES IN THE SAME SERIES

- No. 1 Promoting the policy debate on social exclusion from a comparative perspective (ISBN 92-871-4920-8, €8)**
- No. 2 Trends and developments in old-age pension and health-care financing in Europe during the 1990s (ISBN 92-871-4921-6, €8)**
- No. 3 Using social benefits to combat poverty and social exclusion: opportunities and problems from a comparative perspective (ISBN 92-871-4937-2, €13)**
- No. 4 New social demands: the challenges of governance (ISBN 92-871-5012-5, €19)**
- No. 5 Combating poverty and access to social rights in the countries of the south Caucasus: a territorial approach (ISBN 92-871-5096-6, €15)**
- No. 6 The state and new social responsibilities in a globalising world (ISBN 92-871-5168-7, €15)**
- No. 7 Civil society and new social responsibilities based on ethical foundations (ISBN 92-871-5309-4, €13)**
- No. 8 Youth and exclusion in disadvantaged urban areas: addressing the causes of violence (ISBN 92-871-5389-2, €25)**
- No. 9 Youth and exclusion in disadvantaged urban areas: policy approaches in six European cities (ISBN 92-871-5512-7, €15)**
- No. 10 Security through social cohesion: proposals for a new socioeconomic governance (ISBN 92-871-5491-0, €17)**
- No. 11 Security through social cohesion: deconstructing fear (of others) by going beyond stereotypes (ISBN 92-871-5544-5, €10)**
- No. 12 Ethical, solidarity-based citizen involvement in the economy: a prerequisite for social cohesion (ISBN 92-871-5558-5, €10)**
- No. 13 Retirement income: recent developments and proposals (ISBN 92-871-5705-7, €13)**
- No. 14 Solidarity-based choices in the marketplace: a vital contribution to social cohesion (ISBN 92-871-5761-8, €30)**

CONTENTS

Preface	9
Foreword	11
<i>by Gilda Farrell</i>	
Part I – The challenges of labour flexibility for social cohesion	23
A – Flexibility, economic performance and social cohesion	
23	
I – Labour market flexibility and socio-economic performance: a European perspective	
23	
<i>by Sabine Urban and Dario Velo</i>	
Introduction	
23	
1. The European Union: a vision for society against a background of dissatisfaction	
24	
2. Management of business competitiveness as a factor in labour market flexibility	
27	
3. Labour market flexibility: one variable in the performance of socio-economic systems	
33	
4. Proposals for overcoming a crisis of modernity	
38	
II – From flexibility to social cohesion through finance	
47	
<i>by Pierre Salama</i>	
Introduction	
47	
1. A look at the labour and employment markets	
47	
2. Financial markets and their relations with the various forms of flexibility	
59	
Conclusion: what about social cohesion?	
66	
Bibliography	
69	

B – Flexibility, job insecurity and the welfare costs 71

**I – The welfare costs of job insecurity:
psychological well-being and family life** 71
by Brendan J. Burchell

Introduction 71

1. Changes in levels of job insecurity 74

2. Job insecurity and psychological well-being 76

3. Does job insecurity influence work orientation and motivation? 84

4. Job insecurity and family life 88

5. Conclusions and policy implications 96

Bibliography 100

**II – How does flexibility affect social cohesion?
The Council of Europe’s tree model revisited** 109
by Ton Wilthagen and Mijke Houwerzijl

Introduction: social cohesion and labour market flexibilisation 109

1. The flexibility–security nexus and “flexicurity” 110

2. Using the Council of Europe’s social cohesion tree model 110

3. The aims of the Dutch Flexibility and Security Act
and the basic values underlying it 112

4. Which players and actions played a role in the Flexibility and Security Act? 117

5. Effects of the act in the light of the four dimensions of well-being 123

6. Concluding comments about the Dutch Flexibility and Security Act in terms of
the Council of Europe’s tree model 128

Bibliography 130

**Part II – Towards reconciliation: issues for bridging
the gap between flexibility and social cohesion** 133

A – The route to social cohesion flexibility 133

I – Different kinds of flexibility: reconciling different interests 133
by Aris Accornero

Introduction 133

1. Types and levels of labour flexibility	135
2. Flexible work and workers	142
3. Optimising flexibility for all	146
4. Family and working life	149
Conclusion	152
Bibliography	154
II – Flexicurity schemes	157
<i>by Ute Klammer</i>	
Introduction: key ideas and definitions of the concept of “flexicurity”	157
1. Welfare state regimes, flexibility in the course of working life and social security	160
2. Labour market integration over a lifetime – evidence for different welfare state regimes	161
3. Career breaks, working-time changes and individuals’ income and social security in different member states of the EU	167
4. Some political implications	182
Bibliography	187
III – What are the ingredients of “good” flexicurity arrangements? Some ideas for identifying factors that make for success	191
<i>by Sebastian Sperber</i>	
Introduction	191
1. How do labour market institutions cope with security and flexibility?	192
2. A first step towards identifying successful flexicurity arrangements	195
3. Extending the analysis	203
Conclusion	206
Bibliography	208
B – Labour law and social protection in the context of labour flexibility	211
I – Citizenship, flexibility and the diversity of approaches to activating social protection in Europe	211
<i>by Jean-Claude Barbier</i>	
Introduction	211

1. Economic imperatives of flexibility and activation	211
2. Activating social protection: a far-reaching process	212
3. Assessing the forms of activation in the light of Council of Europe indicators	217
Conclusion: informing social cohesion policies	224
Bibliography	226
II – Changes in employment and labour law	229
<i>by Luigi Mariucci</i>	
1. Foundations of traditional labour law	229
2. Diversity of twentieth-century labour law	231
3. Challenging traditional models: from flexibility to globalisation	234
4. Current employment policies: the European Union and the Italian model ...	236
5. What remains of the old labour laws and what is the outlook for the future?	242
6. Some thoughts about future labour laws	245
Conclusion: old and new labour rights	249
Bibliography	251

PREFACE

This volume in the Trends in Social Cohesion series offers some thoughts on a question which figures prominently in the political agendas of our member states: how can we introduce what is known as labour market “flexibility” without harming social cohesion?

Labour flexibility is often viewed as the only answer to increasingly fierce global competition. However, by implying that work is no longer an entitlement (bringing security and recognition) this development tends to undermine the existing social contract founded on the integrating role of work. The risk is that employment now comes to be seen as a sporadic relationship dependent on the vagaries of the global economic situation rather than a stable mutual commitment bringing benefits to both employers and employees. Traditional European employment models are based on the mass organisation of labour whereas flexible employment models are leading to an individualisation of the relationship and to a weakening of the collective identities which were previously founded on work.

In its role as guarantor of democracy and human rights, the Council of Europe is now proposing some possible ways of ensuring that the costs of these changes are equally shared between the different social actors. At present, flexibility is all too often perceived as a matter of depriving labour of its hard-won institutional protection and turning it into a market-regulated resource with heavy emphasis on individual negotiation of contracts. From the point of view of the individual employee, flexibility of labour often seems to mean the intensification of work and constant changes in working hours. We need to assess the effectiveness of labour law in relation to the new processes that are emerging in the world of work. To guard against the risks of flexibilisation, we need to explore the possibility of developing new rights or reinterpreting existing rights in order to ease the increasingly frequent transition from one job to another: safeguarding job skills, catering for discontinuous career patterns, providing appropriate social protection to encourage mobility, combating ageism and making working life compatible with private life.

I trust that this publication will help both governments and civil society to find new ways of ensuring fairness in the distribution of the costs and benefits of flexibility and helping people to cope with job transitions.

Terry Davis

Secretary General of the Council of Europe

FOREWORD

Labour flexibility from a social cohesion perspective

The Council of Europe defines social cohesion as the capacity of a society to ensure the welfare of all its members and access to rights, without distinction as to ethnic or religious background, allowing all members of the community to fulfil themselves in the personal, occupational and family spheres, to voice their own interests individually and collectively, and to participate in pursuing the general interest.¹

This capacity of society is founded on what Habermas calls “we-consciousness”, a shared sense of belonging developed in modern societies, which ranges beyond ethnic and family ties to encompass other types of recognition, such as democratic access to rights. The same author asserts that it is the administrative authorities and the markets that functionally hold together our modern societies.²

Labour flexibility, the focus of our discussion, in fact raises the very question of the role played by markets and public (administrative) authorities in social cohesion, since changes in administrative rules (clarification of rights, particularly in the employment and social protection fields) and in markets’ behaviour (terms and zones of competition) can influence the way we live together in our societies and have a significant impact on individuals’ well-being.

It is for this reason that the Council of Europe believes there should be a debate on the changes that labour flexibility brings about in social cohesion. The administrative authorities and the markets are in reality never neutral, but always pursue specific ends. They can accordingly have a negative or a positive influence on social cohesion, depending on the ultimate goal and the method used to modify the rules and collective behaviour. If the objective is the welfare of all members of society, those changes must be consistent with the need for equity, with respect for

1. See the *Revised Strategy for Social Cohesion* approved by the Committee of Ministers of the Council of Europe on 31 March 2004.

2. Habermas, J., *The Inclusion of the Other*, Studies in Political Theory, MIT Press, Cambridge, Massachusetts, 2000 (translated from *Die Einbeziehung des Anderen*, Suhrkamp Verlag, Frankfurt am Main, 1996).

individuals' dignity and autonomy and with recognition of the right to express agreement or disagreement, individually or collectively, and to negotiate. Any change in the terms on which we live together in our societies requires the existence of democratic fora allowing possible objections to be raised.

Even within our modern European societies, social cohesion is still largely defined in relation to the national area that delimits the dual sense of identity – that of the nation and that of the citizen – on which it is based. Social cohesion requires market forces and administrative rules, and trends therein, to be subject to democratic supervision. However, labour flexibility appears to be a response to events beyond national control. The markets are taking on spatial and temporal characteristics different from those of the democratic process, and the administrative authorities struggle to assume their role of guarantor of rights for all. As Luigi Mariucci points out, in the neoliberal sense globalisation is above all synonymous with open market competition. In accordance with laws based solely on mercantile logic, it also tends to “liberalise” labour, which it transforms into a commodity. The rule of mercantile logic undermines the foundations of social cohesion (or the European social model), destroying one of its essential features – the guarantee of individual and collective rights, for workers and citizens, and fora for consultation and discussion of potential clashes between the logics of competition and citizenship.

To ensure that society is capable of guaranteeing the welfare of all its members, social cohesion can, as has been said, adapt and conform to new orders and situations. However, reform of its underlying structures must take account of the historical traditions and principles of citizenship that form the basis of European nations' cultural identity. How can the collective capacity to ensure everyone's well-being be reinforced without a balanced forum for dialogue and consultation founded on an essential political principle such as democratic security? Security is necessary to the development and renewal of social cohesion, to give everyone confidence in the future and make people feel they have a role in shaping their own future and that of coming generations. As the high social and societal cost of job insecurity shows, this form of security must be attainable first and foremost in the employment sphere. However, security is not synonymous with rigidity and barriers to job mobility. It is more a matter of social recognition of a right to transition, which encompasses the individual dimensions and calls for the co-responsibility of all the

social players or “stakeholders” – a term used to contrast with stockholder or shareholder – whose primary role is defence of their own interests.

Globalisation complicates the social cohesion process. Co-responsibility entails that everyone should make a concerted contribution to shaping the society in which we live and to which we aspire. It also involves concepts of justice and social sustainability. That poses problems when economic forces no longer buttress the national political system and tend to weaken the state’s ability successfully to manage inequalities.³ At the same time, neoliberal globalisation invalidates the national area and territorially defined interests. It focuses instead on individuality, as a universal condition, and gives the logics of the market and competition precedence over all others, particularly the logics of solidarity, co-operation and social justice. In these circumstances the question of what is best for us Europeans can no longer be posed without considering the general good, which accordingly broadens the concept of welfare and builds a bridge between territorial justice and universal solidarity. The ensuing global or universal concept of justice refers to each individual’s responsibility towards others, including foreigners,⁴ and paves the way for another form of globalisation, that of solidarity-based co-responsibility.

The Council of Europe accordingly proposes to hold a debate on reconciling the inevitable constraints of globalisation – that is, reorganisation of the factors of competition, transforming the labour market into a global one, mirroring the capital market – with social cohesion, understood as the capacity of our societies to develop while avoiding polarisation, which sacrifices people’s dignity and human potential. Reconciling these two factors is more than a political obligation: it is the price of security and stability, guaranteeing social sustainability. As we have seen, for Europeans social reform can take place only in accordance with underlying principles of citizenship and – while recognising that the individual dynamic is no substitute for, but rather part of and enhanced by, the collective dynamics of representation and negotiation – specific to the democratic logic. As stated in the *Methodological Guide to Concerted*

3. Matthieu Nanteuil-Miribel and Assaad El Akremi, “La société flexible: travail, emploi, organisation en débat”, in *Sociétés en changement*, Erès, 18 March 2005.

4. J. Habermas defines a foreigner as someone who, having formed their own identity in a totally different life environment, has a self-image shaped by traditions other than our own. *The Inclusion of the Other*, Studies in Political Theory, MIT Press, Cambridge, Massachusetts, 2000.

Development of Social Cohesion Indicators,⁵ drawing on Habermas's theories, any reform undertaken by those concerned must preserve the integrity of the "lifeworld", that is to say the underlying components of the capacity to live together.

This volume in the series Trends in Social Cohesion opens up many lines of thought on the theme of "reconciliation". Rather than engaging in the often-seen clash of ideologies – between those who regard flexibility as the solution to problems of unemployment, the cost of social protection and domestic firms' competitiveness and those who see it as destroying social ties and the collective expression of workers' interests – the writers here instead focus on analysing the complexity of the social adaptation project, which labour flexibility imposes on administrations as well as individuals.

Avoiding a simplistic, ideological approach, the discussion accordingly focuses on "reconciliation" as a mediation concept, raising the question of the relations between various changes, not as mere causal links, but as developments which society (government, business and citizens) can and must influence in the light of policy objectives. Identifying these relations between changes makes it possible to ask the right questions and to avoid reasoning in over-simplistic terms. As regards the changes brought about by labour flexibility in social co-existence and trends in society, there are many such relations, which affect aspects ranging from market satisfaction's impact on social cohesion to issues touching on the legislation determining the nature of rights and collective fora for negotiation and expression, via how adoption of a more individualist approach to the organisation of working and private life influences economic performance.

A glance through the papers presented here shows that the authors warn against the emergence of a new paradigm based on short-termism, of which labour flexibility is part and parcel, resulting in a lack of occupational ties and long-term obligations. It goes without saying that, apart from labour flexibility, extreme capital (funds) mobility and the quest for virtually immediate profits are also inherent in this paradigm. However, a detailed study of that would go beyond the scope of this discussion, the purpose of which is to concentrate on the negotiation fora,

5. Council of Europe, *Concerted Development of Social Cohesion Indicators – Methodological Guide*, Council of Europe Publishing, August 2005.

allowing the adaptation of collective reference points necessary to preserve social cohesion in the face of changes in the role of work and in labour relations. It must nonetheless be borne in mind that a paradigm based on short-termism rules out inclusion of the negative externalities. In that respect it is at variance with sustainability, a long-term concept which takes account of the future consequences of economic activities, in particular for coming generations.

Let us look at some of the relations highlighted by the authors and the questions they raise.

Relations between labour flexibility, business competitiveness and economic performance

In this connection, Sabine Urban and Dario Velo ask the following questions:

- to enhance European business competitiveness and performance, is labour flexibility enough?
- is there an economically optimum level or degree of flexibility for different possible situations (by sector, region and so on)?
- in attempting “reconciliation”, how is a socially acceptable degree of flexibility to be defined?
- as regards co-responsibility, if flexible operation of the labour market were to present particular difficulties for certain workers (or people wishing to work), [is it not] naturally the public authorities who should have the task of bearing at least part of the cost of vocational retraining or assistance for groups of people unable to cope successfully with adjustment to excessively demanding change?

Relations between the worker, the flexible labour market and the capital market

Here Pierre Salama raises the following questions:

- is decline in productive investment, partly the result of the priority given to financial activities and their importance in corporate balance sheets, affecting the quest for labour flexibility?
- is the new role of finance in industry changing the way profits and incomes are distributed?
- observing that, if flexibility is imposed merely to satisfy shareholders and financiers, inequalities grow and wages/salaries virtually stagnate

while income from finance booms, undermining and hollowing out social cohesion, Pierre Salama concludes that labour flexibility must be negotiated: it must allow a return to growth, income and employment. As long as the ethical angle is not left out of the negotiation process, social cohesion can be preserved in the long run.

Relations between labour flexibility, job insecurity and new social costs

This concerns the sensitive subject of the transfer of the costs of internal changes from businesses to society. In the third chapter, Brendan J. Burchell asks:

- is flexibility a cause of anxiety, stress and psychological malaise, and who pays the price?
- what are the implications for personal and family relationships outside the workplace?
- in the attempt at “reconciliation”, how can the effects of insecurity be made socially visible, since no social status attaches to job insecurity, unlike unemployment?
- how can other identity-building factors be developed when work no longer plays its role?
- do the savings expected from restructuring offset the resulting demotivation of staff?
- is there a correlation between the exercise of parental responsibilities and hostile workplaces where superiors or colleagues are indifferent to family obligations?

Burchell considers that “social legislation is needed to safeguard the social environment from employers who attempt to maximise their own profitability but leave in their wake human costs which do not appear on their balance sheets” and that “flexibility of operations rather than flexibility in number of employees can be a key for competitiveness of an organisation.”

Relations between labour flexibility and institutional security

This poses one of the key questions in this field: are discontinuity and insecurity inevitably linked to flexibility? Ton Wilthagen uses the term “flexicurity” to describe a possible policy compromise deliberately aiming to

enhance both flexibility and security. Interpreting the Netherlands' pro-flexibility legislation in the light of the concept of social cohesion proposed by the Council of Europe,⁶ he raises a number of questions:

- how can businesses' quest for competitiveness be combined with win-win compromise solutions that are also fair to workers?
- which solutions are capable of guaranteeing solidarity and social justice?
- which players are involved in them?
- how can the reforms strengthen consultation models based on strategies of positive sum bargaining (between all the players concerned)?
- what obligations do these compromise solutions entail for new players, such as temporary work agencies?

In the attempt at "reconciliation", if social cohesion is synonymous with life environments that guarantee equity, dignity, autonomy and participation for all, reform must ensure that these four conditions continue to be met. For example, the Dutch Flexibility and Security Act of 1995, which offers solutions in terms of equitable bargaining and respect for the most vulnerable workers' dignity and need for autonomy, while clarifying a more sombre aspect of the labour market (the situation of its most vulnerable groups), fails to resolve how flexible workers can participate in fora for the expression of views and objections. The author moreover points out that, in terms of social cohesion, introducing flexibility at a time of labour scarcity (when even the most vulnerable workers are in demand) does not have the same implications as when labour is in excess supply.

Relations between labour flexibility and the post-Fordist cultural and organisational model

Aris Accornero situates flexibility among the changes in values that accompany post-Fordism, in terms of both more flexible organisation of

6. See the conceptual approach proposed in Chapter 1 of the *Concerted Development of Social Cohesion Indicators – Methodological Guide*, Council of Europe Publishing, August 2005, pp. 23-27.

production and the aspirations of workers, who are better educated than before and less attached to the idea of a job for life. He asks:

- how it can be ensured that adaptability applies not just between firms but also inside them?
- how to contend with growing discontinuity in careers and working life?
- how to help individuals build a working and social identity when they have more jobs and more tasks than in the past?
- how to match flexibility with an appropriate culture, including the institutional standpoint?

In the attempt at reconciling it with social cohesion, flexibility can become socially acceptable only if its impact on the organisation of family life is taken into account. At the level of the welfare state, an effort must therefore be made to encourage the desired flexibility (for instance by stabilising the situation of workers who have already had a number of temporary jobs and by adapting access to housing loans) and to guarantee continuity of social citizenship throughout people's discontinuous working lives. Transitions must not result in the loss of rights or status (such as seniority rights, pension contributions, the right to social assistance and so on). Moreover, public policies should prompt employers to acknowledge, certify and reward worker versatility and to encourage their employees to extend their range of skills.

Relations between diversity in employment, reform of social protection and a predisposition to flexibility over the life course

Like flexibility, employment is assuming multiple forms – the term “atypical jobs” is even used. Flexibility (external/internal numerical; internal functional) shapes private lifestyles. Ute Klammer starts from the observation that it is only where the interplay between working life and the private sphere is taken into consideration that labour flexibility can be rooted in a policy approach aimed at finding new balances, offering an alternative to a policy founded solely on deregulation or on rigid regulation of employment and social protection. She shows that different welfare state regimes pose the question of a new balance between career breaks, working-time changes and individuals' income and social security in different terms. She raises many questions about the conceptual and institutional adjustments made necessary by the right to flexibility over the life-course, according to people's need to perform other functions in

certain phases of their life (caring for children, the elderly, and so on, including voluntary interruptions, for instance to perform voluntary work).

She considers that the attempt at “reconciliation” should further explore the following concepts:

- internal flexibilisation, on condition also that employees accept salary cuts at least temporarily (in return for more free time);
- mechanisms supporting upward social mobility (avoiding dead-end jobs);
- life-long learning (through the introduction of learning time accounts);
- decompression of working time at both ends of working life (the entrance and exit phases);
- reallocation of cash benefits and the like.

In a nutshell, “reconciliation” requires a clever policy rethink, incorporating an element of worker empowerment geared towards enhanced mastery of employability.

Relations between institutions and perceived job insecurity

By examining the possible variations in two factors – a high or low level of employment protection legislation and a high or low level of social security or unemployment benefits – Sebastian Sperber asks what makes for the success of a policy combining flexibility and security, bearing in mind that success is achieved where feelings of job insecurity are not widespread. That is the case, *inter alia*, where formal employment protection is less strict but social protection (and support during career breaks) is greater. This is because excessive employment protection is viewed as a factor that decreases labour market permeability, since entering the labour market is all the more difficult when those in employment are less inclined to leave it. In a reconciliation context, it is accordingly more appropriate to foster mobility through social protection.

Relations between labour flexibility, activation and citizenship

Activation is an element of social protection reform which relates to the obligation imposed on unemployment benefit recipients to perform certain types of work. Activation, which is directly linked to labour flexibility, may have a punitive intent or incorporate a notion of citizenship. It is

this latter notion which Jean-Claude Barbier has in mind in his study of “transitional labour markets”, a policy concept combining flexibility and security, notably via freedom of individuals, solidarity in risk-sharing, effectiveness of co-operation and efficiency through decentralisation. The main question he raises is how activation policies preserve the exercise of citizenship and related rights, that is to say how the possibility of a choice of, and access to, good-quality jobs is guaranteed. The obligation to take a job can indeed undermine the quality of citizenship: workfare, *insertion* and welfare-to-work are concepts whose connotations vary depending on circumstances. In an attempt at “reconciliation”, activation (and flexibility) policies cannot dispense with a reference framework defining citizenship and the rights to social and political participation.

Relations between labour law reform (individual and collective rights) and flexibility

In asserting that (traditional) labour law is a cross between individual and collective rights (on the one hand) and individual and collective aspects of the rules governing employment relationships (on the other), Luigi Mariucci broaches a key question on the role of labour law. He contends that in the case of workers in a weak position the individual employment contract serves the purpose of incorporating statutory provisions and those established under collective agreements, whereas for workers in a strong position, who are able to use their bargaining power, the law and collective agreements constitute a point of reference for individual negotiations, which may go beyond the basic provisions. Labour law has accordingly always enhanced the bargaining power of individual workers, while ensuring that the weakest benefit from social progress. In this sense, traditional labour law, inspired by the values of equality and collectivism, has always been diversified and plural in nature. Citing the Italian example, the author shows that descriptions of traditional labour law as “monolithic” are wrong, and were indeed belied from the outset. Labour law (like other social, civic and economic rights) is a pillar of social cohesion and of the European social model, and its reform should accordingly aim to guarantee individual and collective employment rights and to enhance employer–employee dialogue. Any reform of (individual) labour law must accordingly remain consistent with its historical foundations. Lastly, the author asks whether flexibility is an end in itself. He says not, “except in those (fairly rare) cases in which it is subject to the discretion of an individual. Stability, however, is something to be valued, since those who have stable jobs can plan their lives.”

In conclusion, this volume in the Trends in Social Cohesion series looks at the issue of labour flexibility in societies with a tradition of assertion of individual rights. In this context, to guarantee a fair outcome, change must take place with a degree of openness, and responsibilities must be clarified. For example, it is pointless to discuss rights of relevance to transitions if flexibility is manifested in unlawful employment relations (moonlighting, unregistered workers and so on).

The studies presented here are confined to a given geographical area. They primarily concern changes taking place in western Europe, where, despite the rigidity of the Fordist model and the welfare state, democracy has ensured a positive form of flexibility, that is, the possibility to opt for change, to take risks and to create one's own job. The employer–employee bargaining process, which is part and parcel of this model, has taught the social partners consultation methods and the capacity to develop solutions suited to different situations. In central and eastern Europe labour flexibility has its roots in an entirely different historical context. The era of “true socialism” was characterised by social rigidity, eradication of the individual capacity to cope with risk and a lack of open employer–employee bargaining. In those countries, transition is a painful process involving the loss of former reference points. What then is the meaning of “flexibility” in this kind of environment? An attempt to answer this question will be made in the next volume in this series.

Another question should also be the subject of further debate. Is “flexibility” achieved in Europe by exporting and sustaining rigidities elsewhere – in countries whose workers are unprotected? Relocation of jobs, outsourcing and social dumping are concepts that provide food for thought for a future project.

Lastly, other areas to which the policy debate could be extended include:

- the demographic implications of labour flexibility (reduced number of marriages, tendency to delay marriage or not to have children on account of labour instability); early ageing of some categories of the population due in part to the intensification of labour that goes with flexibility;
- the pitfalls of flexibility for the most vulnerable workers (often caught in the immobility trap, they then cannot attain more stable, more satisfactory employment), particularly migrants;

- changes to be made to education and training programmes to prepare people for labour flexibility, participation in the negotiation process, citizenship aspects of work and so on.

As a whole, these papers are an important addition to a debate that is also taking place within other fora. The Council of Europe's contribution is to draw attention to the political obligation of "reconciliation", entailing consultation between the various players concerned with a view to promoting the well-being of all members of society in an open democracy. This also requires recognition of individuals' right to assistance and support in periods of transition rather than leaving them to cope with uncertainty on their own.

Gilda Farrell

*Head of the Social Cohesion Development Division
Council of Europe*

PART I – THE CHALLENGES OF LABOUR FLEXIBILITY FOR SOCIAL COHESION

A – Flexibility, economic performance and social cohesion

I – Labour market flexibility and socio-economic performance: a European perspective

*by Sabine Urban, Emeritus Professor, Robert Schuman University,
Strasbourg, and Dario Velo, Università degli studi di Pavia*

Introduction

Labour flexibility is currently the focus of ideological and political debate. The draft Treaty establishing a Constitution for the European Union also mentions it. However, it is not only an ideological issue: it affects the dignity and well-being of hundreds of millions of people in Europe.

This report seeks to clarify some points in the debate after first briefly presenting the goals set out for the European Union at the Lisbon Summit in March 2000, as well as the lack of real results achieved to date given the very patchy implementation of the “Lisbon Strategy.” Beyond actual assessment, the aim is to try and understand the causes of this unsatisfactory situation – a concern that leads us first to consider how managing enterprises’ competitiveness influences labour market flexibility. We will then see that labour market flexibility is, however, only one variable among others in the performance of socio-economic systems. The issue of labour market flexibility therefore has to be looked at more comprehensively and with less conceptual bias. The proposals in the final section outline ideas for overcoming what is sometimes called “a crisis of modernity.” Beyond the goal of competitiveness, there can be no doubt that it is “sustainable development for Europe”, in its many dimensions, that European citizens would like to see promoted.

1. The European Union: a vision for society against a background of dissatisfaction

a. *The Lisbon Strategy: an ambitious vision for society*

The EU's Lisbon Strategy for economic, social and environmental renewal (set out in 2000) involves "Choosing to grow: knowledge, innovation and jobs in a cohesive society".¹ The growth aimed for should be "sustainable" and based on creating more and better jobs, leading to greater social cohesion while respecting the environmental heritage.

The Lisbon Strategy ties in with a vision presented on a wider scale by the United Nations in the 1987 report *Our Common Future* (also known as the "Brundtland report"). This defined the concept of "sustainable development" as "a process of change in which the exploitation of resources, the direction of investment, the reorientation of technology development, and institutional change are all in harmony and enhance current and future potential to meet human needs and aspirations."²

According to the Council of Europe, meeting human needs demands respect for the many dimensions of human rights: equity and non-discrimination in access to rights; dignity and recognition, with acceptance of diversity; autonomy and the personal, family and vocational fulfilment of every individual; individual participation in and commitment to building a "just society".³

In a Western democratic society, market mechanisms theoretically form the cornerstone of a socio-economic system capable of ensuring simultaneously individuals' well-being, their freedom of choice and their inclusion in an equilibrium⁴ of relations. The labour market, with its necessary flexibility, forms part of this system.⁵

It is acknowledged today that theoretical constructions based on a rational approach are not necessarily relevant as a means of explaining

1. European Commission, SEC(2003)25, Luxembourg.

2. World Commission on Environment and Development, *Our Common Future*, 1987.

3. Council of Europe, *Trends in Social Cohesion*, No. 12, Council of Europe Publishing, 2004, pp. 49-68.

4. Since François Quesnay and Adam Smith in the eighteenth century, the concept of equilibrium has consistently fascinated economists.

5. A dictatorship feels no need for a flexible labour market, which instead is organised in a rigid, authoritarian fashion.

and guiding the reality of socio-economic life. Not only do these theories usually only offer partial explanations, skewed by unverified (or partly verified) assumptions and restrictive conditions: in some cases, they can also be dangerous.⁶ The issues of the moral responsibility of the various players and the inequality, if not corruption, of their power have largely been banished from mainstream economic thinking. However, the wish to ignore them has not made them disappear: on the contrary, they are resurfacing in a climate of social tension and crisis of legitimacy, which explain the search for new paradigms.

The actual operation of certain economic mechanisms is also being challenged, a development which applies particularly to the labour market. For instance, is it possible to define a level of flexibility that is appropriate for declared objectives? Are there effective means of adjusting the desired degree of flexibility? What are the advantages and disadvantages of an undesirable actual degree of flexibility? Who benefits from such a degree of flexibility? Are there remedial measures for non-optimal situations? A situation of the latter kind (with corresponding wastage of resources because of unexploited potential) clearly does exist in the EU.

b. An unsatisfactory picture

By the end of 2004, assessment of the Lisbon political rhetoric (by the European Commission, in high-level expert reports such as the 2003 Sapir report and in other, more specific reports) showed, in general, that European achievements are still very modest compared with the ultimate goal:

- economic growth remains weak compared with the United States and Asian countries;
- unemployment and insecure employment remain at high levels and are causing disquiet and fears about the future;
- growth in per capita GDP is lower, on average, in the EU than in the United States and certain Asian countries;
- the distribution of wealth is becoming more and more unequal, undermining the goal of social cohesion and reducing the social divide;

6. Klimoski, R., "There is nothing as dangerous as a bad theory", *Academy of Management, Learning and Education*, Vol. 4, No. 1, March 2005, p. 74; Goshal, S., "Bad management theories are destroying good management practices", *ibid.*, pp. 75-91.

- industrial and public investment are weak;
- scientific, technological and organisational research remain inadequate against a background of global change demanding great competitiveness and rapid growth in knowledge;
- economic and financial forces are dominating society, and the markets have little regard for Europe's fundamental democratic and humanist values or for "human capital", which is having to become increasingly mobile, if it is not actually discarded by "value migration" (such as company relocation and outsourcing).

In short, the European model of a "social" market economy, whether in German, Scandinavian, French or other forms, is under attack – and is even at risk of disappearing – because of the application of neo-liberal policies which are presented as the approach that must prevail, a kind of essential best practice. Various clear socio-economic indicators do, however, show that there is a need to question the operational value of such best practice.

In the face of globalisation, Europe is pursuing a political project that is still very shaky; it is attempting to move forward by conforming to reference practices. Yet local resistance is becoming increasingly widespread, if also tinged with resignation and fatalism. Europe lacks drive, vision and optimism, even though the value of its accumulated tangible and intangible assets means that it probably has every reason to remain confident. However, justifying this confidence demands a consistent and proactive project based on multidisciplinary analysis and actions, in which economic sociology, economic analysis, politics, science, technology and culture all have a central role.

With regard to the labour market and its degree of flexibility, we will focus first on the behaviour of private-sector firms as major providers of employment.⁷ Against the background of open markets underpinned by globalisation, they face serious constraints if they are to remain competitive.

7. Employment by public institutions (governments, regions, local authorities and international organisations) will not be dealt with here. Many of the posts in question are filled by competitive examination, by procedures distinct from the market system, and involve specific statuses as opposed to contracts.

2. Management of business competitiveness as a factor in labour market flexibility

It is generally recognised that ongoing globalisation, with its rapidly changing multiple interdependence, has placed greater demands on enterprises to stay competitive. These economic demands are regarded as over-riding and are used to justify the strategic decisions and operational choices of enterprises that wish to be successful, however unpopular or cruel the decisions may be.

It is therefore necessary to look a little more closely at these approaches to competitiveness before considering their impact on the labour market and, more particularly, on the flexibility constraint.

a. Approaches to competitiveness as an employment variable⁸

The issue of competitiveness is not new; it has merely taken on greater significance over the last 20 years because of the structural changes in markets brought about by globalisation. A straightforward, conventional definition of competitiveness is the ability to withstand competition in the long term.

This definition highlights the relative and contingent nature of competitiveness, given the conditions under which competition develops. The time reference (“withstand in the long term”) also indicates that competitiveness must be assessed not only “here and now” but also “tomorrow and elsewhere” and cannot therefore be taken for granted. Enterprises are faced with a constant need to adapt to change and therefore quite naturally seek to draw on resources, whether material, financial or human, that are also constantly changing and flexible.

Enterprises also regard flexibility as a means to respond to unexpected and unpredictable events. Yet the complexity of actual trends (which is obvious in our closely interconnected world) makes the prediction of socio-economic developments almost impossible: only probabilities can be determined and the developments are subject to ‘bifurcations’ and self-organisation reactions⁹ that do not necessarily follow logical patterns.

8. See Perez, R. and Brabet, J. (2004), *Management de la compétitivité et emploi*, L'Harmattan, Paris, pp. 13-20.

9. See Prigogine, I., Nobel prize laureate (2002), “Is the future a given?”, in Ricciardelli, M. and Urban, S., *Globalization and Multicultural Societies, Some Views from Europe*, University of Notre Dame Press, Notre Dame, IN, pp. 9-18.

The more pronounced globalisation becomes and the faster it progresses (which is what we are now seeing), the more meaningless predictions become and the greater is the temptation for the various players to turn to flexibility. Moreover, projections and attempts to plan ahead become impossible in a *laissez-faire* environment, where controls on market forces are largely rejected.

In the recent industrial era, enterprises have employed various strategies to achieve competitiveness. Without analysing these different types of strategy here, we should note some key trends that must be taken into account if we wish to understand the issues of labour market flexibility.

The best-known strategy models – those of the Boston Consulting Group (BCG), extended by those of Michael Porter¹⁰ – emerged in the United States in the late 1960s. They emphasise the component elements of market structures (costs, price, product ranges, life-cycles and so on) to which enterprises must respond appropriately in R&D (research and development), production and marketing terms in order to position themselves most effectively in relation to their competitors. The relevant strategic choices are essentially left to managers; good managers being those who are able properly to assess the constraints and opportunities of the business environment, to take the necessary decisions, and to plan and implement their strategies rationally. With this type of model, managers' vision was the crucial factor in business performance; at the time, labour market flexibility was scarcely mentioned in managerial literature as a key to success. However, from the mid-1980s the image of managers as the sole commanders on board gradually began to wane.

More recently, there have been major developments, essentially in academic circles, in thinking about business strategy and analysis, with the rediscovery of leading European writers such as Joseph Schumpeter, Edith Penrose and François Perroux. This renewal has been reflected in the basic assertion that the competitiveness of a firm depends less on its "position" at a given time in the market environment in which it operates, but is determined, more fundamentally, by the resources at its disposal for further development, in particular the key resources that give it

10. BCG, *Perspectives on Corporate Strategy*, 1968; *Les mécanismes fondamentaux de la compétitivité; Etude réalisée à la demande du Commissariat général au Plan pour la préparation du VIII^e Plan*, 1980, Editions Hommes et Techniques; Porter, M.E., *Competitive Advantage: Creating and sustaining superior performance*, 1985, The Free Press; *Competition in Global Industries*, 1986, Harvard Business School Press; *The Competitive Advantage of Nations*, 1990, Macmillan.

a lasting and distinctive advantage (resource-based approach). This approach is essentially based on the firm's stock of resources: financial, intellectual, human and commercial.

This thinking was taken a stage further with the competence-based approach, which involves not only the idea of a specific stock of resources at a firm's disposal but also of the dynamics of those resources. In particular, growth in a firm's resources depends on the learning capacity it is able to develop (at individual level, through continual training, or collectively) or to acquire (by a well-implemented mergers and acquisitions policy, for instance) and on its creativity, as shown by its technological or organisational innovation, for instance.¹¹

It is important to note that these new ideas from management science mean giving up a determinist approach to competitiveness, whether based on market positions or specific resources, and moving towards a more humanised and more political view of competitiveness. It is knowledge and skills (formal or informal, hidden away in individuals' brains) that join with resources to create abilities or capacities, which in turn generate competences that can be used advisedly – if the organisation concerned is properly run by a team of leaders and managers or, indeed, imaginative artists. A firm's competitiveness therefore develops just as much in-house as out on the anonymous markets – if not more so. In terms of ensuring enterprises' performance, we are witnessing the emergence – alongside managers who remain key but not exclusive figures – of other players whose value is determined by criteria broader than just their professional specialisation.¹² It is therefore the various stakeholders who are the important elements in any capitalist system that wishes to be efficient – in terms of the management of limited existing resources (with alternative uses according to Paul A. Samuelson) and of the creation of new resources likely to contribute to human well-being.

However, up to now, even the dominant version of contemporary capitalism is not yet able to reduce the power of shareholders; in fact they have led to what is called the "financialisation" of business strategies.

11. Summaries of this approach, on which many publications exist, may be found, for instance, in Tarondeau, J., *Le management des savoirs*, PUF, in the *Que Sais-Je?* Series, Paris, 1998, and in Dierkes, M., Berthoin Antal, A., Child, J. and Nonaka, I. (eds), *Handbook of Organisational Learning and Knowledge*, Oxford University Press, 2001.

12. Specialists are sometimes humorously defined as individuals who know more and more about less and less, and nothing at all about the whole.

The financialisation of economies has grown with the acceleration on the global level in the movement of capital, which has been facilitated (since the end of the 1980s) by the expansion of new information and communication technologies, the fall of the Berlin Wall and the tremendous growth in what are commonly known as petrodollars, narcodollars or dirty money. The vast sums involved, which are subject to few controls, travel around the world in nanoseconds, via the financial markets or other, more discreet channels. They have significantly altered the savings and investment behaviour of market players: the funds concerned can now be transferred without technical difficulties, and with clear fiscal advantages, to wherever the highest returns are available at a given time. While these masses of speculative funds no longer bear any relation to enterprises' financial needs or the volumes of goods and services traded on national and international markets, the returns they generate interfere with the profitability of the system of production. Today, financial investors demand returns on capital about five times the level of growth projections (15 and 3 per cent respectively). This means that managers are no longer free to allocate profits to areas that are vital for growing their enterprises (R&D, capital or intangible investment) or to wage increases (to maintain the loyalty of their staff and retain their acquired skills); instead, they have to focus on their core activity (dropping any activities deemed secondary) so that cash is available for shareholders (free cash-flow). The outcome is the domination of shareholder value, as advocated by finance theorists and implemented by the practitioners of the creation of "value" in the purely financial sense of the term. In this context, according to the financial agency theory, shareholders are seen as "principals" and managers are merely their "agents." This situation is economically and socially untenable in the long term.

The concept of enterprises as "investment portfolios" rather than human organisations or "citizens" of given regions (with a responsibility to develop employment there and pay taxes there to help meet collective needs) obviously does not enjoy unanimous support. It has triggered grassroots protests and led to discussion of new approaches such as the principle of corporate social responsibility, the requirement for ethical conduct and the concept of humanist "cosmopolitical enterprises" (see below 4.c.), which all imply new methods of regulation or governance.¹³

13. Blair offers the following definition: the legal, cultural and institutional arrangements that determine what listed companies can do, who controls them, how that control is exercised, how risks and profits are shared out, in Blair, M. (1995), *Ownership and Control: Rethinking Corporate Governance for the Twenty-first Century*, Brooking Institute Press, Washington DC, p. 10.

b. Impact of the management of corporate competitiveness on the labour market

It has just been shown that historical and socio-political references have to be taken into account if we wish to understand the problems of the operation of the labour market. In addition, on a company level, each type of strategy adopted involves a different relationship with the labour market.

Under the conventional market model, employees and their working conditions (more or less flexible) are primarily at the service of productivity (i.e. output related to input factors). If the competitiveness of a firm, as measured by the position of its strategic business units in relation to competitors, is to be improved, it requires greater productivity within the production/marketing units concerned. Hence the efforts by managers at various levels to increase apparent labour productivity, either by increasing output without altering staff levels or by reducing the staff employed by taking advantage of market flexibility, institutionalised insecurity or outsourcing of certain tasks.

Under the financial model of maximisation of profitability (i.e. return on investment), enterprises focus on expenditure reduction (especially cutting down of labour costs). These are a sensitive variable, especially in labour-intensive industries (from the second industrial generation). By greatly facilitating exchanges and price comparisons, globalisation has revealed divides that are all the more significant and discriminatory since the newly industrialising countries have traditions of remuneration and labour protection, not to mention respect for certain values of human dignity or for children's rights, that bear no relationship to those in Europe, where social rights have been won through almost two centuries of hard struggle.

The organisational model, under which men and women are recognised as resources with a competence potential, brings a paradigm shift. Human resources cease to be regarded as mere costs that have to be minimised – with no consideration for the value of labour – and become instead a fundamental investment. Labour therefore stops being an interchangeable or, indeed, disposable element and becomes an essential component or resource that is crucial to achieving competitiveness based on ability to adapt to changing markets for goods and services or innovations leading to new activities. Human capital is therefore central to competitiveness strategies; it has to be retained, developed and built

on, with companies recognising its vital role – something which small and medium-sized enterprises seem to have understood long before major multinational corporations, which have no qualms about pursuing policies based on capital migration and value destruction. It is to be hoped that, in future, these multinational corporations will realise that a policy of discarding human resources as and when they like is not in their own best interest and that financial markets will stop rewarding listed companies with increases in their share price when they lay off large numbers of staff.

The corporate social responsibility model gradually seems to be gaining ground and taking hold in enlightened circles. Enterprises are required to take account of external factors that do not merely involve externalities from which they profit. Stakeholders of all kinds are taken into consideration, with employees being crucial here as participants in the business project. What remains to be established, however, is how to transform this “crucial” role in business development into an “undisputed” one. Developments in the German co-management system (*Mitbestimmung*) suggest that the path to real participation in decision-making remains tortuous. There is talk of a “new social contract”,¹⁴ demonstrating, at the very least, a decline in certain traditional labour organisations and social relations.

Practices known in America as “high-performance work organisation” are innovative in this respect: they consist in boosting team work with facilitators, enriching and expanding individual tasks, setting up special groups for resolving problems between different levels in company hierarchies and project management groups involving suppliers, contractors, subcontractors and clients, as well as simultaneous engineering and other such practices.

In more specific terms, market flexibility mainly, but not exclusively, concerns routine workers (according to Robert Reich) and workers in insecure employment in the secondary and tertiary sectors. In a globalised economy, top managers and high-potential experts, who are usually well integrated in social and professional networks, also become very mobile in flexible markets, but their level of remuneration, stock options and the “golden handshakes” they manage to negotiate, combined with wide-ranging knowledge networks, make it considerably easier for them to change employment. The labour market is therefore multi-faceted.

14. Capelli, P. (ed.) (1999), *Employment Practices and Business Strategies*, Oxford University Press, New York.

Finally, it should be added that there is also an internal labour market within major groups. In multinational corporations – constantly being reshaped by sales of business units, mergers and acquisitions, strategic alliances and various partnerships – the relationships between headquarters and subsidiaries or partners change rapidly, creating new types of competition between the local units of major groups. Production sites often find themselves competing with group headquarters for production contracts. Depending on the contracts negotiated, activities may be transferred across national boundaries. Some of the workforce at a given site are therefore required to move with the activities, while others have to take up new posts inside or outside the group. Imposed flexibility is therefore affecting more and more categories of employees. Today's complex, interdependent economy is driving companies to adopt new types of competitive, co-operative or interlinked practices: there is ongoing enthusiasm for networked management. The growth of enterprises in transnational networks is playing a part in making the labour market more heterogeneous and segmented. It is labour markets in the plural that have to be analysed, and over-hasty generalisations are bound to prove incorrect.

3. Labour market flexibility: one variable in the performance of socio-economic systems

The multi-dimensional nature of the world we live in means that the above statement is self-evident. Regardless of the relative significance of different socio-economic variables or the importance of links between the labour market and other markets (supply of resources, sale of goods and services), some degree of flexibility is essential. Nevertheless, labour market flexibility is only one requirement for the overall performance of the system; it is not an end in itself. The markets cannot just impose their laws on society; it needs an agora or public debate.¹⁵ “Democracy involves the participation of all citizens in debate, with a view to governing. For its part, capitalism is only an economic system descended from the history of trade. Its fundamental proposition is the conclusion of transactions between different parties. In *The Wealth of Nations*, Adam Smith tried to show that these bilateral commercial transactions conducted by

15. See Amartya Sen, Nobel Prize for Economics winner, *Le politique a toujours précédé l'économie*, interview in the French magazine *Enjeux*, January 2005, pp. 80-83.

individuals in the pursuit of their own self-interest could, under certain circumstances, contribute to the common good. However, that is not an integral part of capitalism.”¹⁶

a. Flexibility is linked to changes in socio-economic and technical data and is therefore unavoidable

In a world where everything is changing, social systems also have to change, whether continuously, incrementally or discontinuously, and with varying intensity. For the sake of peace in society, however, it is essential for these changes ultimately to be “sustainable” in terms of human dignity or the efficiency of the system, which implies some degree of social cohesion, or relatively fair, equitable or, at least, generally accepted distribution of effort and prosperity. The cost of adapting to change should be mutualised or shared in some way, either through a system of social protection or through incentives designed to enable the changes to be managed effectively. On the face of it, it is not through a single factor (labour) regarded as decisive and a single market that the social system can be properly regulated. In any given system, all the influencing factors ought to be taken into consideration. Nowadays, the concepts of overall competitiveness or global productivity (in the sense that they encompass various aspects) are often employed, as it is very difficult to calculate the productivity of a single factor such as labour, fixed capital or intangible assets in a complex production process involving many variables linked by various non-market externalities. Any accounting evaluations made here show only half the picture at best. Partial productivity evaluations are only partially reliable as a basis for socio-economic policies and projects for society.

More generally, flexibility – in the sense of ability to adapt and react to the uncertain in a turbulent context needs to be defined and delimited so as to make it a mode of operation that is acceptable to and accepted by the individuals or organisations concerned. However, defining it raises several tricky questions:

- Can there be a normative content in flexibility requirement? Is there an economically optimal level or degree of flexibility valid for different situations (sector, region and so on)?
- Must flexibility be applied to all markets (e.g. labour, capital), with these being regarded as complementary?

16. Ibid., p. 82.

Flexibility can easily be achieved in capital markets, with regard to the sums involved and the interest rates applied. The capital markets can even be said to be efficient. The labour market is, by definition, less flexible, as individuals tend to be rooted in particular regions, occupations, organisations or groups. For employers, however, labour has the advantage of being more easily divisible than immovable assets. Individuals can be managed more flexibly, in accordance with requirements, whereas productive capital tends to be fixed, with constant costs regardless of the economic situation.

- Should flexibility also apply to enterprises as legal entities, becoming “volatile” players and hence able to influence supply and demand on the local labour market?
- How can a socially desirable degree of flexibility be defined?

To answer this question, we must be able to clarify the needs and expectations of the various socio-economic players. What are the expectations of those concerned: employers, employees and job-seekers, and the public authorities (with social insurance contributions and resources depending directly on the labour market)?

It would be wrong to believe that it is always the same people who seek or reject flexibility. On the contrary, there are desirable and desired degrees of flexibility, it also being understood that a distinction has to be made between flexibility of the labour market (as a regulatory structure) and flexibility of labour (as an activity).

The ways in which flexibility as a policy is implemented according to a series of variables (sector of activity, gender, age, seasonality, and so on) and, in more general terms, the way in which the labour market operates both need to be analysed closely and probably also adapted. In some countries, for instance, the labour market is regulated according to contradictory principles that combine individual choice with collective bargaining, administrative arrangements and legislative constraints. The result is a chaotic combination of different approaches that get mixed up and cause deadlocks with a huge direct and indirect management cost. This also applies at the European level. While comparisons between countries may be interesting, any transpositions have to be treated with caution, given the cultural roots of social behaviour.

However, what does seem generally true is that undesired labour market flexibility can be very harmful. Insecurity leads to stress, fear, anxiety, absenteeism, lack of motivation, disorganisation and health problems that place additional burdens on the social protection system.

b. Development in phases

Changes in social systems vary in intensity and may be politically “revolutionary” (radical) or “reformist” (within the system concerned). At any rate, transitions from one stage in development to the next are difficult; they involve a social and economic cost that must be minimised as far as possible and shared out equally, over a suitable period of time (“sustainable” in terms of the ability to adapt) and in accordance with legitimate objectives.

These changes in social systems clearly do not take place in regular cycles, but involve a succession of decisive phases. In Europe, there have been phases in development where common or group interests have prevailed and others where individual interests have had the upper hand. As we have just seen, this alternation is linked to the business models of the period, which sometimes give excessive precedence to individual financial interest and the principle of solvency, and sometimes generously contribute to recognition of the principle of solidarity. It also depends on the political philosophy of the political system in place, which sometimes is geared to commercial interests and sometimes takes a more humanist approach. In short, it is political choices that shape the organisation of the social protection systems which contribute to social cohesion.¹⁷

At any rate, and given the constant need for change, the social system in place at any particular time produces undesirable side-effects to the extent of ultimately triggering opposition of varying degrees of intensity. At present, we are going through a fairly muddled phase of challenges to the existing order, combined with feverish efforts to find alternatives (such as alter-globalisation, growth in civil society organisations). Calls for a new social paradigm and a new, more human social market economy are becoming louder.¹⁸ Adjustments need to be made, taking account of the actual situation, which is not satisfactory (see I.2 above), and of the ideas of social cohesion and, more generally, sustainable development, which are acquiring increased credibility.

17. See Urban, S. (2005), “The European welfare state under pressure: between European and global integration; some critical issues”, *European Union Review*, Vol. 10, No. 1, pp. 7-42.

18. See Council of Europe, “Ethical, solidarity-based citizen involvement in the economy: a prerequisite for social cohesion”, *Trends in Social Cohesion*, No. 12, Council of Europe Publishing, December 2004.

c. Adjustments in the labour market are not enough

Fiscal policy, budgetary policy and monetary policy are regarded as the fundamental pillars of a macro-economic policy geared towards the public good; they determine the competitiveness of a whole range of players as expressed on the international markets (in an open global environment) in various ways (such as price, profitability, values traded). The effect of external factors means that the competitiveness of individual units (companies, for instance) is not determined by a purely individual strategy, but by a series of interactions. The labour market is therefore only one of the places where the effectiveness of a more general policy is reflected. As a result, adjustment to change and regulation of the system of production must not be based too one-sidedly or exclusively on labour market flexibility (the concept currently favoured).

It can also be said that the value of the euro in relation to the dollar (which depends on foreign exchange markets and also on the policy of the European Central Bank and the macro-economic policies of the member countries, as well as the efficiency of business management) is one of the key factors in employment and unemployment. Policies on employment and the overall efficiency of the socio-economic system should not therefore be excluded from the European Central Bank's scope of attention, as the current institutional framework would suggest.

Enlargement of the European Union offers an ideal opportunity for critical analysis of European policy and the goals of a newly defined area. At present, Europe is attempting to do the splits between two types of social models: solidarity that is accepted and implemented, on the one hand, and freedom without too many constraints and with limited protection, on the other. It is a painful exercise. In both eastern and western Europe, we are witnessing simultaneous dithering and tension, against a background of violence and insecurity. The vision for the future is unclear and is generating both apathy and fear.

It is therefore necessary to consider measures to remedy this situation. For the purposes of adjustment, emphasis tends to be placed on labour as a variable, but labour is not just a production factor that is acquired in a marketplace (a commodity), with a cost related to its commercial productivity; it is also an asset: human capital has its own intrinsic value. Management of this variable of labour or human capital is also of substantial cultural and social value, which must be taken into consideration. The new members of the EU share a recent past, but also an earlier

history, that may help promote respect for values that complement those prevailing in the West; in particular, it is possible that less importance may be attached to shareholder value in the East than in western capitalist countries which did not experience changes in their economic system. There could therefore be a move towards respect for all stakeholders or a more dynamic expression of corporate social responsibility. The new members' human resources have skills, know-how and experience that differ from those in the EU's older members and which should be able to find expression in the labour market in particular. However, that demands the assertion of political will at European level.

According to G. Persson, Prime Minister of Sweden, N. Rasmussen, former Prime Minister of Denmark, and J. Sócrates, Prime Minister of Portugal, writing in *Le Monde*,¹⁹ the Lisbon Strategy must be transformed into a pact with workers, citizens and enterprises. Will their views be heard? The inertia displayed by some member states in applying the strategy casts a shadow over the image of Europe aiming to be the most competitive economic area in the world. Although there is a long way from wishful thinking to reality,²⁰ it is probably still right to hammer home existing proposals and attempt to add new ones in order to overcome what may be described as a "crisis of modernity".

4. Proposals for overcoming a crisis of modernity

According to Jean-Marie Domenach,²¹ "the West [Europe] has always been driven by two combined forces: the desire to understand and the desire to dominate". The very wording of the Lisbon Strategy suggests that Europe has changed; it has lost its intellectual and political supremacy, but wants to regain it, or at the very least to believe in progress (rather than the destructive clash of civilisations studied by Samuel Huntington). But how?²²

19. *Le Monde*, 22 March 2005, pp. 1 and 15.

20. Taking a fresh look at Michel Crozier's 1989 book, *L'entreprise à l'écoute; Apprendre le management post-industriel* (InterEditions), gives food for thought: headings such as "A managerial revolution is now essential", "The need for new organisational principles", "The temptation of meaningless debate", "The resistance of human reality", "A growth-based strategy" and "A time for innovators" are just as topical today as they were 15 years ago.

21. Domenach, J-M. (1986), *Approches de la modernité*, Ed. Ecole Polytechnique/Ellipses, Paris.

22. This report will only cover a few aspects of a huge overall range of issues.

Three aspects will be looked at here: the players on the labour market, the authorities, and political thinking as a reference framework for a political project.

a. Overcoming the weakness of labour market players

The way the labour market operates at present underlines the weakness of the two major categories of players involved: workers and enterprises.²³

Workers are experiencing difficulties in adapting to the demands of the market, as discussed in other preparatory working documents for Forum 2005. As stressed in particular by Amartya Sen,²⁴ the unrestricted operation of market forces is leading to precedence being given to an approach based on short-term commercial transactions and hence to unhesitating acceptance of the insecurity and exclusion of workers and job-seekers.

Job-seekers are finding it harder and harder to enter the labour market, as European unemployment statistics show. This situation is obviously serious, since employment is at once a factor in social integration (creating social ties and solidarity), a source of income (contributing to consumption and savings/investment flows at macro-economic level, and giving independence and recognition to the individuals concerned) and a factor in learning and hence a contributor to future competitiveness.

Alongside the various quantitative elements (the quantities/prices that dominate operation of the markets), it is important to give greater weight to qualitative variables, which are much more productive and long-lasting, such as job quality, skills quality and, indeed, quality of life. Reference may be made here to work by the Canadian Policy Research Networks (CPRN), in particular a study published in December 2003, which compared working environments in Canada, the United States and 15 EU member countries, broken down into five categories of job quality: reconciliation of work and private life; health and well-being; skills development; stability and security of employment; and general satisfaction with working conditions. The organisation of education and training, attitudes towards respect for human resources and the integration of diverse talents are therefore crucial aspects of the efficiency of the socio-economic system (and must accordingly be further developed).

23. See Stiglitz, J. (2004), *Globalization and its Discontents*, John Wiley & Sons, Chichester.

24. Sen, A. (2003), *Un nouveau modèle économique; Développement, justice, liberté*, Odile Jacob, Paris.

Enterprises, as suppliers of employment and jobs of varying stability, are also being weakened by the globalisation of world markets.²⁵ They are faced with heightened competition resulting not only from market forces but also from the effects of political influence, which are very strong in certain sectors (such as aerospace, defence, telecommunications and information).

Different environments interacting on the basis of a neo-liberal philosophy also involve a new territorial factor, which may lead to the relocation of business activities.

Lastly, the great speed of scientific progress and technological change means that enterprises are constantly having to take account of them and transform them into practical innovations, which often involves substantial investment and high industrial risks.

With regard to workers and enterprises, governments cannot slow down a trend that is far-reaching, widespread and hence unavoidable. However, they do have a key role in facilitating adjustment to change.

b. Public authorities as facilitators of adjustment to change

There are two sides to this role of facilitator: stimulating all factors that help in adjusting to change on the one hand, and correcting or helping to overcome damaging side-effects on the other.

In the case of workers, either in or seeking employment, the public authorities have an absolutely crucial role in providing good-quality training for all members of society. This means equipping every citizen not only with an essential knowledge base but also with the ability to observe, listen, analyse, reason and discuss, while respecting the differing points of view of other members of the society concerned or representatives of other cultures. In this connection, Richard Klimoski²⁶ calls for a kind of “intellectual pluralism”, which also includes a methodological approach.

Two-yearly studies of 15-year-olds (Program for International Student Assessment, PISA) conducted in 40 countries by the OECD have revealed the existence of great disparities in skills (in mathematics, reading, general knowledge and the ability to formulate and solve problems). The

25. The emphasis here is on the fact that markets, strategic choices and business operations are highly interconnected whereas “globalisation” mainly stresses the geographical spreading of activities’ territory.

26. Klimoski, R., “There is nothing as dangerous as a bad theory”, *Academy of Management, Learning and Education*, Vol. 4, No. 1, March 2005, p. 74.

countries with the best results (in 2003) were Hong Kong (China), Finland, South Korea, the Netherlands, Liechtenstein, Japan and Canada, with France ranking only 16th, Germany 19th, Spain 26th and Italy 31st. Progress clearly has to be made in the European cultural model. If we want to avoid wastage and under-use of human capital as a whole (which is to be regarded as being exceptionally valuable), it is also necessary to provide free, universal general and vocational training. National education is essentially a public service and schools must not be equated with enterprises that transform inputs into marketable outputs so as to maximise their profits. Human capital is not a mere commodity.

Quality training for all citizens enables the labour market to operate flexibly, making it easier for people to enter the market, withdraw from it temporarily and re-enter it within a reasonable timescale. If this flexible operation were, however, to present particular difficulties for certain workers (or people wishing to work), it should naturally be the public authorities who have the task of bearing at least part of the cost of vocational retraining or assistance for groups of people unable to cope successfully with adjustment to excessively demanding change.

In the case of enterprises (trades, industrial firms and services), the authorities should, in our view, focus their attention and action on two areas: ensuring development and continued existence in the long term of family-owned small and medium-sized enterprises (SMEs) on the one hand, and fostering innovation on the other hand.

Enterprises tend to seek the most favourable locations for their operations, which is in itself entirely understandable. They determine such favourable locations by analysing the state of the local infrastructure, the services available, bureaucratic constraints, the fiscal regime, social insurance contribution levels, the quality of the workforce, dynamics of agglomeration economies and spatial specialisation (locations with concentrations of competing enterprises, local networks, proximity of driving-force enterprises, stimulating effects of research laboratories, and ease of access and distribution etc.). These variables depend on political decisions and co-operation practices between the various players.

Alongside the importance of human capital, we would stress the importance of entrepreneurial capital, in the sense of elements such as entrepreneurial spirit, the business culture of staff, the presence of a managerial elite, the ability to take risks, the existence of local productive systems (districts) and special links established by the relevant firms with networks of customers, suppliers, research centres and public bodies etc.

In Europe, the major part of the industrial and service sector is made up of small and medium-sized family enterprises. If this productive capital is subject to high levels of taxation through inheritance tax or wealth tax, it will very quickly be broken up, disappear or be sold off to the highest bidder (often from outside the EU). This results in countless billions of euros leaving European governance every year, while thousands of jobs are transferred to distant places. Certain highly ideological taxes, which escape any sensible changes for lack of political courage and are often actually also “bad taxes” in terms of the revenues they generate, therefore have a devastating impact on the labour market. At the same time, it should be noted that studies conducted in various European countries show that small and medium-sized enterprises have a much greater sense of social responsibility than major corporations (reflected in greater stability of employment in geographical terms and over time). They also create the most jobs. However, they need recognition and support to stimulate their entrepreneurial spirit.

In the second area where the public authorities should focus their attention, i.e. innovation and research, the political responsibilities are also great, both at European level (assertion of the Lisbon Strategy) and at subsidiary levels (national, regional and local). Support and assistance need to be adjusted according to the risk incurred and the degree to which the innovations are structural. The innovations to be fostered should not only be technological; they also involve vocational skills and organisation. “Employment will be found less and less in activities already known and more in the creation of new occupations with uncertain futures and dimensions. [...] In a ‘knowledge-based economy’, the intensification of competition through innovation is inevitable, while the most useful skills still seem to be lacking. International competition and growth therefore depend less on the free flow of existing skills and more on the proper management of individual and collective learning vital to innovation policies.”²⁷

c. A guiding thread

A guiding thread can be found by examining the development of the macro- and micro-economic industrial models that have shaped history.²⁸ The latter shows that all socio-economic development leads to organisational changes, or paradigm shifts. Socio-economic development is not

27. Hatchuel, A., “Compétences et innovation”, *Le Monde*, 18 January 2005, p. VIII.

28. Velo, D., “The European model of society and the European model of enterprise: the cosmopolitical enterprise”, *European Union Review*, Vol. 9, No. 1, 2004, pp. 7-28.

a linear, continuous process. And analysis of flexibility also fits the context of a turning point in history, now seeking a new type of humanism underpinned by the concept of subsidiarity, which is regarded as the centrepiece of a new order.

However, flexibility can also be seen as a practice deemed necessary to ensure the survival of an existing order, in this case an unbridled market economy, dominated by the imperialist will of the strongest.²⁹ This gives rise to the idea of good and bad use of flexibility. Yet flexibility is neither good nor bad in itself; everything depends on the use made of it and the limits assigned to it.

If we wish to identify cycles that have shaped the dynamics of modernity, we should focus on three key phases:³⁰

- the Enlightenment, which rejected the old order and was expressed in the French revolution and its assertion of social progress in the sense of liberty, equality and fraternity;
- the end of the nineteenth century, heralding the collapse of these ideals of progress, rationality and liberalism in the growth of mass movements and ideologies (nationalism, anti-Semitism, fascism, communism), ultimately leading to two devastating world wars;
- the period from the 1960s onwards, marked by a decline in mass ideologies and the triumph of private over public interests, accompanied by radical criticism of humanism.

This last phase is continuing: calls for a new humanism and societal change are becoming ever louder, as we saw above. The pendulum of history swings back and Europe is particularly well-placed to back this trend, given the values it has defended (and sometimes abused!) for two millennia.

However, there are clearly difficulties in conceptualising this new phase in history and organising the transition from one social order to another, especially against a background of widespread globalisation (economic, cultural, scientific and technical). In other words, the relevant changes will not come about overnight following a simple pattern. Much clear thinking and adaptability (flexibility?) will be needed to put human beings back at the centre of a socio-economic system that is now commercialised and financialised.

29. Stiglitz, J., 2003, *Quand le capitalisme perd la tête*, Fayard, Paris, p. 406.

30. Jean-Marie Domenach (1986), *Approches de la modernité*, Ed. Ecole Polytechnique/Ellipses, Paris.

Enterprise has changed status from an intermediate body or one agent among others, in a market system recognising the role of the state as an arbiter and corrector of excesses, to that of protagonist in a system primarily governed by markets with a minimum of state interference. In the former case, firms perform a subsidiarity-type function under a liberal model, while in the latter they may be defined as multinational firms³¹ practising “radical” liberalism. In this case, they also seek a “radical” form of flexibility in the system. Multinationals implement a philosophy based on domination by their own interests and attempt to force the other players in the socio-economic system to accept the idea that most aspects of life in society (education, health, pension or welfare systems) must also be managed according to the principles of business management.

This stage needs to be put behind us. “Cosmopolitical” enterprises would represent the relevant change, recognising both the organisations’ subsidiarity-type role and the need for their members to take part in public life. That would be a new form of economic democracy. It would also be an organisational framework that combined the international vocation of business, citizen participation and the realisation of a new type of humanism, placing human beings at the heart of the system (whether at work and in society). Recognising the importance of their social responsibility, such cosmopolitical enterprises could be the very cradle of progress. Furthermore, such progress implies that labour should no longer be seen as merely a commodity, to be fully exploited by all possible means, but as a human element of the greatest value.

This is not a utopian vision in a knowledge-based economy, which cannot survive without workers’ participation in the creation and dissemination of knowledge. The authoritarian Taylorist/Fordist model gives way to the participatory Toyota model. Participation is an essential factor in mobilising energies and creativity. It also enables enterprises to strengthen their long-term vision, rather than focusing on the demands of the short term, as can happen with the excessive application of flexibility, which may lead to the wastage of human resources.

As far back as the early nineteenth century, Ricardo showed that rent involved “value” creation (nowadays one might think of shareholder value) and not the creation of “wealth”, which requires work, ideas and innovation. At the beginning of the twentieth century, Joseph Schumpeter,

31. Velo, D. (2004), *La grande impresa federale europea; Per una teoria cosmopolitica dell'impresa*, Giuffrè, Milan.

whose work has experienced an upsurge in interest in recent years,³² considered the idea of economic growth through innovation and emphasised the decisive role of entrepreneurs. Clearly, therefore, it is entrepreneurial capital (see above) that has to be increased, and that does not just involve a few charismatic individuals. Most men and women are capable of actively taking part in the creation of wealth in the form of new resources (which can reduce poverty and improve the quality of life), provided that they can act within a suitable system that stimulates individual creative capacity, while also ensuring the bonds of solidarity in society.

In other words, it can be said that one of the problems to be resolved today is how to reconcile flexibility (which can lead to exclusion) and participation (which is inclusive by nature). Participation involves socio-political issues, while flexibility involves markets. The balance between the two should be defined in a democratic co-operative process, respecting the vital requirements both of business and of a society geared towards social cohesion.

32. Y. Shionoya and M. Perlmann (eds), *Schumpeter in the History of Ideas* (1994), University of Michigan Press, Ann Arbor, MI.

II – From flexibility to social cohesion through finance

by Pierre Salama¹

Introduction

The early twenty-first century differs radically from the post-war era, from 1945 to the early 1980s. Growth rates are lower in most European countries, wages are generally rising less steadily than national revenue, there is greater labour flexibility and, with a few exceptions, unemployment has levelled out on a high plateau. Financial globalisation has advanced further than its commercial counterpart, and above all is having more immediate effects. The financial markets are imposing heavy constraints on entrepreneurs to achieve high levels of appreciation, and this has serious impacts on people's working and living conditions, and ultimately on social cohesion generally.

This chapter is geared both to mapping out the development of work flexibility and to an attempt to explain this phenomenon, transcending any mere analysis of the labour and employment markets. The new dominant forms in the workplace are in fact the result of several technological, social and financial constraints.

1. A look at the labour and employment markets

a. Revisiting some definitions

The meaning of the term "flexibility" differs from author to author. The OECD draws a distinction between "numerical flexibility" and "functional flexibility". The former concerns all quantitative forms of flexibility, whether inside or outside the enterprise, looking principally at wages and jobs. The latter is more qualitative in nature and relates to labour adaptability. These types of flexibility are obviously inter-related, but they must nonetheless be differentiated. For instance, enterprises that lay greater emphasis on the long than on the short term will prioritise development

1. Pierre Salama is an economist, university professor, member of the CEPN-CNRS, scientific director of the *Tiers Monde* (Third World) periodical (<http://perso.wanadoo.fr/pierre.salama/>).

of their workforce and of the primary market,² that is to say the “in-house market”, which leads them to seek functional flexibility in their workforce.³

Rejecting such a classification, F. Michon (1987) prefers to contrast capital flexibility, which means adapting individual occupational tasks, with labour flexibility. The former covers both qualitative or functional flexibility and such practices as leasing, subsidiarisation, and what has been called “tertiarisation” or outsourcing, that is to say consolidating and selling off certain activities. The latter concerns wage flexibility, labour casualisation, increased leeway for employers to make workers redundant, and working hours calculated on a monthly, or indeed a yearly basis.

One case concerns quantitative flexibility... The other concerns qualitative flexibility in response to changing customer tastes and preferences, the transfer of demand for one type of product to another. These two types of flexibility require different basic resources: temporary jobs, various methods of modulating working hours and wage flexibility on the one hand, and flexible manufacturing systems on

2. Note that the primary market is a labour market with a higher level of protection than the secondary market, which is characterised by a fairly loose link between qualifications and skills. This may lead to greater or less downgrading of jobs, depending on economic circumstances, rigidity of skill structures and therefore of pay scales, and the importance of company seniority. Large companies can keep both markets going side by side, particularly if they use fixed-term contracts and temporary employment agencies. Moonlighting employees might be considered part of the secondary market, given that such undeclared work is an extreme instance of quantitative flexibility, extreme because it is illegal. However, though black-market work is fairly common in eastern Europe, in many European countries it hardly exists at all. Lastly, where illegal or undeclared workers are self-employed, their status is rather different from wage-earners’.

3. It is often said that the debate in the United States concentrates more on functional flexibility than in Europe, where it tends to prioritise quantitative flexibility because European job classifications are less rigid and European labour market flexibility in both wages and jobs is less well-developed than in America. We might nonetheless note that introducing the 35-hour week in France has boosted quantitative flexibility, with actual working hours renegotiated in house, “idle time” (breaks) eliminated and training periods partly incorporated into measures to cut working hours. Increased outsourcing, achieved by refocusing on the primary activity, has promoted quantitative flexibility (by placing in-house and “outside” workers in competition) but also functional flexibility (labour reorganisation not systematically based on technological constraints, as highlighted in a wide range of projects by sociologists, less often by labour economists). For this, see the special issue of *Tiers Monde* (ed. Hirata, Lautier and Salama), “Les transformations du travail”, no. 154, 1998. Also, the threat of companies moving to countries with lower hourly labour costs and a “freer” type of workforce management, because of a more lenient employment code, has led to “forced renegotiation” of quantitative flexibility (wages, working hours) and qualitative flexibility (reorganisation of labour) to the disadvantage of employees of such companies. Finally, while it is typically companies offering unskilled jobs that relocate, the strenuous efforts of the emerging economies, particularly in Asia, to ensure that training programmes give their workers real skills means the trend will soon affect more and more technically-orientated enterprises.

the other... One makes the corporate activities flexible solely in order to be able to vary operational costs, and in particular, of course, labour costs; there is also the hope that the fact of transforming fixed costs into variable costs will reduce unit production costs, and obviously unit labour costs in particular. The other endeavours to facilitate changes in manufacturing methods, reduce the investment needed for change, the fixed cost of change, in order to pay it off by means of more limited production series: this is another way of cutting back on unit costs. (Michon, 1987, p. 10)

Even though this classification has not secured consensus among economists, it would appear more relevant than the one we described first. It leads directly on to a second clarification regarding absolute appreciation, which consists in producing greater gains. Either real working hours are extended or (and this is commoner) labour is further intensified by increasing working rates. In the former case, the earliest attempts involved prolonging the working day, whereas more modern approaches consist in "stopping the gaps" in the working day.⁴ In the latter case, the introduction of new technologies both decreases the value of the goods produced by increasing labour productivity and facilitates a redefinition of tasks and intensification of labour in terms of time units, that is to say to produce more value (appreciation).⁵ This involves modern forms of labour exploitation

4. By reducing "idle time" (work stoppage), whether this arises from concessions – tea/coffee breaks – or mismatches between different parts of a production line – "unsustained flow". Idle time is cut by reorganising work practices and calculating working hours in annual rather than daily terms (Gollac, M., 2005).

5. Labour intensification refers to modern absolute-appreciation mechanisms, as opposed to the old-fashioned approach of extending working hours. Conceptually, it differs from relative appreciation, though both are reflected directly or indirectly in statistics by a variation in labour productivity. Absolute appreciation is micro-economic, meaning that more goods and value are produced in the same working time when intensification increases, either by means of higher working rates or organising labour so as to reduce idle time, or through increased workforce flexibility, given the same facilities. Relative appreciation is macro-economic, even though its scope is limited to the enterprise or company. In the space of the same working day, more goods are produced by the use of new facilities, and so labour productivity increases. The value of each of these goods decreases and the value of the standard basket of goods required for reproducing worker strength is also diminished. This relative appreciation mechanism is difficult to distinguish from the absolute appreciation mechanism if we look only at changes in labour productivity, because both of them increase it. But the distinction is important if we are to grasp the nature of workforce attrition: increasing intensification leads to premature physical fatigue, which is now increasingly accompanied by mental "burnout", and is experienced as a deterioration in working conditions, which does not necessarily apply when the work becomes more technical in nature. However, without going into this conceptual debate, recent literature has shown that the link between intensity and productivity is only relevant if the work can be broken down into relatively homogeneous operations: this provides an immediate link between production and effort. Where labour organisation is more complex and collective objectives are defined, the link between intensity and productivity is more diluted because of the difficulty of gauging individual intensities (Gollac, M., 2005).

that can be contrasted with the outdated and limited method of prolonging the working day. Both scenarios give an impression of increasing “speed”, a feeling of stress, and lead to increasing numbers of nervous illnesses on the part of workers who are subjected to premature wear and tear of their strength and working capacity.

b. Commercial globalisation and new constraints

Modernisation of the production apparatus has followed on from the increasing openness of these economies and the mass influx of sophisticated technological goods, thus prompting substantial changes in labour organisation. However, we must be wary of technological determinism, that is to say an approach which justifies upheaval in the organisation of labour for the sake of inevitable modernisation. As we know, there are degrees of freedom in the choice of such organisation: it is common to see different modes of labour organisation in the subsidiaries of the same multinational producing a similar commodity, but in different countries.

The nature of the products manufactured also influences the choice of labour organisation and the effort to achieve functional or qualitative flexibility by making the workforce more adaptable. As we know, demand changes once a specific level of purchase power is reached, that is, diversified products tend to take over from standardised ones. This pushes relations between demand and supply further upstream. Diversified demand and the stress on quality change the mode of conception of stock management and delivery deadlines.

Production is organised differently: production flows tighten up and stocks decrease. Labour organisation tends to undergo a transformation: there are fewer set tasks, and teamwork increases alongside multi-tasking. Globalisation tends to achieve flexibility by an increase in casual labour (Barbier, J.C., 2002 and 2004), annualised work, intensification and competence rather than in skills. The specific factor here is that, with investment gradually increasing as compared with the 1980s, both labour reorganisation and new technologies play a greater role in increasing output than this increase itself plays in creating fixed capital.

Where investment is insufficient, under conditions of keen competition, the effort to reduce unit labour costs increasingly involves seeking greater workforce flexibility, though there is no automatic link between the latter and the nature of the technologies used. Given that under-investment can be partly explained by arbitrages in favour of financial activities, the increased importance attached to finance on the corporate balance sheets is shifting greater weight on to the endeavour to increase labour flexibility (see comments above).

Table 1 – Changes in labour organisation stemming from restructuring⁶

Fordist types of organisation	Flexible (Ohnist) types of organisation
<ol style="list-style-type: none"> 1. Intensification of division of labour 2. Set tasks 3. Rigid and centralised organisational system 4. Worker's personal autonomy virtually nil 5. Repetitive and monotonous work 6. Duties requiring minimal skills 7. Labour organisation = one job/one man/one task 8. Low worker involvement in the enterprise 9. High turnover rates and absenteeism 10. High rejection indexes 11. Frequent conflict between employer and workers 	<ol style="list-style-type: none"> 1. Intensification of working rates 2. Increased worker participation in organising and controlling processes 3. Increased worker empowerment 4. Units, mini-factories, multi-tasking, multifunctionality 5. Duties requiring greater skills 6. Teamwork type of organisation 7. Workers must be involved in the enterprise 8. Reduction in turnover rates and in absenteeism 9. Substantial drop in rejection indexes 10. Less frequent conflict between employer and workers

c. Question: do fixed-term contracts lead to instability?

Flexibility has a variety of meanings, which can be rather confusing, as we have just seen. For clarity's sake, therefore, we shall concentrate our analysis on two questions: Is the trend towards greater flexibility increasing long-term instability? And how are we to link that to transfers between the various forms of employment contract (fixed-term and permanent) and unemployment?

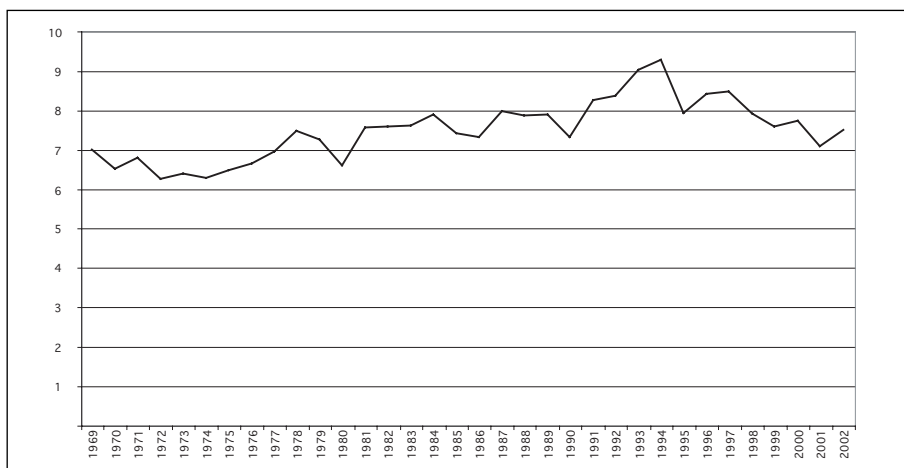
6. It is obvious, but still worth repeating, that such forms of labour organisation are relevant to large and medium-sized enterprises, not small companies. This means that large sections of industry are not affected by "Ohnism" and are having much less sophisticated forms of flexibility foisted on them, such as extreme job casualisation, especially since small enterprises are under-organised and therefore under-protected. Also, where large and medium-sized enterprises are concerned, this presentation shows Ohnism in an overly flattering light, particularly where items 7 and 10 are concerned. As Azkenazy puts it (2005), "job rotation prevents employees in industry and the services from assimilating the implicit or explicit rules on security and ergonomics and establishing the personal protection strategies specific to each job" [...], and "several indicators point to dysfunctions associated with innovatory practices: tension with colleagues, superiors or customers, in isolation, or receiving contradictory orders".

Is the trend towards greater flexibility increasing long-term instability?

It can be posited that instability has been a salient feature of the recent state of employment in France, as demonstrated by a whole range of studies, including that by J.F. Germe (2003). A recent analysis (Y. L'Horty, 2004) did, however, challenge this view. We shall be concentrating on this latter study because it is paradoxical and in our view presents some sound arguments, and we shall set out the main conclusions of the analysis.

Instability⁷ underwent no structural increase in the longer term (from 1969 to 2002), where jobs in the public and particularly the private sector were concerned. This period might be broken down into two phases, one from 1969 to 1993 when the risk of becoming unemployed increased, and another from 1993 to 2002 when this risk decreased. Within these two trends, the risk of becoming redundant varies in inverse proportion to the economic cycle: when the latter improves, the risk diminishes and, when a recession occurs, the risk increases. Similar results are obtained if we limit our analysis to private wage and salary earners over a shorter period (1982-2002): structural stability and fluctuation vary with the economic cycle.

Figure 1 – Risk of becoming unemployed in France, 1969-2002



Source: enquêtes emploi, INSEE, from L'Horty (2004), p. 5.

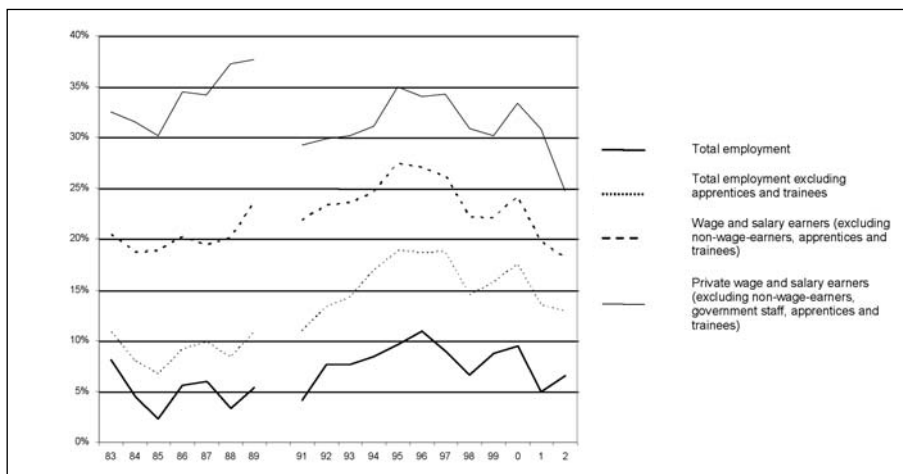
Scope: total employment.

Method: use of retrospective questions (situation at March of the year preceding the survey).

Interpretation: 7.5% of working persons employed in 2001 had become unemployed in 2002.

7. As measured by the proportion of unemployed persons among those who had been employed the previous year, drawing on retrospective questions and a panel survey.

Figure 2 – Relative variation in instability, 1982-2002, according to the two methodological approaches



Source: enquêtes emploi, INSEE, from L'Horty (2004), p. 8.

Scope: see key alongside graph.

Method: retrospective questions and results of panel survey.

Interpretation: the risk of becoming unemployed as measured by the Emploi survey is 25% below that emerging from the retrospective questions put in 2002 to private-sector employees.

However, this conclusion is too general: we must be a little less “macro” and strive to analyse movements within the different categories. In other words, these results do not preclude a wide range of possible risks facing the various categories. We might start by pointing out that the risk of unemployment varies according to age: the risk is high for persons under 30 and over 50, though the risk is declining for the latter (yet another unexpected result), and lower for employees in the 30-50 age bracket. Length of service is also a relevant factor: the more junior staff are always the most vulnerable.⁸ As might be expected, there is a correlation between this risk and the level of skills.⁹ The most surprising thing is that the variation of about 50 per cent in the risk of becoming unemployed between skilled and unskilled workers did not increase over the 1982-2002 period, and even narrowed slightly in the 1990s. These deviations vary in size according to sector of activity: they are greater in the per-

8. In 2002, workers with under five years' service were twice as likely to lose their jobs as workers in post for longer.

9. Yet the UK has proportionally fewer unemployed unskilled workers than unemployed temporary workers, unlike France or Spain. This paradox is partly explicable by the fact that workers on permanent contracts are less well protected (Ortega, 2004, p. 11).

sonal service sector, high in trade and the corporate services, and lower in industry and private-sector employment, with a slight tendency to converge. For instance, length of service is less of a protection than it used to be, and the risk of becoming unemployed has now been steadily increasing for 20 years, irrespective of whether the employee in question is over 50. However, skills are still protecting workers from forced mobility, and the risk of unemployment is not increasing in the long term, even if it fluctuates in inverse proportion to the economic cycle.

Lastly, the criteria can obviously be combined: skilled workers in the intermediate age bracket (30-50) with over five years' service have a 2 per cent chance of leaving their employment from one year to the next, not just in the service sector but also in trade/corporate services. Conversely, young unskilled workers who have served for under five years in the personal service sector have a 20 per cent risk of becoming unemployed from one year to the next, 10 times greater (L'Horty, 2004, p. 14). This means that worker mobility varies widely among different social categories. L'Horty quotes the Amossé study to the effect that 41 per cent of executive staff work in the same enterprise throughout their careers as compared with 5 per cent of unskilled workers. This is perhaps the ultimate proof of the existence of two separate worlds, viz the primary and secondary markets.¹⁰

10. A slightly fuller analysis would also take in "downgrading of jobs". This is defined by the potential discrepancy between qualifications and actual skills as defined in the sectoral and corporate classification tables. In times of recession the "macro-economic shock" suffered by enterprises leads them to adjust their volume of employment. Given that this adjustment is easier to effect by quantity than price (wages), enterprises tend to postpone any new recruitment. The consequent queues are conducive to downgrading: the more highly skilled workers are recruited if they agree to being downgraded, and the lower-skilled are relegated to the bottom of the list, or the back of the queue. In this way labour productivity can be increased and the unit labour cost lowered by recruiting overqualified employees. Between 1990 and 2000 it was noted that those most affected by such downgrading among 18- to 29-year-olds in France were, in decreasing order, holders of technical *baccalauréats*, general *baccalauréats* and higher technical diplomas. Those least affected were employees at the upper and lower ends of the market: those holding postgraduate or Grande Ecole engineering degrees on the one hand, and those with the *Certificat d'Aptitude* (CA – vocational training qualification) or the *Brevet d'Études Professionnelles* (BEP – certificate of technical education) on the other (see Gautié *et al.*, 2000). The tendency to downgrade jobs also depends on the state of the market when the jobseeker arrives. For instance, it is more difficult to get out of the "odd-jobbing" environment, odd jobs being casual by definition and above all leading to pronounced downgrading in order to accede to the steadier primary market, where career prospects may subsequently limit the effects of the original downgrading. Finally, downgrading is often the price to be paid for finding an unemployed person a job. This price may be very high, including a drop in real earnings, in cases where there is little protection for workers and a high level of forced worker mobility, as in the English-speaking countries (see above).

Broadly speaking, the workers most at risk of becoming unemployed are currently seeing this risk reduced, while conversely those enjoying the highest level of protection are facing an increasing risk of unemployment. Paradoxically, the feeling of exclusion is on the increase, which proves beyond any doubt that this feeling is fuelled not only by forced worker mobility but also by working conditions, employment status, occupational interest and, last but not least, the level of remuneration, given that poverty is increasingly bound up with work.

How is flexibility linked to employment, fixed-term or permanent, and unemployment?

In his analysis of the situation in France (2000), D. Goux shows that fixed-term and permanent contracts are complementary rather than substitutable. Goux sets out four findings:

- enterprises adapt their volume of employment in accordance with the changing economic situation and their results, although these two factors are not necessarily linked.
- most of these adjustments concern employees who have been in the enterprise for under one year: for instance, employees with under one year of service have a variation coefficient¹¹ of 56.6 per cent as against 8.1 per cent for the others.
- fixed-term contracts are not only an adjustment variable but also a bridge towards other, steadier permanent-type posts.
- many employees on fixed-term contracts leave because their contracts are not renewed, which is less costly to the enterprise than dismissing employees on permanent contracts.

These findings require some slight qualification. A comparative study of the breakdown of posts into fixed-term and permanent in the United Kingdom, Spain and France (see Ortega, J., 2004) is extremely enlightening. On the basis of Goux's thesis we would expect results for Spain and the United Kingdom comparable to those for France, since the differences between these countries are insufficient to justify major disparities: they have comparable standards of development and are subject to similar international constraints. And yet they produce different results.

11. Calculated on the basis of the ratio of standard deviation to the average value, multiplied by 100.

This means that, contrary to Goux's assertions, fixed-term contracts are not fundamentally complementary to permanent contracts, but are rather more than that. Fixed-term contracts are also an expression of entrepreneurial strategies to achieve flexibility, which vary from country to country.¹²

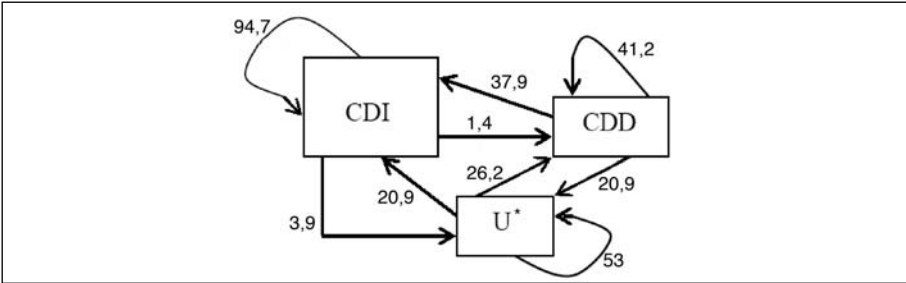
In 2000, the percentage of employees with temporary fixed-term contracts was lower in the United Kingdom (6.7 per cent) than in France (14.5 per cent), and especially in Spain (32 per cent). We might have expected a different result, given that the United Kingdom lays greater stress on liberal policies than France.¹³ The deviation is even greater in the case of unskilled workers (5.3 per cent as against 16.3 and 36.6 per cent respectively), according to Ortega (p. 11).

Comparison of the situation of workers residing in France in 1996 and 1998 shows that 41.2 per cent of fixed-term contracts are still fixed-term contracts two years later, 37.9 per cent have been changed into permanent contracts and 20 per cent of those concerned have become unemployed. The difference with workers on permanent contracts is as follows: 94.7 per cent are still on permanent contracts two years on, 1.4 per cent have suffered a deterioration of their employment contract, which has become a fixed-term contract, and 3.7 per cent have become unemployed. Over half of all unemployed persons are still unemployed (see figure 1 in Ortega, 2004, p. 12).

12. This is why it seems rather perfunctory to assert that "to tax fixed-terms contracts would not be to tax a specific stock of jobs and promote the rest, but rather to tax enterprises' short-term adjustment capacities" (p. 309), since such adjustment capacities vary from country to country in accordance with legislation and practice relating to flexibility.

13. The OECD calculates a compound job-protection index. This takes account of a series of variables including length of notice for dismissals, redundancy payments due, the definition of unfair dismissal and compensation for such cases, length of the dismissal procedure and possible channels for securing reinstatement. At the end of the 1990s, the index stood at 0.8 and 0.3 for permanent and fixed-term contracts in the UK. It was much higher for France (2.3 and 3.6) and Spain (2.6 and 3.5). Note, however, that the low level of protection for workers on permanent contracts partly explains why these contracts cost more than fixed-term ones in the UK, and also why permanent contracts are commoner there than in France or Spain. The compound job-protection index uses only indicators relating to numerical or quantitative flexibility, without reference to working conditions and therefore to the stress which may come with employment.

Figure 3 – Probability of change in employment status on the French labour market, (figures given in percentages). People’s situation in 1998 according to their initial situation in 1996



Data: OECD (2002), p. 163, based on the European Panel of Households

Key

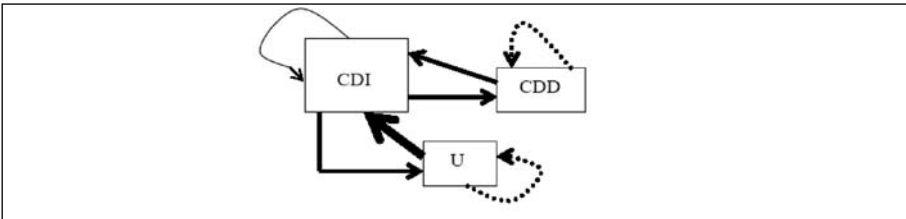
CDI Permanent contract

CDD Fixed-term contract

U* Unemployed

The relationship between the three statuses displayed is different in the United Kingdom and Spain. Workers residing in the British Isles are much more likely than their counterparts in France and Spain to be assigned a permanent contract right away, but they are also much more likely to become unemployed or subsequently be assigned a fixed-term contract (see figure 2 in Ortega, 2004, p. 13).

Figure 4 – Probability of change in employment status in the United Kingdom labour market, compared with the French labour market. People’s situation in 1998 according to their initial situation in 1996



Data: OECD (2002), p. 163, based on the European Panel of Households

Key

CDI Permanent contract

CDD Fixed-term contract

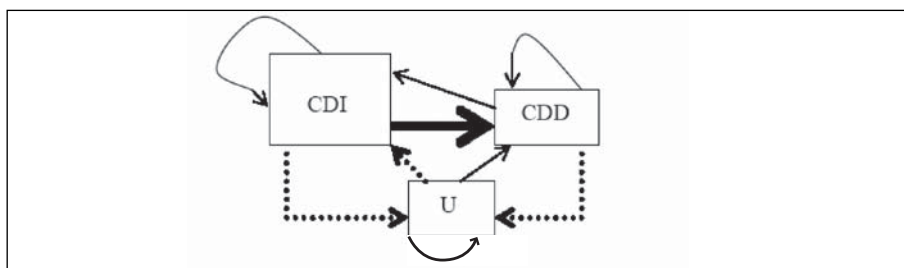
U Unemployed

The very thick solid (dotted) arrows indicate probabilities of over (under) 100 per cent greater than those observed in France. The thick solid (dotted) arrows indicate probabilities of over (under) 25 per cent greater than those observed in France.

This increased probability fuels a strong feeling of insecurity in the UK, whether the new job involves a fixed-term or a permanent contract, despite the low rate of unemployment compared with Spain and France. Conversely, the probability of a British worker on a fixed-term contract still holding the contract two years later is lower than in France.

Workers on permanent-type contracts residing in Spain are more likely to experience a deterioration in their situation than their counterparts in France, but are less likely to become unemployed; the same applies to employees holding fixed-term contracts (see figure 3, Ortega, 2004, p. 13).

Figure 5 – Probability of change in employment status in the Spanish labour market, compared with the probabilities in the French labour market. People’s situation in 1998 according to their situation in 1996



Data: OECD (2002), p. 163, based on the European Panel of Households

Key

CDI Permanent contract

CDD Fixed-term contract

U Unemployed

The very thick solid (dotted) arrows indicate probabilities of over (under) 100 per cent greater than those observed in France. The thick solid (dotted) arrows indicate probabilities of over (under) 25 per cent greater than those observed in France.

If we compare the three countries over a longer period (1990-2000),¹⁴ we note that in respect of average GDP growth rates, which differ only slightly (2 per cent for the UK, 1.7 per cent for France and 2.6 per cent for Spain), the situation in France is similar to that of the UK for net job creation (1.7 per cent for the UK and 1.6 per cent for France) but very different from the situation in Spain (5.6 per cent). In the case of the UK

14. If we confine our analysis to large and medium-sized enterprises (over 15 employees in France and the UK, over 10 in Spain), for lack of comparable data, which somewhat distorts the results because worker reallocation (gross job creation plus destruction) is more widespread in France than in the UK for enterprises with under 20 employees.

(and Spain), however, the net rate is the result of greater gross job creation and destruction than in France. Mobility – which is the sum of all gross job creations and destructions – is therefore greater in Spain and the UK than in France (14.4 per cent, 11.6 per cent and 9.1 per cent respectively over the period in question, according to the work of Gomez and Salvador as exploited by Ortega.

2. – Financial markets and their relations with the various forms of flexibility

The swift development in and novel forms of labour flexibility cannot be properly understood just by analysing the labour market and general conditions of employment, because the labour, goods and capital markets, far from being independent of each other, are closely interlinked. Contemporary economies are also characterised by a predominance of the capital market over the other markets. The capital market dictates, so to speak, the conditions for minimum profitability on the goods market, and consequently, these conditions can only be fulfilled if the labour market and the various forms of employment comply with these new requirements. The increased importance of finance on the corporate balance sheet thus has an impact on the forms and intensity of the flexibility established. Nevertheless, we must be wary of determinism in this context. As in relations between technology and flexibility, it would be a mistake to imagine a steady and steadily increasing relationship between finance on the one hand and flexibility on the other. Finance is a variable which has been playing a growing role ever since the 1990s, but it is difficult to gauge precisely its effects on flexibility. Moreover, it is not the only variable: the full weight of the trade union organisations, the forms and extent of worker fighting spirit, and overall relations with politics are also relevant, albeit in a context increasingly hemmed in by the boom in the financial universe and its demands.¹⁵

a. “Two-faced” finance

The boom in financial activities is not naturally parasitic. Broadly speaking, enterprises operate in a macro-economic environment where they have little leverage and, moreover, they do so in a context of incomplete information. The complexity of present-day production methods increases the

15. In the current state of our knowledge it would be premature to put forward any model to test the respective weighting of each of these variables, for one very simple reason: defining the variables is a highly complex undertaking. How can we gauge all the different forms of flexibility (what compound indicator could be used?), and what indicators could be used to assess “financialisation”, technical developments, worker resistance, etc?

uncertainty about project profitability. The need to cover such unprecedented risks is triggering the development of equally complex financial products. The financial market could encourage the development of new technology – and thus guarantee that production facilities would be adapted to make increasingly sophisticated industrial products – by creating financial products tailored to the risk. Export of complex products has to involve the banks and means organising a complex and original financial package, including the use of “derivative” financial products to cover a whole series of risks, especially those linked to exchange rates. So, part of the reason why the financial market is becoming more complex is that production itself is becoming more complex. Really complex financing began with the onset of liberalisation: decompartmentalisation, de-intermediation and deregulation. Although such complexity has a cost, the profits generated more than cover it. The development of finance and the boom in sophisticated financial products have therefore facilitate the development of capital in abstract terms, because the capital cycle can only operate if financial activities enable production capital to be put to work. Real development in the industrial sector necessitates more-than-proportional development in the financial sector because of the increasing complexity of the products and the increased risks.

There is a swing towards “financialisation” if such activities are driven more by the attraction of new financial products *per se* than by the aim of reducing the risks in financing new production. Once this threshold is passed, finance begins to look highly parasitic and, since it is more profitable than production, it starts to develop at the expense of the latter. Finance is two-faced like Janus: it has a virtuous face when it facilitates accrual and a parasitic face when it impedes accrual. These faces co-exist and dominate alternately, depending on the period and the macro-economic environment (income distribution, modes of integration into the global economy, and relations with developed economies and international money markets).

Finance has various ways and means of imposing its imperatives on production activities, forming different combinations depending on sector and economic cycle:

- the enterprise may use trade-offs, investing more and more in financial products and proportionally reducing its investment in production;
- more commonly, the producer is subject to extremely strict profitability constraints imposed by its main shareholders – which may be investment funds targeting a sharp upturn in short-term profits – and must pay these shareholders sizeable dividends. If it fails to increase its profits, its Stock Exchange prices fall and it is in trouble.

Whether its prices rise or fall, they then become the subject of speculation which, contrary to what might be expected, is not a zero-sum game. Financial constraints at this stage are such that some listed companies decide to quit the Stock Exchange because their losses begin to outstrip their profits;

- the enterprise may incur massive indebtedness in mergers and takeovers, which have been particularly prevalent since the start of the 1990s. Indebtedness forces the enterprise to seek high rates of return, to match the unprecedented demands of finance. If the company fails to improve its performance, its market capitalisation slumps and the indebtedness/capitalisation ratio deteriorates, creating a vicious circle. This in turn accentuates the requirement for swift increases in profits and reduction of debts, even if this means damaging long-term investment and research, with an eye to breaking the circle. As we shall see, inadequate investment and the constraint on capital appreciation constitute a difficult equation, which can be solved if the enterprise manages to slow down overall wage increases, secure an absolute reduction in its total wage bill through job adjustments, and increase its functional flexibility in order to secure swift improvements in labour productivity in isolation from wage increases.

Where the virtuous face of finance takes over from its parasitic face, its activities may be described as indirectly productive. In such cases, the development of finance is particularly “virtuous” in that it leads to an increase in notional wealth in cases of soaring market capitalisation: increases in notional wealth prompt households to increase their consumption and so open up an additional field where production capital can be put to work, as happened in the United States during the Clinton years. This precludes any unilateral interpretation of the finance–industry relationship as finance simply siphoning off industrial profits. Investment rates increase in tandem with indebtedness, facilitated by increasing corporate stock- and share-holding and increased market capitalisation.¹⁶

Where the assets purchased are abruptly devalued owing to falling Stock Exchange prices, indebtedness becomes a major obstacle to normal business: the debt becomes very difficult to service under these new conditions of asset dilution. This causes the company’s market price to plummet, which makes debt servicing even more difficult. This leads to a self-sustaining vicious circle, with an immediate effect on investment:

16. Although such indebtedness partly finances the increased investment, it is mainly triggered by the purchase of assets at high rates during merger operations. In such cases the development of finance promotes an increase in growth rates.

investment is curbed, assets are sold off cheaply, employees are made redundant and wages stagnate. This is what happened during President Bush's first term in the Oval Office, but also in France and most other European countries, with the negative effects of market crashes on investment, research, wages and flexible labour organisation, particularly in sectors dealing with such new technologies as telecommunications.

b. The shareholder overshadowing the employee: the consequences for flexibility

In a context of marked volatility on the money markets, the financialisation of enterprises has three interlinked effects: on competition between financial and industrial capital, on the distribution of income and, last but not least, on flexibility. Let us examine these three effects.

Firstly, the increasing role of finance in industry is reflected in a different mode of profit-sharing, to the advantage of finance. The rise in the proportion of profits derived from overall value added, as a direct result of the higher constraints imposed on capital appreciation, primarily whets the appetite of financial capital, leaving the share of profits for industrial capital in Europe insufficient for any substantial increase in the rate of gross accrual of the capital tied up in industry. So we are witnessing a threefold trend: an increase in the proportion of financial profits within overall profits, a general expansion in profits, and a relative regression in industrial profits net of the financial component. This threefold development is leading to industrialists and financiers finding their interests in opposition, to such an extent that some industrial groups are attempting to shake off these constraints by leaving the Stock Exchange. This opposition has definite effects on the more traditional opposition between the world of capital and the world of work, as we shall see below.

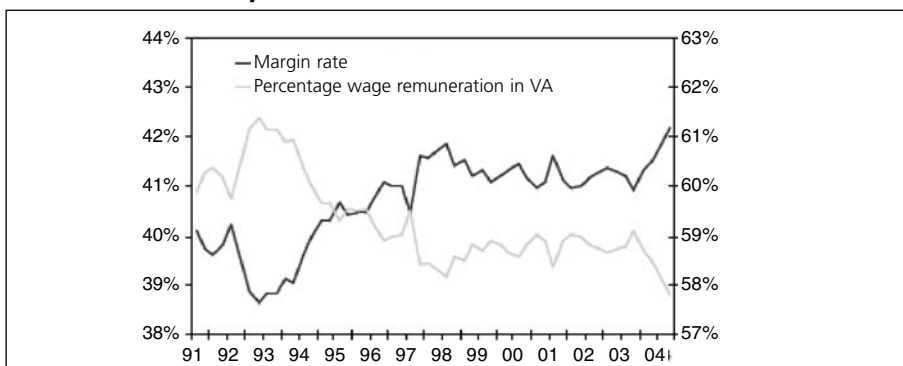
Secondly, corporate financialisation is leading to a trend towards bipolarising income, eroding a section of the middle-income strata to the advantage of the upper-income bracket, a phenomenon which is plain for all to see in the United States and the United Kingdom. The finance-dominated expansion introduced in the 1990s is tending to change income structures to the advantage of the wealthiest 5 to 10 per cent of the population, who are seeing their income increase compared to overall earnings, while the income of the next highest 30 per cent is being split in two, with the higher earners following the same trend as the uppermost 10 per cent, albeit less dynamically, and the rest experiencing relative impoverishment. A major proportion of the middle-income bracket is losing its importance, and society is beginning to revert to something like the situation in the early twentieth century. This was the society of

the Great Gatsby, the hero of Scott Fitzgerald's novel, which, as Krugman reminds us, was a society characterised by a large number of employees working in the service of the wealthiest 5 to 10 per cent of the population. This reversion constitutes a major social regression, at variance with the social coherence which emerged partly from the advancement of the middle classes, and it is liable to undermine social cohesion. We shall re-examine this important point later.

Meanwhile, we might note that such a distortion in income distribution cannot fail to affect expenditure. To be precise, the ostentatious spending of the upper-income bracket is on the increase, prompting a huge increase in service prices (restaurants, hotels, and especially real estate), outstripping rises in price indexes and in savings. Savings are taking refuge in funds which are seldom or never used for investment, so that within this new system, paradoxically, the cost to non-financial enterprises of using the money markets is tending to outweigh the fresh funds they raise for investment, and many non-financial enterprises are now considering abandoning the Stock Exchange. Prioritising speculators and shareholders has a cost, as we shall see below.

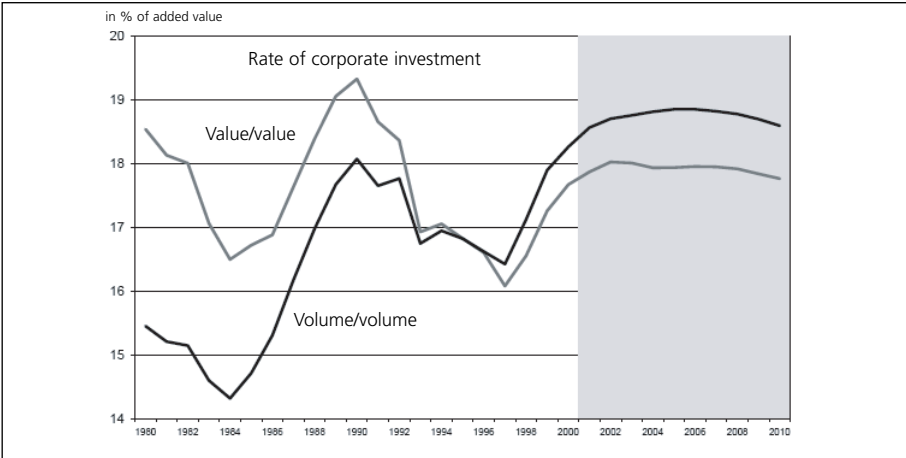
Thirdly, corporate financialisation is tending to disconnect the progress of real wages from labour productivity and to hasten changes to labour organisation within companies. To that extent it represents a break with post-war expansion. The disconnection of wages from productivity may be explained by the growing proportion of financial profits within overall corporate profits. Over the fairly long term we can observe a sizeable decrease in the proportion of wages within overall value added, and also marked investment volatility, as shown in the two graphs reproduced below:

Figure 6 – Wage evolution in value added (VA) and margin rates in Europe



Source: Eurostat. Calculs: BNP Paribas.

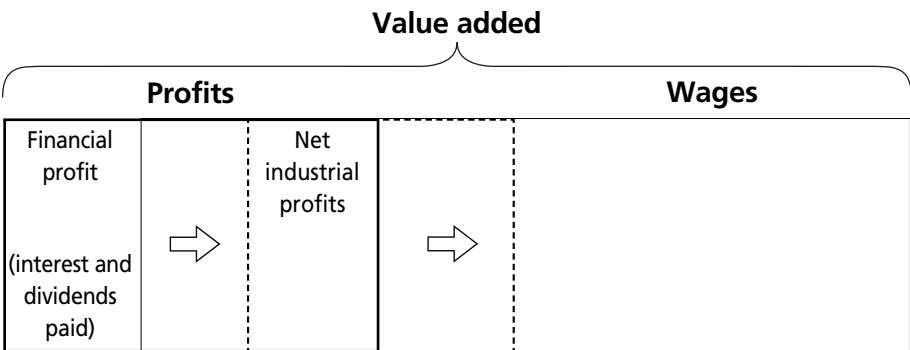
Figure 7 – Rate of investment in value and in volume in France



Source: OFCE (Observatoire français des conjonctures économiques) 2005

The expanding proportion of profits within the income distribution system has not generally benefited investment. The rate of investment has either remained steady in general, or else dipped slightly over the longer term while remaining highly volatile throughout. For instance, GDP growth, which has been low on average, is obtained on the basis of investment growth, which is either parallel to or slightly lower than that of value added. The increase in profits within value added has thus mainly served to finance corporate debt and to pay shareholders ever-higher dividends.

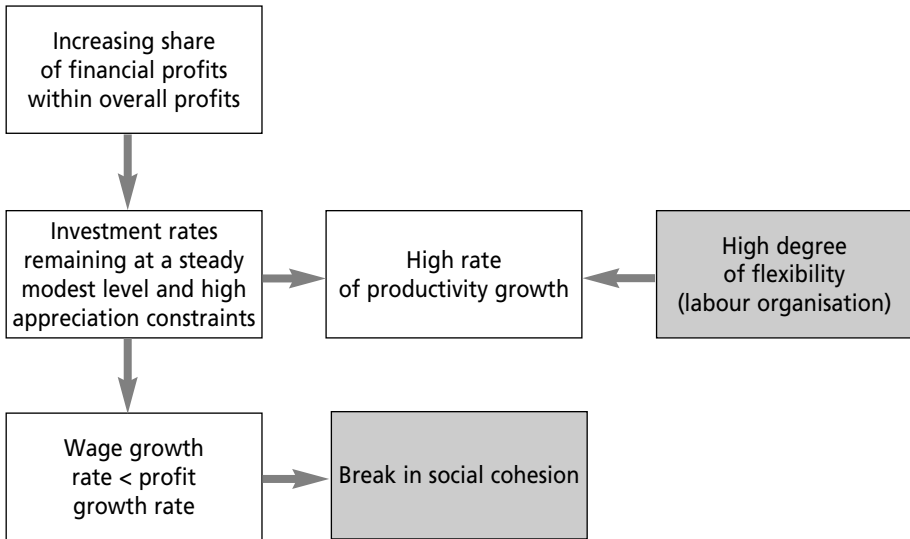
Figure 8 – The changing structure of value added



Growth, even slow growth, is therefore not the result of increasing investment rates. Consequently, the increase in profits within value added does not constitute tomorrow's investments, to use a now famous phrase. It is the precondition for the growth of financial income.

Nevertheless, growing profits are not just the outcome of wage moderation and a lowering of their proportion within overall value added. Even modest growth and modestly rising profits result from improvements in labour productivity and capital efficiency. And these can only be obtained through increased numerical and functional flexibility. Therefore, labour flexibility cannot be analysed solely on the basis of labour market and employment studies. The new operational methods can be explained by a new rationale for overall appreciation, characterising expansion systems which are increasingly dominated by the financial sector. Under this new rationale, it is not enough simply to curb wage rises: flexibility must also be intensified and must prompt an increase in labour productivity, leading to increasing profits within added value.

Figure 9 – Break in social cohesion



This increase in the share of profits within value added enables financial and industrial profits to coexist within overall profits. This means that industrial profits can only survive or increase within value added if the proportion of wages in the latter is greatly reduced. In order to understand the logic of this new mode of expansion, we must run the film backwards. We must start from the constraints imposed by the financial markets, and deduce the conditions for maintaining industrial profits in terms of both the reduction of wages within value added and increased labour flexibility. So it is no longer a two-player game between the world of capital and the world of work. Three players are now involved, viz financial capital, industrial capital and labour, and the game takes place

in the world of capital. In 2004 in France we witnessed a caricature of this situation with purchasing power falling, while profits were booming and dividends being handed out to shareholders. Things came to such a pass that the leading economist in the Ixis Bank felt moved to write that “capitalism is in self-destruction mode” (*Libération*, 3 March 2005). Without fully approving that sentiment, we cannot escape the fact that, when finance dominates, flexibility tends to increase and social cohesion to decline – at least initially. This “initially” can be a fairly long period, with considerable impact in terms of exclusion and attrition of the social fabric. However, it is also possible, if growth resumes and unemployment decreases, for such effects to be largely reversed, especially since many other factors are involved in a “return” to greater social cohesion.

Conclusion: what about social cohesion ?

Hamstrung by the neo-liberal constraints of the 1990s, against a background of growing internationalisation, the state is now having difficulty discharging its general duties (schools, health, justice and so on) and is allowing the market to develop many inequalities,¹⁷ by failing to provide sufficient safeguards against increasing social exclusion, visible in ghetto towns and districts, which foster moral and economic destitution and despair. Poverty and exclusion are no longer the preserve of unemployment: they are now developing in the world of work, especially in the casual sector. The difficulty of securing a decent wage, fatigue caused by increased flexibility and the widespread disaffection from work that fails to live up to expectations of job satisfaction all accentuate the feeling of two or three coexisting worlds, above and beyond any fine words about integration or belonging to a united body of workers. The sheer despair of increasing sections of the population can lead them to seek refuge in semi-religious, communalist set-ups, which are themselves likely to undermine social cohesion, fragment society and intensify violence. Differential access to rights is regarded by those who have been and are being excluded as a sign of rejection by those whom they consider well-off. A minority attempts to solve this problem by withdrawing from the rest of society, while others engage in violence against other people, but also against themselves (destruction of their own environment, which is already deficient in public and social services). Flexible morality thus takes root among some excluded young people, as a result of the fading of traditional reference models, and this has potentially disastrous effects on social cohesion.

17. The trend towards bipolarisation of income can be “concealed” under a stable Gini coefficient, whereby the Lorenz curve is distorted at both ends.

In the face of such expressions of social distress, the solutions increasingly used and paraded as the only effective approaches are to promote work of any kind – rather than unemployment allowances for jobless persons who are suspected of being shiftless parasites – and to prioritise repression over prevention. Behind such repressive policies lurks a philosophy that blames the welfare state for the rise of criminality. It accuses the welfare state of being permissive, of discouraging people from working or making any effort, and of condoning violence on the grounds of social under-spending. So this philosophy endeavours to instil guilt feelings into poor people¹⁸ and to replace welfare with “workfare” by requiring poor people to work rather than wait for social aid. Poor people who refuse to work and resort to violence to survive, in the absence of any form of social assistance, should be punished. This approach would ensure a move away from a deliberately underdeveloped social (welfare) state to a deliberately overdeveloped penal state. The lack of neutrality in this debate between prevention and repression is clear to see, and apparently technical questions (more social expenditure or more repression) disguise a debate on the type of society in which we wish to live.

Societies are only conceivable in terms of movement and change. Given that social cohesion is a process, it is under constant challenge. Where such movement or change might appear arbitrary and unfair to a large section of the population, social cohesion is weakened and fragmented.

Such fragmentation can be limited by ensuring that change is understood and accepted; but, if this is to happen, there must be participation and empowerment, not diktat. An increase in flexibility is not necessarily damaging to social cohesion if it is negotiated and not imposed, and if it is not geared solely to increasing shareholder and financier satisfaction to the detriment of labour. Only where flexibility is imposed rather than negotiated – for reasons strongly influenced by financial interests – do inequalities increase and wages more or less stagnate, while income from finance booms, hollowing social cohesion out from the inside. And it is because the flexibility currently striven after is seldom negotiated, and is even imposed in many European countries – partly as a result of financial domination of the production sector – that it undermines and hollows out social cohesion. However, it is also because social cohesion

18. According to R. Herrnstein, psychologist at Harvard University and author of the bestseller *The Bell Curve*, crime is the consequence of mental and moral depravity, which is prevalent among people with a low IQ, who are mainly the poor and destitute. This means that there is no point in reducing “natural” inequalities by means of social policies.

can only be apprehended in movement that this process may be considered not to be linear. The potential conflicts generated by the efforts to achieve flexibility and the glaring indecencies of inequality can also be conducive to social cohesion, since they raise the awareness of those involved in the struggles.

Social cohesion can only be understood in motion. A period of declining social cohesion may be followed by a period of consolidation, as long as growth, income and above all employment have been restored. So such decline is not irrevocable. Massive cuts in unemployment, increasing purchasing power, alleviating people's fears of losing their jobs and improving their career prospects can follow serious infringements of social and occupational *acquis*. This transforms the imposed flexibility, which undermined social cohesion, into its very opposite, a type of flexibility that is accepted because of the benefit of improved living standards. Such a reversal of trends is often seen as working to increase flexibility in countries where it has remained far below the levels reached in more prosperous countries, with virtually full employment and increasing real wages. And this is where economics is faced with one unavoidable ethical choice: does the expectation that a decision to increase flexibility, at the risk of severely undermining social cohesion, might be economically efficient in the long term force us to agree to sacrificing a whole generation of workers, who would initially be forced into increasingly casual, badly paid, demeaning jobs? Or should we opt for negotiation in order to secure acceptance of the required flexibility at the risk of a slight drop in efficiency in the short term, but with the advantage of preserving social cohesion?

Bibliography

Askenazy, Ph. (2003), "Partage de la valeur ajoutée en rentabilité du capital en France et aux Etats-Unis: une réévaluation" *Economie et statistique*, Nos. 363, 364 and 365, INSEE.

Askenazy, Ph. (2005) "Sur les sources de l'intensification", *Revue économique*, Vol. 56 (2), pp. 217-36.

Barbier, J.C. (2002), "A survey of the use of the term *précarité* in French economics and sociology", Working Document No. 19, available at www.cee.-recherche.fr.

Barbier, J.C. (2004), "A comparative analysis of 'employment precariousness' in Europe", working document, mimeo.

Barbier, J.C. (2004), "Citizenship, flexibility and the diversity of approaches to active social protection in Europe", working document, mimeo; Council of Europe.

BNP Paribas (Nov. 2004), *Allemagne: vers une flexibilité accrue du marché du travail*.

Gautié, J. and Nauze-Fichet, E. (2000), "Déclassement sur le marché du travail et retour au plein emploi" ('Downgrading of posts on the labour market and return to full employment'), in *Plein Emploi, Conseil d'analyse économique*, No. 30.

Germe, J.-F. (ed.) (2003), "Les mobilités professionnelles: de l'instabilité dans l'emploi à la gestion des trajectoires" ('Occupational mobility: from unstable employment to career management'), Report of the workshop on occupational mobility by the Group on *Prospective des métiers et qualifications* ('Trade prospects and qualifications'), La Documentation française, February, p. 126f.

Gollac, M. (2005), "L'intensité du travail, formes et effets", *Revue économique*.

Goux, D. (2000), "La place des CDD et des CDI dans le fonctionnement du marché du travail" ('The place of fixed-term and permanent contracts in the operation of the labour market'), in *Plein Emploi, Conseil d'analyse économique*, No. 30.

Hirata, Lautier and Salama (eds) (1998), "Les transformations du travail" ('Labour transformations'), *Revue Tiers Monde*, publ. PUF, No. 154.

L'Horty, Y. (2004), "Instabilité de l'emploi: quelles ruptures en tendance?" ('Job instability: the underlying breakdowns'), Working document, *Les papiers du CERC*, No. 01.

Michon, F. (1987), "Temps et flexibilité, le temps de travail dans le débat sur la flexibilité" ('Time and flexibility: working hours in the debate on flexibility'), in *Cahiers économiques de Bruxelles*.

OFCE (2005), "Pressions dominées: perspectives 2004-2005 pour l'économie mondiale" ('Dominating pressure: prospects for the global economy 2004-2005'), *Revue de l'OFCE*, No. 91.

Ortega, J. (2004), "Le marché du travail français dans (ou à travers) le mirage britannique et espagnol" ('The French labour market as mirrored in Britain and Spain'), working document, *Les papiers du CERC*, No. 02.

Plihon, D. (2001), "L'émergence du capitalisme actionnarial" ('The emergence of shareholder capitalism'), *Ecoflash* No. 154.

B – Flexibility, job insecurity and the welfare costs

I – The welfare costs of job insecurity: psychological well-being and family life

*by Brendan J. Burchell*¹

Introduction

Developed countries experienced an increase in job insecurity over the last quarter of the twentieth century. Many reasons are given for this increase, such as the oil shocks in the 1970s and the increased intensity and competitiveness of global trade in the 1980s and 1990s. There has been much speculation, and some research, on the economic consequences of this increased job insecurity (Aaronson and Sullivan, 1998). It may have benefited flexibility and competitiveness, and reduced wage inflation. This chapter concentrates instead on the welfare consequences for individuals and their families when an increased proportion of the labour force were worrying about the future of their jobs. It is concluded that job insecurity carries with it a considerable social cost that no country can afford to ignore.

All industrialised countries experienced sizeable upheavals in their labour markets from the mid-1980s onwards, and one of the most significant recurring themes in this upheaval was the reduction of employee security (OECD, 1997, 2003). In this chapter I address three principal questions about job insecurity, from the perspective of social psychology. First, is job insecurity stressful? If so, who is affected by stress, and why? Second, how does job insecurity influence the motivations and attitudes of employees? Does it make them more disciplined and hard-working, or less motivated and satisfied? And third, how does job insecurity affect domestic and family relationships beyond the workplace?

In the 1970s and 1980s the main concerns of politicians, academics and the media centred firmly on the new distribution of work, and the sudden and

1. This paper draws upon a paper published in 2000 for the Employment Policy Institute that was co-authored by Dr Jane Nolan and Dr Ines Wichert. Research for recent contributions to the debate was conducted by Daiga Kamerade. I should also like to thank Dr Ilona Alexander for assistance with editing.

dramatic rise in the rate of unemployment. The marked human misery associated with unemployment was widely researched (Warr, 1987; Feather, 1990). Over the past two decades, however, attention has switched to less obvious – but perhaps more pervasive and ultimately more damaging – changes associated with job insecurity. There is now a large international literature which links job insecurity to its individual and social costs, and this chapter will describe and synthesise this body of work.

There are considerable differences between countries in the levels of job insecurity reported by their workforces. The OECD's report on job insecurity in the 1998 Economic Outlook presents comparable figures on the number of employees who feel insecure. On an index of job insecurity based upon employees' responses to four questions in 1996 (e.g. "Are you frequently worried about the future of your company?" and "How satisfied are you with your job security?") the 21 countries surveyed scored an average of 44, but there were several countries considerably higher than this, for instance Japan (56), the UK (54), France (53) and the USA (52).

It is important to emphasise that, for the effects reported here, one is not so much interested in issues of objective stability in the labour market (as measured, for example, by turnover or tenure) but by individuals' perceptions of the risk they may lose their job, or lose valued features of their job. As I have argued previously (Burchell, 2002) there are situations where individuals may actually stay in jobs longer because they are worried about their security, and thus want to retain what seniority and rights to redundancy they have. Furthermore, analyses of both job insecurity and tenure or turnover (e.g. OECD, 1997) have found that labour markets with high average tenures can often simultaneously have high levels of job insecurity; the two are not strongly correlated. However, subjective job insecurity might be related to types of objective insecurity, like income insecurity, working-time insecurity and other work-related insecurities proposed by Standing (1999) and Greenhalgh and Rosenblatt (1984).

Some studies have attempted to correlate objective features of labour markets with individual employees' psychological well-being. The first attempt at such an analysis was by Dooley, Rook and Catalano (1987). They surveyed 4 000 principal wage earners in the USA. The employee's self-reported job security was strongly related to their psychological well-being (using a symptom checklist). However, the researchers went further and estimated a crude measure of job insecurity for each employee, using

the growth or contraction of employment in each respondent's locality at the time that the employee was interviewed. They did find a correlation. It was weaker than the correlation with the subjective measure of job insecurity, but this may have been an artefact of measurement error.

Preuss and Lautsch (2002) found that job insecurity reduces both job satisfaction and commitment. But they only found these relationships with subjective measures of job security, not with formal policies adopted by organisations to decrease job insecurity.

Clark and Postel-Vinay (2005) take a different approach and examine the relationship within certain countries between employment protection legislation (EPL), generosity of unemployment benefit and the level of satisfaction with job security. They conclude that relatively more generous unemployment benefits increase job security, but if anything EPL decreases job security. This is somewhat surprising, given that much EPL is there presumably to promote a sense of security in the workforce. But, as the authors note, EPL dissuades employers from hiring as well as firing, so it perhaps has a net negative effect on job security. It is also possible that the relationship here is spurious, as governments react to heightened job insecurity with EPL. Alternatively, since EPL measures are very varied, some legislation may have beneficial effects on job security and some may have a negative effect.

Putting this evidence together, it is still the case that subjective experience of job insecurity does react to objective changes in the labour market, but it is not clear what objective changes those are. It seems likely from this limited evidence that the rate, or perhaps a change in the rate, of unemployment is important, as is the level of unemployment benefit, but that EPL is (if anything) negatively related to job security.

De Ruyter and Burgess (2003) explored the paradox that in the UK and Australia job insecurity has risen despite a decline in unemployment. They concluded that, even though people are less threatened by the possibility of becoming unemployed, other types of job insecurity have increased. They argue that the growth of general job insecurity is related to the increased unpredictability of working hours (more people working small or very large number of hours), the declining power of trade unions and increased wage inequality:

Employment is becoming more fragmented and ambiguous, voice and representation are declining, those at the low end of the earnings distribution are making no real progress, hours for full-time workers are becoming longer and more unsocial,

and work is intensifying. While the quantity of jobs and the quantity of work continues to expand, the quality appears to be declining. (De Ruyter and Burgess, 2003: 230)

The authors argue that governments' attempts to make labour markets more flexible have led to a shift in power from employees to employers and therefore a reduction in job security.

1. Changes in levels of job insecurity

The USA is better provided with statistics on job insecurity than most other industrialised countries, as the same questions about job insecurity were asked in the General Social Survey (GSS) on 13 occasions between 1977 and 1996. With average sample sizes of about 10 000, this gives a useful series of snapshots of the US workforce over two decades. The OECD had to use much less reliable data in making international comparisons, and there is good evidence to suggest that their data are seriously flawed (Burchell, 2002). Aaronson and Sullivan (1998) provide a very useful and revealing analysis of the GSS data. Firstly, there is little evidence to suggest a sharp rise in job insecurity over those two decades, despite the sharp increase in the attention given to job insecurity in the media and learned journals. But there is plenty of evidence for a re-distribution of job insecurity. As a general rule, until the 1970s job insecurity was correlated with other forms of labour market disadvantage, such as blue-collar work, ethnic minorities and non-graduates. In the mid-1990s this polarisation had either been reduced or completely disappeared.

Other countries where the composition of the insecure workforce has been analysed have shown similar findings, but, if anything, more extreme. In a comparison of British datasets, for example, professional workers went from being the most secure set of occupations in 1986 to the most insecure in 1997. There is also strong evidence in the UK that there was little change in aggregate levels of job insecurity from the mid-1980s to the mid-1990s (Burchell, 2002). There was, however, a sizeable increase between the early 1970s and the mid-1980s, corresponding to the oil shocks and then the massive increase in unemployment between 1979 and 1982 at the start of the Thatcher administration (Burchell, 1999; Felstead, Green and Burchell, 1998).

While differences in job insecurity between different occupational groups have become less remarkable, recent evidence from Spain suggests that workers in lower occupations are still more exposed to job insecurity. For example, Borell, Muntaner and Benach Artazcoz (2004), using a stratified

sample of Barcelona residents, found that there are still statistically significant differences in job insecurity between social classes (defined in this study by ownership and control over production assets). Unskilled and semi-skilled workers, as well as skilled workers, had the highest levels of job insecurity. Similar finding in differences in job insecurity among different groups are reported by Näswall and De Witte (2003). They demonstrate that in Belgium, the Netherlands, Italy and Sweden manual workers, older employees, contingent workers and those less educated experience higher levels of job insecurity. Despite serious biases in the interpretation of these data (Burchell, 2002), OECD *Employment Outlook 2003* (OECD, 2003) still argues that subjective perception of job insecurity rose from 1986 to 1997 in many OECD countries even though “objective job insecurity” or labour market stability (length of tenure, income reduction following job loss) remained relatively stable.

However, one cannot ignore evidence that suggests that, in some European countries, objective job insecurity has indeed increased. For example, in France, the risk of involuntary job loss, especially in industries that have a larger proportion of R&D workers and among users of new technologies, increased in the decade from the mid-1990s (Givord and Maurin, 2004). Similarly, in Spain, job insecurity increased from 1987 to 2003 (EFIWLC, 2004). But Green’s 2003 analyses of British data suggest a decline in job insecurity between 1997 and 2002, accompanying the decline in UK unemployment over that period.

What is more difficult to explain is why job insecurity has stayed high even as unemployment has fallen and stayed at relatively low rates in the UK and USA for the past few years. This seems to suggest that job insecurity is not simply a passing phenomenon linked to the economic cycle and unemployment, but has stabilised at higher levels than in the 30 years following the Second World War. Maybe the increase in experienced job insecurity, despite reduced unemployment, can be explained by increased earnings insecurity. Nickell, Jones and Quintini (2002) indicate that although the likelihood of job loss for working males in the UK has not increased since the 1980s (except for low-level non-manual workers), there has been an increase in earning insecurity. Costs of unemployment (the probability of being forced to accept a lower-paid job) have increased since the 1980s, particularly for older and highly skilled employees. In addition, for about 30 per cent of the continuously employed, the probability of experiencing a 10 per cent fall in their real wages has increased. The increase in earnings insecurity is not concentrated only in declining sectors.

All the evidence considered so far has concerned countries based on market economies for several decades. However, the most extreme changes in job insecurity have occurred in the transition economies, going from guaranteed employment to mass unemployment and prolonged uncertainty about their economies. And the effects of job insecurity have been far more extreme in these countries, including reductions in fertility and in male life expectancy. However, there has been little systematic research on the distinct contribution of job insecurity to the social costs of these transitions.

2. Job insecurity and psychological well-being

A large body of international research now exists which documents the effects of job insecurity on the individual's psychological health and well-being. In this section of the chapter, I review this international research evidence. I then examine what makes the experience of job insecurity so stressful and consider demographic, social, personality and workplace moderators of reactions to job insecurity. Before concluding this section, I will have a brief look at possible stress management strategies in the experience of job insecurity.

In this section, I am primarily concerned with the effects of job insecurity on psychological well-being, which Van Vuuren *et al.* (1991) define as an umbrella term for a number of emotional and cognitive states, including a person's mental health, happiness, work and life satisfaction. Signs of decreased psychological well-being can include increased levels of anxiety and depression, a sense of uselessness, lack of self-confidence, and dissatisfaction with oneself and one's environment (Warr, 1987). In studies of job insecurity, psychological well-being is measured with a wide range of self-report scales and indicators. Examples include the General Health Questionnaire (GHQ), job and life satisfaction measures and global measures of health, like the SCL-90-R. These scales tend to measure symptoms of anxiety and depression, such as loss of sleep through worry, feeling depressed, finding life a struggle, losing confidence in oneself and being unable to face up to problems. They do not ask about health in relation to the job or any other specific situation, but are rather context-free measures of general health. They have been validated against a number of other measures, from interviews with medical practitioners through to mortality; those who score highly on such measures experience significantly higher levels of premature death than those who score in the "normal" range. The GHQ is the most widely used such measure in the organisational psychology research field.

The majority of research in this area is conducted in a stressor–stress–strain framework, where job insecurity is conceptualised as the stressor, or source of stress, which can lead to the experience of stress, which in turn can lead to psychological, behavioural or physiological strains. The latest definitions of stress take a psychological approach, in which stress is conceptualised as “a particular relationship between the person and the environment that is appraised by the person as taxing or exceeding his or her resources and endangering his or her well-being” (Lazarus and Folkman, 1984). These psychological models of stress have now gained widespread acceptance (Cox, 1993).

a. Cross-sectional evidence on the effects of job insecurity on psychological well-being

The majority of studies looking at the effects of job insecurity on psychological well-being are cross-sectional in nature and show a negative relationship between job insecurity and psychological well-being. This means that increased levels of job insecurity are related to decreased levels of psychological well-being. For example, in a sample of 201 employees (about 50 per cent male) from two US manufacturing companies, Kuhnert *et al.* (1989) found that perceptions of insecurity were related to increased levels of depression, anxiety, obsessive-compulsiveness and anger-hostility, as well as to increased difficulties in interpersonal relationships and increased somatic complaints such as headaches, aches and pains, numbness and weakness. Negative effects of job insecurity have also been found with respect to job satisfaction (Lim, 1996), various psychosomatic complaints (van Vuuren *et al.*, 1991), mood (Barling and Kelloway, 1996), and sleep disturbances (Mattiasson *et al.*, 1990), and more recently Tivendel and Bourbonnais (2000) found a significant relationship between neuroticism and job insecurity.

In a recent study of 141 male and 185 female employees from 20 UK organisations, Burchell, Ladipo and Wilkinson (2002), in keeping with the above results, found that increased levels of job insecurity – measured, for example, through the question ‘How secure do you feel with your present employer’ – were related to decreased levels of psychological health, as assessed by the GHQ, decreased levels of positive affect at work and increased levels of negative affect at work.

All these studies are based on different occupational groups and are not representative of the working population as a whole. In Britain, a large-scale representative sample is available through the British Household

Panel Study (BHPS). The BHPS is a longitudinal survey of about 5 000 randomly selected British households, in which all adult members in each household were interviewed on various aspects of their working lives over five data collection waves between 1990 and 1995. In an analysis of the BHPS data, Burchell (1997) reports that for each of the five data collection waves, there was a highly significant, positive relationship between satisfaction with job security and psychological well-being, as assessed by the GHQ. The relationship between lower satisfaction with job security and poorer health was still present, even when demographic variables and other aspects of job satisfaction had been controlled for. However, Burchell found that the relationship between satisfaction with job security and psychological well-being was weaker for women in part-time employment, and that respondents with higher levels of education were more susceptible to job insecurity. This means that when respondents with higher levels of education felt secure, they reported better health than those with lower levels of education, but when they felt insecure their reported health was worse.

The problem with cross-sectional evidence is that no cause–effect relationship can be established. While it is generally accepted that increased levels of job insecurity lead to decreased levels of psychological well-being, it is also plausible to argue that it is decreased psychological well-being that leads to an increased subjective perception of job insecurity. The affected employee might fear (rightly or wrongly) that his or her decreased health status would make him or her the next on the list for redundancy. There is, however, a growing number of longitudinal studies which support the findings from the cross-sectional studies mentioned here. One of these studies, the Whitehall II study in the UK by Ferrie *et al.* (1995), is of particular interest because it constitutes a ‘natural experiment’ in that baseline data were collected in a period of job security, and repeat data were gathered when jobs had come under threat from privatisation plans. In this study, Ferrie *et al.* investigated the effects of job insecurity in 10 308 London-based civil servants. The initial screening showed that employees in departments to be privatised (unknown to the employees) reported better health overall than those in the other departments. However, once privatisation plans and the threat to jobs had been announced, the affected employees reported an overall deterioration in health compared to employees unaffected by the privatisation plans. This deterioration in health was significant for self-rated general health, number of symptoms experienced over the past two weeks and number of health problems over the last year (all significant for men) and number of symptoms reported (significant for women).

Kinnunen, Feldt and Mauno (2003) used a cross-lagged correlation design over a one-year period with a Finnish sample to investigate the causal direction of the relationship between self-esteem and job insecurity. Rather than finding a simple uni-directional relationship, they found evidence of a reciprocal relationship between job insecurity and self-esteem. On the one hand, higher job insecurity was a predictor of lower self-esteem and on the other hand, low self-esteem was a significant predictor of higher job insecurity. The results were thus inconclusive regarding the causal mechanisms, but suggest that low self-esteem may be a factor in perpetuating job insecurity.

Longitudinal studies serve not only to confirm cross-sectional evidence, but also to investigate the effects of chronic job insecurity, that is, experienced over a prolonged period, sometimes over a number of years. It could be argued that harmful stress is most likely where there has been a sudden and unexpected reduction in job security, and that employees might adjust to insecure work over time without any negative consequences for health and well-being. An alternative view, however, suggested by current models of stress, would be that persistently high levels of insecurity are more likely to result in illness as the individual's capacity to cope with the stressor becomes exhausted over time (Lazarus and Folkman, 1984).

The empirical evidence indicates that the latter is the case: prolonged experience of job insecurity leads to increasingly impaired psychological well-being. Heaney *et al.* (1994) examined the effects of job insecurity in a sample of 207, mainly male, car manufacture workers in the USA and found that chronic job insecurity was predictive of changes in job satisfaction and physical symptoms over time, over and above the effects of job insecurity at any one time. In addition, Burchell (1997), using BHPS data, found that the well-being of those in insecure work continued to decline throughout the period of insecurity, a finding not reproduced among the unemployed, for whom well-being tends to bottom out and stabilise or even improve slightly after a period of about six months (see also Dekker and Schaufeli, 1995).

These findings from both cross-sectional and longitudinal studies are a powerful demonstration that, under certain circumstances, being in employment can be as stressful as – if not more stressful than – being unemployed, which has been widely shown to be detrimental for psychological health and well-being (Warr, 1987; Dooley and Catalano, 1988). Ferrie *et al.* (1995: 1269) conclude that “the increasing levels of

job insecurity, created by changes in the nature of employment relationships, may lead to greater ill-health in the general population, beyond the direct effects of unemployment”.

b. Why is the experience of job insecurity so stressful?

One of the defining characteristics of job insecurity is the experience of uncertainty and ambiguity (Barling and Kelloway, 1996; Heaney *et al.*, 1994; Joelson and Wahlquist, 1987; Jacobson, 1987; Roskies and Louis-Guerin, 1990). Lazarus and Folkman (1984) talk about the stressfulness of “event uncertainty”, which they define as the “likelihood of an event occurring”. High levels of such uncertainty can have paralysing effects on the coping process. Warr (1987) supports this position by pointing out that predictability is important for the coping process, since it allows for the nature and timing of potentially noxious events to be anticipated. Ambiguity, or the lack of situational clarity, can decrease a person’s feelings of control and increase feelings of helplessness. Employees who experience job insecurity do not know what to cope with, since they do not know what to expect. The lack of control over the situation does not give the worker the chance to combat the experience of job insecurity (Dekker and Schaufeli, 1995). Reduced ability to plan and control one’s life in the experience of job insecurity may also add to the stressfulness of the experience (Burchell, 1994). Joelson and Wahlquist (1987, p. 179) describe the experience of 20 male Swedish shipyard workers under threat of job loss as follows: “It is a period of agony of varying strength. Rumours about possible decisions and actions are circulating. Reliable information is not available. You have to decide whether you should try to look for another job or not. Sometimes you have too little to do. You hover between hope and despair.” They found that due to the prolonged uncertainty the anticipatory phase (the period of insecurity) was perceived to be the most strenuous phase of the unemployment process.

Dekker and Schaufeli (1995) point out that the certainty about one’s job situation, even if it is the unpleasant certainty of having been made redundant, is less detrimental to workers’ psychological well-being than a situation of prolonged job insecurity. Event uncertainty *per se* – that is, the subjective probability of an event’s occurrence – may be a greater source of anxiety and tension than the event itself (Lazarus and Folkman, 1984). The number of studies that show that the anticipation of, or concern about, future job loss may be as traumatic as unemployment itself, is substantial and growing (Roskies *et al.*, 1993).

An additional factor identified by Jacobson (1987) is that, in contrast to unemployment, job insecurity is of minimal social visibility. This means that, unless there is strong evidence of imminent job loss, the affected employee is expected to continue working as usual. The insecure worker may therefore have no special status and no opportunities to express dissatisfaction or seek help, which can add to the experienced stress.

Furthermore, a threat to the continuation of one's job means a threat to important "identity-formatting factors" (Joelson and Wahlquist, 1987), such as the provision of regular activities and the structuring of the day into working and rest periods, the contact and interaction with people at work and the definition of personal status. Kuhnert and Palmer (1991) examined how well intrinsic and extrinsic work characteristics predicted perceptions of job insecurity in a sample of 56 male and 48 female public sector employees in the USA. They found that, overall, intrinsic work characteristics (such as intrinsic work reward satisfaction, work involvement, intrinsic job motivation) were stronger predictors than extrinsic job factors (such as pay satisfaction or work conditions). They concluded that the threat of job loss is more than a threat to workers' financial security and can be regarded primarily as a threat to their sense of identity. This study, together with findings from two previous studies (Kuhnert *et al.*, 1989; Kuhnert and Vance, 1992), further led Kuhnert and co-workers to conclude that people who define themselves mostly through their jobs are more likely to suffer from decreased health and well-being when they perceive that their jobs are under threat. So, clearly work as an identity-formatting factor is very important.

Finally, in times of economic instability and insecure employment, generally poor working conditions are tolerated due to the lack of alternative jobs. These poor working conditions add to the stressful experience of job insecurity. Long hours, arduous conditions and poor-quality work are all conditions that add to the stress of insecure employment (Sutherland and Cooper, 1988).

c. Workplace moderators of reactions to job insecurity

There is now a considerable literature on moderators to job insecurity – in other words, what makes some individuals better able to tolerate job insecurity than others. The research on differences by gender, age, personality and support networks is beyond the remit of this chapter, but the research on how some companies cope better than others is important

in the search for new policies to cope with the harmful effects of job insecurity.

A study by Kuhnert and co-workers (1989) examined the relationship between perceived job insecurity and employee health in two manufacturing organisations in the USA. They used a multidimensional measure of perceived job insecurity with five sub-scales – company concern for the individual, job permanence, job performance, company growth and stability, and long-range perspective – together with a global measure of employee health with four sub-scales: depression, anxiety, interpersonal sensitivity, and somatisation (which refers to somatic complaints such as headaches, aches and pains). When they examined the data at a global level, they found that there was a relationship between job insecurity and psychological well-being for employees in both organisations. Furthermore, they found that there were no significant differences in the overall ratings of perceived job insecurity and health for the employees of the two companies.

However, when they looked at the data in more detail and examined the patterns of the different sub-scales, using canonical correlation analysis, they found a different pattern of results for the employees of the two organisations. In the first organisation, the job security canonical variate was primarily defined by the job performance sub-scale and was related to employee health, which was mainly defined by depression, interpersonal sensitivity and somatisation. In the second organisation, the job security canonical variate was primarily defined by long-range perspective, job permanence and company growth, and was related to employee health, which was mainly defined by depression. Employee characteristics were assessed and judged to be the same in both organisations, whereas management style and organisational climate were judged to be different. The first organisation was traditional and bureaucratic, and the second one was jointly owned by the management and the employees. Therefore, Kuhnert *et al.* concluded that organisational factors such as management style and organisational climate might moderate the relationship between job insecurity and well-being. The importance of organisational culture and climate has also been pointed out in Greenhalgh and Rosenblatt's 1984 model of job insecurity, which proposed that organisational culture influences employees' sense of powerlessness. Their work shows the potential importance of structural workplace factors, which to date have received almost no attention in the study of job insecurity.

d. Stress management in the experience of job insecurity

Having shown the detrimental effects of job insecurity, I now briefly discuss what can be done to reduce the stressfulness of the experience of job insecurity. As previously argued, one of the most stressful aspects of the experience of job insecurity is the uncertainty and ambiguity associated with it. Equally, the importance of retaining a sense of control has been outlined as important when dealing with a stressful situation. Barling and Kelloway (1996) state that, in the experience of job insecurity, informing individuals of the criteria to be used in making lay-off decisions can reduce any negative effects and increase individual perceptions of workplace control. Ashford *et al.* (1989) also emphasise the importance of information by stating that organisations ought to take steps to provide people with adequate information with respect to likely future outcomes, thereby reducing their job insecurity. Consequently, managers should set norms that promote asking for information or help with problem-solving and the sharing of worries and concerns. Encouraging information-seeking will only reduce job insecurity, however, if relevant information actually exists.

In a similar vein, Kuhnert and Palmer (1991) point to the importance of good communication. They refer to a study by Kuhnert and Lahey (1988), which found that employees in organisations that faced lay-offs due to work shortages felt more secure when they were aware of the criteria on which such decisions were based and when management gave them the information that was vital if they were to assess their own position in the organisation. A good example of wanting information can be seen in this quote from an employee in the financial sector in a study by Burchell *et al.* (1999):

And as far as insecurity is concerned, the thing there would be if there was better communication from the top downwards to tell people exactly what is going on, rather than letting rumours and snippets of information filter out. I think an open communication policy would be the most helpful thing.

The strategies outlined here are based on interviews with affected employees or have been inferred from findings that uncertainty, ambiguity and lack of information during periods of insecurity are perceived as stressful. However, none of these strategies has been tested with regard to their effectiveness in so-called intervention studies, which employ systematic pre- and post-intervention tests to assess the effectiveness of the intervention. Unfortunately, such studies are very rare in the occupational stress literature, and they are non-existent at present in the job insecurity literature.

3. Does job insecurity influence work orientation and motivation ?

There are numerous examples of employers attempting to increase motivation, performance or commitment by manipulating job security, but there is no consensus as to whether the relationships between job insecurity and these outcome measures are positive, negative or non-linear. A common assumption amongst economists is that the threat of dismissal is one of the main tools available to employers to ensure that poor performance is eradicated, and the alleged positive effects of privatisation or downsizing have been cited in support of this belief. Conversely, a number of UK companies, such as United Distillers, Blue Circle and Welsh Water have recently offered increased job security to their employees as a means of boosting productivity (see Guest, 2000). The purpose of this section is to establish which of these competing assumptions has greater validity and to review recent research that has explored the link between job insecurity and the orientations of employees to their work.

There are at least two ways in which job insecurity might affect the performance of an individual employee. There might be a direct relationship, whereby an employee decides to work harder to maximise their chances of retaining their employment (or conversely work less hard, because they do not foresee any future in their relationship with their current employer). Or there might be indirect effects, such as job insecurity causing stress or dissatisfaction, which in turn increases (or decreases) productivity. I have already reviewed the literature that shows a link between job insecurity and stress, but the effect of that stress on performance is unclear. Sometimes it is theorised that stress and performance will be positively related, if stressors act as challenges or activators. Alternatively, stressors might act to interfere with performance. If these are both true, stress might enhance performance at low levels, but peak and thereafter have a negative relationship – the classic inverted-U shape relationship.

Abramis (1994) explored the relationships between stressors, strains, performance and job insecurity, and went beyond many other investigators by testing for both linear and non-linear relationships. With a sample of US employees, he measured stressors (role ambiguity, role conflict, job insecurity), strains (job dissatisfaction, anxiety, depression and the like) and performance (both social and technical, by self-report and from a "significant other"). His findings suggest that the relationships between the stressors and both the strains and the performance measures were linear and negative – in other words, the lower the level of stressors, the

better. However, if he had included other more positive stressors (such as demanding deadlines or high expectations), the findings might have been different. It is worth noting that job insecurity was found to have negative correlations with all the performance measures, and positive correlations with job dissatisfaction, anxiety and depression. However, being a simple cross-sectional design, one cannot with any confidence assert that job insecurity causes poor performance: poor performers might be well aware that their poor performance puts them at risk of job loss.

Most other research exploring the direct relationship between job insecurity and performance reports similar findings. Thus, Armstrong-Stassen's (1993) study of Canadian production workers facing a plant closure, but where some jobs would be transferred to other plants, showed a moderate correlation between perceived job security and self-rated level of performance. Rosenblatt and Ruvio (1996) also found a relationship in a sample of Israeli teachers, though the results were again based only on self-report, but the correlations were very low, showing an exceedingly weak effect.

As an alternative to measuring performance directly, several studies have used self-reported attitudes to work, such as job satisfaction and organisational commitment (Davy *et al.*, 1997) and organisational citizenship behaviours (Feather and Rauter, 2004). Much of this work has focused on the impact of redundancy – particularly the effect of redundancy on “survivors”, those who keep their jobs. Following on from similar research in the USA (Brockner, 1992; Brockner *et al.*, 1985, 1986), Horsted and Doherty (1995) surveyed 170 personnel in financial services, a sector where many of the major employers have been “right-sizing” through large-scale redundancy programmes. They found decreases in motivation, morale, confidence and loyalty and increases in stress, scepticism, anger and bitterness, which they labelled “survivor syndrome”.

Brockner's (1992) research arrived at similar conclusions, though he emphasised that the legacy of redundancy programmes was contingent on the way they were managed. Typically, companies provided careful assistance for those who were displaced, in the form of counselling and career guidance, but they ignored the survivors; but, if the survivors were kept informed and led to believe that the redundancy programme was carefully managed – and, most importantly, fair – then Brockner found that it could result in increased motivation among this group. Brockner *et al.* (1992) also found a non-linear, inverted-U relationship between job

security and work-effort in a sample of retail chain employees (survivors of recent redundancies) in the USA. Work effort was low for those with highest and lowest levels of job insecurity, but relatively high for those reporting moderate levels of job insecurity.

Hallier and Lyon's (1996) study of UK managers facing the threat of redundancy paints a more elaborate picture. Their sample of 42 men was selected by virtue of their contacting an employment agency following an announcement of imminent redundancies and they conducted five separate, semi-structured interviews with each manager over a 12-month period. The earliest interviews were in the period after the managers had received their warnings of impending redundancies. Widespread shock was characteristic of this stage, even though the managers had been aware of an ongoing "downsizing" programme, and had in many cases overseen redundancy among their subordinates. There was also a lot of searching for internal attributions for their own post having been chosen. Feelings of resentment, bitterness, anger and disbelief were commonly expressed during this period, as well as deep questioning of the trust they had placed in the employer. The managers' final psychological state was dependent, it was claimed, on their fate in the labour market. Some were relieved by sideways movements into other management posts; some were demoted into engineering jobs (often alongside their old subordinates); some were "out-placed" but soon found other jobs; and some remained unemployed for many months. In all but the relieved group, there was a deep questioning of the trust that had previously been taken for granted in their relationships with their employers. Most felt that they would never return to the previous high levels of commitment to their jobs (see also Hallier, 2000).

The evidence on the legacy of trust among survivors of redundancy programmes is therefore sparse, and suggests that the relationship is a complex one. It would be unwise to generalise from a small number of self-report studies on different types of employee, but it is important to consider the possibility that labour market insecurity may disrupt the tacit relationship between employer and employee. Many different traditions within the social sciences place great emphasis on the nature of the tacit understandings that govern the employment relationship, and it is frequently argued that violation of these understandings through reduced security may generate unforeseen, negative effects. For example, Alogoskoufis *et al.* (1995), in arguing against deregulating job security as a method of reducing unemployment, contend that security of employment lengthens the horizon of job-specific investment decisions

and so encourages training and human-capital development. Similarly, in the transaction cost or institutionalist literatures, the co-operation that comes more easily to the traditional employment relationship, and which can be contrasted with other types of market transaction, is sometimes judged to be the very *raison d'être* of firms (Hodgson, 1995). Once the relative permanence of that relationship is withdrawn, its very nature may change.

Another way in which this relationship between employer and employee has been conceptualised is as a “psychological contract” (Rousseau, 1998; Guest, 2000). The employee makes a commitment to the firm, over and beyond any contract that could be specified in a contract of employment. In return, the employee expects some reciprocation from the employer, for instance that the employer will care for the employee over and above any legal minimum. It is through this high-trust type of relationship that good employers have been able to maximise their performance. But if employees’ expectations of their job security are lowered, the nature of their psychological contract is called into question, and the trusting basis for the relationship is questioned. This may be particularly important for professional workers, who typically are responsible for monitoring not only their own productivity and quality, but also their own ethical standards.

Another indirect measurement of employees’ performance is organisational citizenship behaviour. Feather and Rauter (2004) found that teachers employed on a temporary basis, who experienced higher job insecurity, were more likely to report more frequent engagement in organisational citizenship behaviours (like taking work home, staying late, helping co-workers) than those who felt more secure. Although the authors argue that higher engagement in organisation citizenship behaviour might be due to hoping for promotion, it might be also that employees feeling more insecure tend to give more socially desirable answers.

This relationship between job security and employee performance has not been explored only from the perspective of the employee. Burchell, Ladipo and Wilkinson (2002) also asked managers about the effects of downsizing on motivation and morale. A majority of managers stated that the predicted savings from redundancy programmes had not been achieved because of the disruptive effects on the motivation and morale of the remaining workforce. One senior manager in a utility company even said that it had caused a double blow to his company’s efficiency, not just from its adverse impact on employee motivation levels but also

because line managers now had to spend a disproportionate amount of their time reassuring workers, listening to their fears and convening extra staff meetings, all of which reduced the time available for their other managerial duties.

Charles and James (2003a), interviewing employees from three different organisations, found that current and past job insecurity can make employees more committed to the workplace. However, at the same time job insecurity de-motivates and results in a more instrumental attitude towards work (work is not a central life interest, perhaps not even an important interest). Consequently, insecure employees stick to their jobs but are not very motivated to get deeply involved in them. Moreover, if employees have experienced unemployment, they may feel that commitment and effort are not rewarded and therefore may be less motivated to show high performance. Charles and James show that, for workers who feel they have control and who believe that good performance in work will be rewarded, job insecurity is less de-motivating than for those who feel they have no control.

There is also evidence that best practice human resource management (HRM) practices, such as higher job security, are associated with the sort of firms essential to continued economic growth, those investing in research & development or new technologies (Michie and Sheehan, 1999).

4. Job insecurity and family life

We have seen that job insecurity can influence the psychological well-being of the individual and their performance in the workplace; for the sake of clarity, much of this research focuses on the worker in isolation. Yet it is essential to appreciate that people are much more than just employees: they are members of broader communities and they have civic – as well as financial – investments and responsibilities. Research consistently demonstrates the importance of the successful interaction of employment, family, friendships and leisure for general psychological well-being (Haworth, 1997, Kahn, 1981). The focus of this section will be the particular interactions between job insecurity and family life. After attempting to define families and the different ways in which women and men experience them, I will briefly outline some concepts and theories used to account for the links between work and family. I will then examine evidence of the impact of job insecurity on both marital functioning and parent–child interactions.

So, how does one define a family at the turn of the millennium? Families are, and always have been, diverse in form. But this diversity is often evaluated using the 1950s sitcom standard, namely a white middle-class bread-winning husband, his home-maker wife and their two children. Yet, in the USA in 1996, 64 per cent of African-American children, 37 per cent of Latino children and 26 per cent of white children lived in a one-parent family, the majority headed by women. More mothers now work outside the home (usually part-time), increasing numbers of people are living alone, families are smaller than in the past and childbearing may occur later in life, if at all. More people cohabit before marriage (if indeed they do marry) and divorce rates rose consistently in the 1970s and 1980s before levelling off in the mid-1990s (US Bureau of the Census, 1997). However, while the nuclear family is not all-pervasive, attitudes to traditional sexual divisions of labour remain steadfast. In most Western countries, many continue to advocate family roles for women, particularly when they have young children. Pleck (1993) reports that, though men are taking on a greater share of child care and domestic tasks than they did in the past, they have not become engaged with the practicalities of family life to the same degree that women have become engaged with the demands of paid work. In this section, it is argued that adherence to the traditional division of labour in the household may exacerbate the stress associated with job insecurity.

Most research on the work/family interface tends to focus on the psychological spillover of negative work experiences into the family. Spillover, however, can be positive or negative, and can occur in either direction: that is, from family to work, as well as work to family. An alternative concept sometimes used is "compensation". This suggests that, if something is missing for an individual in their work role, it may be compensated for in out-of-work activities (Zedeck, 1992). While "spillover" and "compensation" are useful concepts, to use such sweeping terms may obscure the processes that underlie the transfer of experience from one area of life to another. Greenhaus and Beutell (1985) suggest that this transfer occurs in three distinct ways. First, the amount of time spent at work by definition reduces the time and energy available for family, potentially producing conflict. Second, work stressors can preoccupy the individual even when they are not at work, and this psychological strain can undermine family relationships. Third, the behaviour considered appropriate in one role may not be appropriate for another. For example, the emotional distance required in some workplaces may be unsuitable when interacting with children. More recently, Hughes *et al.* (1992)

have developed conceptual models that focus on the role of specific job characteristics, including job insecurity, on family-level outcomes.

Despite the complexity of defining family forms and the need for a more elaborate conceptual framework on the work/family interface, research on the interaction between job insecurity and family relationships has only been considered in two ways: how insecurity impacts on marital functioning, and how insecurity influences parent–child relationships. The effect of job insecurity on families who do not conform to the nuclear stereotype has not been examined. There is also little work on women’s insecurity and its relationship to parent–child interactions. Few studies look explicitly at how job insecurity influences parents’ relationships with each other; little research looks at ethnicity and job insecurity. It is probably a reflection of the standards and values that academics bring to the research process that such lacunae exist. Unfortunately, it is beyond the scope of this chapter, which is a review of the available evidence, to redress that imbalance. The rich research that has already been produced may help to throw at least some light on the family experiences of those who confront job insecurity in their daily lives.

a. Marital functioning

Firstly, as some evidence from Spain suggests, job insecurity can be a significant predictor of entering into first marriage. Golsh (2003), in an analysis of data from the European Household Panel Survey in Spain, found that Spanish men aged over 30 who experience high job insecurity are less likely to get married, especially those who are in temporary jobs. For women, job insecurity does not seem to be related with the likelihood of the first marriage.

Charles and James (2003*b*) demonstrated that men perceive job insecurity as a serious threat to their bread-winner’s identity even if the family’s financial well-being is not affected:

The man is the breadwinner. This is how you’re brought up anyway. If the man hasn’t got a job it’s not just the job insecurity, he feels less of a man, doesn’t he.
(Charles & James, 2003*b*: 257)

Moss and Brannen (1987) emphasise that men, as well as women, are often pressured into conforming to appropriate gender behaviours and can experience psychological difficulties when their traditional role is threatened. In this study, insecurity was perceived as a threat to the men’s “primary breadwinner” identity. Indeed, the working wives interviewed felt that it was their husband’s level of job insecurity, rather than their

own, that decreased their marital and family satisfaction. Many other studies have shown that wives can experience their husband's job stressors as psychologically distressing (see Rook *et al.*, 1991). One reason for this is that men often rely heavily on their wives to provide emotional support. This burden of care can become very stressful at times when the husband is experiencing extra, work-related stress. There is also some indication that the empathy a woman experiences for her husband may mean she often experiences his disappointments as if they were her own (Riley and Eckenrode, 1986; Belle, 1987). Mauno and Kinnunen (2002) found that there was only a modest association between job insecurity experienced by partners. Nevertheless they discovered that there is a crossover of perceived financial insecurity and job insecurity – if one partner experienced a high financial insecurity, his or her partner's job insecurity was higher as well.

Other research, however, has indicated that husbands can experience their wife's job insecurity as detrimental to marital satisfaction too. Larson *et al.* (1994) studied a stratified random sample of 111 couples, where at least one of each worked on a US university campus experiencing severe financial cutbacks. Their findings show that job insecurity was associated with reduced psychological well-being and marital satisfaction, not just in the employee but also in their spouse. Using self-report methods, they found that husbands' stress was significantly related to lower marital adjustment (such as agreements on family finances), less role clarity (for instance, agreement on family responsibilities) and less affectiveness (showing an interest in the spouse, say). For wives, all these outcomes were significant, along with poorer communication, decreased problem-solving and reduced behaviour control ("breaking the usual rules"). Wives therefore experienced a greater range of marital dissatisfaction than did their husbands. Further evidence of the effect of employee job insecurity on partners was found in a study of 500 manual and lower-grade non-manual workers in Finland (Kinnunen and Mauno, 1998). For this group, moderate levels of job insecurity led to increased work effort, which meant participants experienced more family/work conflict than usual. The effect held for both male and female employees. The researchers explained this by reference to social expectations in Finland, namely that women and men should participate equally in the workplace, and therefore one would expect conflicts to be experienced equally by both sexes.

The specific psychological mechanisms by which job insecurity creates conflict at home tend to be overlooked in many studies. However, Barling

and Macewen's (1992) research shows that job insecurity can affect particular aspects of marital functioning. Using self-report measures in a random sample of 180 married couples in Canada, at least one of whom was employed, they found that, while job insecurity had no direct effect on marital satisfaction, it was significantly correlated with reduced concentration (cognitive response). This, in turn, was correlated with depression, reduced marital satisfaction, reduced sexual satisfaction (affective responses) and increased psychological aggression (behavioural response). This study is interesting because it begins to unpack particular aspects of psychological well-being and family functioning that are influenced by job insecurity. It seems unique in this respect.

The research evidence reviewed demonstrates quite clearly that job insecurity interferes with spouse relationships. There is also some evidence that insecurity is associated with marital dissolution. Using data from 943 interviews drawn from a survey carried out in the UK during 1986, Lampard (1994) found that being in an insecure job at the time of marriage was associated with a significantly greater risk of marital dissolution later on. Lampard does not consider precisely why this should be, as his main concern is with the relationship between male unemployment and divorce. Nevertheless, he does suggest that, as the psychological stress associated with insecurity may be similar to that experienced in unemployment (see Burchell, 1994), it is possible that it is the increase in stress that heightens the risk of divorce. Lampard is, of course, not so naive as to suggest that insecurity and unemployment are universal triggers for marital breakdown. He duly acknowledges the considerable literature which demonstrates that male unemployment, on which the bulk of the research is based, is often disruptive only to those couples who were relating poorly before the onset of unemployment (see Mattinson, 1988).

Indeed, research carried out during and after the 1930s depression in the USA suggests that the presence of certain family characteristics such as adaptability, cohesion, and willingness to take on non-traditional family roles can actually buffer families against strain during periods of economic uncertainty and unemployment. This longitudinal research followed 185 Californian children born during 1920 and 1921 through to their sixties. Using questionnaires, and, in the early stages, interviews with parents, Liker and Elder (1983) suggest that it is families who are more rigid in their outlook on task division in the household who are more likely to experience marital breakdown when the husband's job is insecure. More recently, Hughes and Galinsky (1994) studied a sample of

523 married full-time employees from a major US company and found that high pressure for output combined with job insecurity led to marital tension, particularly when there was little spouse support in the performance of household tasks. Once again, these studies demonstrate the deep interdependence of work and family life; they also underline the importance of perceived equity in the sexual division of labour as a moderator of life satisfaction.

But it is not just lack of support in the home that exacerbates the tension associated with job insecurity. Unsupportive workplaces play a role too. Galinsky and Bond (1996) examined self-report data from a nationally representative sample of 2 958 US employees. In their study, those parents who came off worse in insecure, high-pressure environments were those in unsupportive workplaces, where supervisors and colleagues were unsympathetic to their caring responsibilities. However, not all workplaces are intrinsically hostile to families. In the National Study of the Changing Workforce, a research programme that surveys representative samples of the US labour force every five years, Bond *et al.* (1997) claim that, generally speaking, American workplaces are becoming somewhat more supportive than they were 20 years ago. Unfortunately, the same studies also confirm that jobs are becoming less secure and more demanding. Thus, the researchers conclude that striking a balance between work and personal life is actually becoming somewhat more difficult than it was in the past.

This trend may be bad news not just for employees and their families, but also for employers. According to Bailyn *et al.* (1996), workplace practices that make it difficult to combine work and family can often be a drain on productivity. Their results, based on a longitudinal study of three Xerox sites across the USA, found that when the insecure, high-pressure cultures of sales teams were actively challenged, both workplace performance and life satisfaction actually improved. Such schemes were only effective, however, if supervisors and senior managers were perceived as providing sustained, involved support. Bailyn *et al.* emphasise that the common business conception of work and family as two distinct and antagonistic domains not only damages the well-being of individual employees and their families, but may also undermine the performance of companies.

b. Parenting

There is substantial evidence that job insecurity undermines marital relationships. In addition, job insecurity can be one of the significant factors

affecting the decision to become parents and influencing relationships between parents and children. Some evidence suggests that there is a relationship between job insecurity and likelihood of first parenting for young employees. While for men who experience lower job insecurity the likelihood of having the first child is lower, for women the relation is reverse. Women who feel that their job is secure are more likely to become mothers (Golsh, 2003). However, this relationship may be different in other countries with less traditional gender role distribution than in Spain, where these findings come from.

Job insecurity can also damage relationships between parents and children, and influence children's work values in later life. Barling (1990) argues that, if job insecurity decreases psychological well-being, then this may well impede the ability of parents to interact effectively with children. This may influence both children's behaviour and their work attitudes in later life. Lim and Leng Loo (2003) found that a father's job insecurity was positively correlated with authoritarian parenting styles. Fathers who reported higher job insecurity were more likely to control their children and express less sensitivity and support for their need. This relationship was the opposite for mothers. In addition, only mothers', not fathers', job insecurity was negatively associated with youths' self-efficacy. Youths' self-efficacy in turn was positively related to their attitudes to work. Moreover, this study showed a very strong relationship between parents' insecurity and youths' perception of their parents' job insecurity. Perception of parents' insecurity in turn is negatively associated with youth's perception of their efficacy.

In a study of children from 10 elementary schools in Canada, Stewart and Barling (1996) used self-report measures to explore the effects of fathers' job insecurity on children's behaviour. While the results showed that job insecurity had no direct effect on parenting style or children's behaviour, job insecurity was negatively correlated with job satisfaction. In their conclusion, Stewart and Barling refer to other studies which have found that fathers' low job satisfaction was associated with children's conduct problems and hyperactivity (Barling, 1986). More robust associations between job insecurity and parental outcomes have been found by other researchers. Voydanoff and Donnelly (1986) found that fathers' job insecurity was positively related to the number of children's problems as perceived by mothers. And Margolis and Farran (1984), in a study of US fathers employed in the manufacturing sector, found that children whose fathers were insecure in their employment had a higher risk of illness

(measured via parental self-report) than those whose fathers perceived themselves as secure. Kelly *et al.* (1985) suggest that this relationship is indirect, in that economic strain can lead to parental health difficulties, which in turn may impact on children's physical well-being.

There are again some pertinent findings from questionnaire studies carried out during the 1930s Depression. Throughout this period, men's involvement with their children reportedly dropped (La Rossa and Reitzes, 1993). In one study, 111 families and their children (born in 1928-29) were studied through to the 1970s. Fathers who were in insecure employment and experiencing economic strain during the 1930s exhibited inconsistent parental discipline, which in turn was associated with difficult behaviour and temper tantrums in children. In addition, fathers were more likely to be rejecting of daughters than sons, especially if the daughters were perceived to be physically unattractive by their fathers. The daughters of rejecting fathers were also found to have lower employment aspirations than other girls (Elder *et al.*, 1984, 1986). While these findings are interesting, caution should be used in generalising from such a small, opportunistic and unrepresentative sample. Nevertheless, similar generation effects have been found more recently. Barling *et al.*'s (1998) study of 134 Canadian undergraduates (now aged 18) demonstrates that those students who strongly identified with fathers who had themselves been in insecure jobs during the mid-1980s had less 'humanistic' work beliefs than other students. That is, they were significantly less inclined to believe that they could find fulfilment through their work than students whose fathers had not experienced job insecurity. No effect was found for mothers. Barling *et al.* (1999) also found poorer academic performance amongst 120 Canadian undergraduates who perceived their parents to be insecurely employed. The relationship was moderated by the degree to which the children identified with their parents. These studies show the subtle way in which the job insecurity of parents may have a knock-on effect on the well-being and work attitudes of the next generation.

Summarising the research in this section, there is much evidence that job insecurity can have a detrimental effect on a number of aspects of family life, including long-term effects on children. However, we do not yet have good longitudinal evidence on most of these effects, so the individual research findings are not as conclusive of causal directions and mechanisms as other findings. However, their combined weight suggests more reason to be concerned than complacent.

5. Conclusions and policy implications

This chapter has reviewed a large body of literature relating job insecurity to problems for employees' well-being, problems for their employers and problems for their families. Taken collectively, the studies reviewed here provide overwhelming evidence that job insecurity is taking a large toll on the welfare of individuals and families in modern industrialised societies. In the light of these findings, there are several policy implications that societies interested in the health and quality of life of employees and their families need to consider. In the same way that environmental legislation is needed to safeguard the common good from polluters, social legislation is needed to safeguard the social environment from employers who try to maximise their own profitability but leave in their wake human costs that do not appear on their balance sheets. What sort of measures can be enacted to arrest the drift towards lower job security and the resulting social costs?

a. What can managers do?

The research suggests that there are some things that can be done, and some managers are already doing, to protect their employees from the negative effects of insecurity. These include good communication, credible job-security agreements and social support. But many employers and managers are left with the feeling that there is little that they can do in the long run to protect their employees from the market forces operating outside the firm. Good HRM practices can be modified to cope with some of the problems of job insecurity, but they do not have any long-term solutions when the long-term relationship between employer and employee becomes so uncertain.

b. Labour market regulation

The most obvious way in which labour market legislation can be brought to bear on job security is by restricting employers' right to fire at will, to bring less regulated economies more in line with the more carefully regulated labour markets. There are all sorts of hurdles that employers in those economies must cross before they can make employees redundant, such as longer periods of notice, serious consultation with employee representatives, high severance payments and payments for unfair dismissal, stronger rights to re-instatement, the need for permission from local authorities and the drawing up of social plans. Without these sorts of measures, there is the danger that redundancies are no longer used simply as methods of coping with economic downturns and falling order

books, but become a routine means of cost-cutting and profit-boosting. But labour market regulation can also reduce employers' willingness to hire labour, particularly in permanent jobs.

Another way the law can impinge on conditions of employment is in health and safety at work. Some companies have used redundancies so often as a means of boosting their profits that it is just as inevitable that their employees will react adversely to stress as that they would suffer if exposed to noxious chemicals. There is a trend in many countries for employees who suffer severe health reactions to such working conditions to prosecute their employer for failing in the duty of care to provide a healthy working environment. But it is unlikely that such a legal threat will be effective against such a ubiquitous threat to health as job insecurity.

c. Safety nets

One feature external to the firm that can have a clear effect on employees' sense of insecurity is the provision of safety nets for those who fall out of employment. If governments deliberately create "dynamic" labour market conditions, which put employees at risk of becoming unemployed in the name of flexibility, then there is a clear onus on governments to minimise the economic impact of job loss on the workforce by offering decent replacement incomes. This means a move away from the "punish the victim" philosophy of welfare that has become prevalent on both sides of the Atlantic in recent years, and a move towards seeing a safety net for flexible employees as a precondition for the sort of risk-taking entrepreneurial behaviour that is seen as virtuous. Clark and Postel-Vinay's research confirms the link between higher unemployment benefits and lower levels of job insecurity.

d. Effective independent representation

Among the research into the effects of job insecurity, Burchell, Ladipo and Wilkinson (2002) suggest that its effects might be moderated by good communication, employee representation and giving employees an effective voice – some of the functions of traditional, independent trade unions. Many companies have tried to achieve these things through their own structures, such as quality circles or staff associations. But the problem with many of these structures is that they often lack credibility to employees, who see them as being controlled by employers. When there is so much pressure on employers to over-exploit their most valuable

resource – their workforce – there is a real need, for the long-term stability of all parties, to ensure that the workforce can contribute effectively to discussions of labour standards and local practices.

e. The regulation of capital

One of the recurring themes in employees' fears about the future of their job in both Britain and the USA is the constant threat of mergers and takeovers. It has become the norm for companies to seek to make opportunistic gains through acquisitions, while simultaneously looking over their shoulders to protect themselves from vulnerability to hostile moves by other companies. Faced with such external pressures, many senior managers argue that they would like to improve working conditions for their employees, but feel powerless to do so in the face of *force majeure* from capital markets. But this form of relationship between capital and public companies is not the only one. In Germany and Japan, for instance, shareholders are more closely bound into company strategies through a range of social and legal commitments. And there is little evidence that the volatility of capital in the UK and USA is to the benefit of long-term economic stability and growth; the majority of mergers and takeovers fail to yield the benefits promised – the only winners are those involved in the capital markets. In the light of the damage to individuals and families described in this chapter, there is a strong case for redressing the balance of power, moving it away from capital and back to employees. Gone are the days when economic growth *per se* was the supreme goal for governments; it is now clear that the advanced industrialised countries with the highest rates of economic growth are no longer the best places to live in terms of health or quality of life (Marmot, 2004; Wilkinson, 1996). This may call for fundamental changes, but it is a test of how seriously one takes the well-being of the workforce and the stability of their families.

f. Using new forms of employment to combine flexibility and job security

Capelli and Neumark (2004) argue that external numerical flexibility (using a contingent, or largely ad hoc, workforce) is primarily responsible for higher job insecurity, but it can be substituted by internally flexible systems in organisations. Internal flexibility can be achieved by having a highly skilled and committed workforce that can perform variety of operations. Thus flexibility of operations, rather than flexibility in the number of employees, can be the key to competitiveness of an organisation. An alternative way to achieve this in a local labour market might be through

labour pools that share employees between several organisations. Further research into employment systems that combine flexibility with job or employment security will hopefully find other examples of best practice, where win–win situations have been negotiated, to maximise the benefits of security for employees with flexibility for employers.

Bibliography

Aaronson, D., and Sullivan, D.G. (1998), "Recent trends in job displacement", *Chicago Fed Letter*. No. 136. Federal Reserve Bank of Chicago.

Abramis, D.J. (1994), "Relationship of job stressors to job performance: linear or an inverted-U", *Psychological Reports* 75(1, Pt. 2): 547-558.

Alogoskoufis, G., Bean, C., Bertola, G., Cohen, D., Dolado, J. and Saint-Paul, Gilles (1995), *Unemployment, Choices for Europe: Monitoring European Integration*. No. 5. London: CEPR.

Armstrong-Stassen, M. (1993), "Production workers' reaction to a plant closing: the role of transfer, stress, and support", *Anxiety, Stress and Coping* 6: 201-14.

Armstrong-Stassen, M. (1994), "Coping with transition: a study of layoff survivors", *Journal of Organizational Behavior* 15: 597-621.

Ashford, S.J., Lee, C., and Bobko, P. (1989), "Content, causes, and consequences of job insecurity: a theory-based measure and substantive test", *Academy of Management Journal* 32: 803-829.

Bailyn, L., Fletcher, J., Harvey, M., Kolb, D., and Rappaport, R. (1996), *Rethinking Life and Work: Toward a Better Future*. New York: Ford Foundation.

Barling, J. (1986), "Fathers' work experiences, the father-child relationship, and children's behavior", *Journal of Occupational Behavior* 7: 61-66.

Barling, J. (1990), *Employment, Stress, and Family Functioning*. Chichester: John Wiley & Sons.

Barling, J., Dupre, K.E., and Hepburn, C.G. (1998), "Effects of parents' job insecurity on children's work beliefs and attitudes", *Journal of Applied Psychology* 83: 112-118.

Barling, J., and Kelloway, E.K. (1996), "Job insecurity and health: the moderating role of workplace control", *Stress Medicine* 12: 253-259.

Barling, J., and Macewen, K.E. (1992), "Linking work experiences to facets of marital functioning", *Journal of Organizational Behavior* 13: 573-583.

Barling, J., Zacharatos, A., and Hepburn, C. (1999), "Parents' job insecurity affects children's academic performance through cognitive difficulties", *Journal of Applied Psychology* 84: 437-444.

- Belle, D. (1987), "Gender differences in the social moderators of stress", in Barnett, C., Beiner, L. and Baruch, G. (eds) *Gender and Stress*. New York: Free Press.
- Bond, J., Galinsky, E., and Swanberg, J. (1997), *The 1997 National Study of the Changing Workforce*. New York: Families and Work Institute.
- Brockner, J. (1992), "Managing the effects of layoffs on survivors", *California Management Review* 34(2): 9-28.
- Brockner, J., Davy, J. and Carter, C. (1985), "Layoffs, survivors' guilt, motivation, affective and attitudinal consequences", *Organizational Behaviour and Human Decision Processes* 36(2): 113-127.
- Brockner, J., Greenberg, J., Brockner, A., Bortz, J. and Carter, C. (1986), "Layoffs, equity theory, and work performance: further evidence of the impact of survivors' guilt", *Academy of Management Journal* 29(2): 373-384.
- Brockner, J., Grover, S., Reed, T.F. and Dewitt, R.L. (1992), "Layoffs, job security, and survivors' work effort: evidence of an inverted-U relationship", *Academy of Management Journal* 35(2): 413-425.
- Burchell, B. (2002), "The prevalence and redistribution of job insecurity and work intensification", in B. Burchell, D. Ladipo and F. Wilkinson (eds), *Job Insecurity and Work Intensification*. London: Routledge, pp. 61-76.
- Burchell, B.J. (1999), "The unequal distribution of job insecurity, 1966-1986", *International Review of Applied Economics* 13(3): 437-458.
- Burchell, B.J. (1997), "Job security and psychological well-being: preliminary analyses of the British Household Panel Survey", Paper for presentation at the JRF Work and Opportunity Workshop, 16-17 October.
- Burchell, B.J. (1994), "The effects of labour market position, job insecurity, and unemployment on psychological health", in D. Gallie, C. Marsh, and C. Vogler (eds), *Social Change and the Experience of Unemployment*, Oxford: Oxford University Press.
- Burchell, B.J., Day, D., Hudson, M., Ladipo, D., Mankelow, R., Nolan, L., Reed, H., Wichert, I. and Wilkinson, F. (1999), "Job insecurity and work intensification: flexibility and the changing boundaries of work", *Joseph Rowntree Foundation Report*.
- Capelli, P. and Neumark, D. (2004), "External churning and internal flexibility: evidence on the functional flexibility and core-periphery hypotheses", *Industrial Relations* 43(1), 148-182.

Charles, N. and James, E. (2003a), "Gender and work orientations in conditions of job insecurity", *British Journal of Sociology* 54(2), 239-257.

Charles, N. and James, E. (2003b), "The gender dimensions of job insecurity in a local labour market", *Work, Employment and Society* 17(3), 531-552.

Clark, A. and Postel-Vinay, F. (2005), "Job security and job protection". Working paper, PSE, Paris.

Cox, T. (1993), "Stress research and stress management – putting theory to work", HSE Contract Research Report No. 61/1993.

Davy, J.A., Kinicki, A.J., et al. (1997), "A test of job security's direct and mediated effects on withdrawal cognitions", *Journal of Organizational Behavior* 18(4): 323-349.

De Ruyter, A. and Burgess, J. (2003), "Growing labour insecurity in Australia and the UK in the midst of job growth: beware the Anglo-Saxon model", *European Journal of Industrial Relations* 9(2).

Dekker, S.W.A., and Schaufeli, W.B. (1995), "The effects of job insecurity on psychological health and withdrawal: a longitudinal study", *Australian Psychologist* 30: 57-63.

Dooley, D., and Catalano, R. (1988), "Recent research on the psychological effects of unemployment", *Journal of Social Issues* 44: 1-12.

Dooley, D., Rook, K. and Catalano, R. (1987), "Job and non-job stressors and their moderators", *Journal of Occupational Psychology* 60: 115-132.

EFIWLC. (2004), 22 November 2004, "Job insecurity is still high in Spain." Retrieved 7 December 2004, from <http://www.eurofound.ie/ewco/2004/11/ES0411NU01.htm>.

Elder, G.H., Caspi, A. and Van Nguyen, T. (1986), "Resourceful and vulnerable children: family influences in stressful times", in Silbereisen, R.K., K. Eyferth, and G. Rudinger (eds), *Development as Action in Context: Problem Behavior and Normal Youth Development*. New York: Springer-Verlag.

Elder, G.H., Liker, J. and Cross, C., (1984), "Parent-child behavior in the Great Depression: life course and intergenerational influences", in Baltes, P.B., and Brim, O.G. (eds), *Life-span, Development and Behavior*. Vol. 6. New York: Academic Press.

Feather, N. T. and Rauter, K. A. (2004), "Organizational citizenship behaviours in relation to job status, job insecurity, organizational commitment and identification, job satisfaction and work values", *Journal of Occupational and Organizational Psychology* 77(1), 281-298.

Feather, N.T. (1990), *The Psychological Impact of Unemployment*. New York: Springer-Verlag.

Felstead, A., Burchell, B. and Green, F. (1998), "Insecurity at work: is it getting worse?", *New Economy* (September).

Ferrie, J. E., Shipley, M. J., Newman, K., Stansfeld, S. A. and Marmot, M. (in press), "Self-reported job insecurity and health in the Whitehall II study: potential explanations of the relationship", *Social Science & Medicine*, In Press, Corrected Proof.

Ferrie, J., Shipley, M.J., Marmot, M.G., Stansfeld, S., and Smith, G. (1995), "Health effects of anticipation of job change and nonemployment: longitudinal data from the Whitehall 11 study", *British Medical Journal* 311: 1264-1269.

Galinsky, E.J. and Bond, J.T. (1996), "The role of employers in addressing the needs of employed parents", *Journal of Social Issues* 52: 111-136.

Givord, P. and Maurin, E. (2004), "Changes in job security and their causes: an empirical analysis for France, 1982-2002", *European Economic Review* 48(3), 595-616.

Golsh, K. (2003), "Employment flexibility in Spain and its impact on transitions to adulthood", *Work, Employment & Society* 17(4), 691-718.

Greenhalgh, L. and Rosenblatt, Z. (1984), "Job insecurity: towards conceptual clarity", *Academy of Management Review* 9(3), 438-448.

Greenhaus, J.H. and Beutell, N.J. (1985), "Sources of conflict between work and family roles", *Academy of Management Review* 10: 76-88.

Guest, D. (2000), in J. Salmon and E. Heery (eds), *The Insecure Workforce*. London: Routledge.

Hallier, J. (2000), "Security abeyance: coping with the erosion of job conditions and treatment", *British Journal of Management* 11.

Hallier, J. and Lyon, P. (1996), "Job insecurity and employee commitment: managers' reactions to the threat and outcomes of redundancy selection", *British Journal of Management*, 107-123.

Haworth, J.T. (1997), *Work, Leisure and Well-Being*. London: Routledge.

Heaney, C.A., Israel, B.A. and House, J.S. (1994), "Chronic job insecurity among automobile workers: effects on job satisfaction and health", *Social Science and Medicine* 38: 1431-1437.

Hodgson, G.M. (1995), "Corporate culture and evolving competencies: an old institutionalist perspective on the nature of the firm", Paper presented to the CBR seminar, Cambridge, 8 March.

Horsted, J. and Doherty, J. (1995). "Survivors' syndrome survey", Cranfield Human Resources Centre, Working Transitions Working Paper.

Hughes D., Galinsky, E. and Morris, A. (1992), "The effects of job characteristics on marital quality: specifying linking mechanisms", *Journal of Marriage and the Family* 54: 31-42.

Hughes, D. and Galinsky, E. (1994), "Work experiences and marital interactions: elaborating the complexity of work", *Journal of Organizational Behavior* 15: 423-438.

Jacobson, D. (1987), "A personological study of the job insecurity experience", *Social Behaviour* 2: 143-155.

Joelson, L. and Wahlquist, L. (1987), "The psychological meaning of job insecurity and job loss: results of a longitudinal study", *Social Science and Medicine* 25: 179-182.

Kahn, R.L. (1981), *Work and Health*. New York: Wiley.

Karasek, R. and Theorell, Y. (1990), *Healthy Work Stress: Productivity and the Reconstruction of Working Life*. New York: Basic Books.

Kelly, R.F., Sheldon, A.W. and Fox, G.L. (1985), "The impact of economic dislocation on the health of children", in J. Boulet, A.M. Debritto and S.A Ray (eds), *Understanding the Economic Crisis*. Ann Arbor: University of Michigan.

Kinicki, A.J. (1985), "Personal consequences of plant closings: a model and preliminary test", *Human Relations* 38: 197-212.

Kinnunen, U., Feldt, T. and Mauno, S. (2003), "Job insecurity and self-esteem: evidence from cross-lagged relations in a 1-year longitudinal sample", *Personality and Individual Differences* 35(3): 617-632.

Kinnunen, U. and Mauno, S. (1998), "Antecedents and outcomes of work-family conflict among employed women and men in Finland", *Human Relations* 51: 157-177.

Kuhnert, K.W. and Lahey, M.A. (1988), "Technological innovation and its impact on employee well-being", Paper presented at the national meeting of the Operations Research Society of America/Institute for Management Science, Washington, DC.

Kuhnert, K.W. and Palmer, D.R. (1991), "Job security, health, and the intrinsic and extrinsic characteristics of work", *Group and Organization Studies* 16: 178-192.

Kuhnert, K.W. and Vance, R.J. (1992), "Job insecurity and moderators of the relation between job insecurity and employee adjustment", in J.C. Quick, L.R. Murphy, and J.J. Hurrell (eds), *Stress and Well-Being at Work*. Washington: American Psychological Association.

Kuhnert, K.W., Sims, R.R. and Lahey, M.A. (1989), "The relationship between job security and employee health", *Groups and Organization Studies* 14: 399-410.

La Rossa, R. and Reitzes, D.C. (1993), "Continuity and change in middle-class fatherhood, 1925-1939: the culture-conduct connection", *Journal of Marriage and the Family* 55: 455-468.

Lampard, R. (1994), "An examination of the relationship between marital dissolution and unemployment", in D. Gallie, C. Marsh and C. Vogler (eds), *Social Change and the Experience of Unemployment*. Oxford: Oxford University Press.

Larson, J.H., Wilson, S.M. and Beley, R. (1994), "The impact of job insecurity on marital and family relationships", *Family Relations* 43: 138-143.

Lazarus, R.S. and Folkman, S. (1984), *Stress, Appraisal, and Coping*. New York: Springer.

Liker, J. and Elder, G.H. (1983), "Economic hardship and marital relations in the 1930s", *American Sociological Review* 48: 87-105.

Lim, V.K.G. (1996), "Job insecurity and its outcomes: moderating effects of work-based and nonwork-based social support", *Human Relations* 49: 171-193.

Lim, V.K.G. and Leng Loo, G. (2003), "Effects of parental job insecurity and parenting behaviors on youth's self-efficacy and work attitudes", *Journal of Vocational Behavior* 63(1), 86-98.

Margolis, L.H. and Farran, D.C. (1984), "Unemployment and children", *International Journal of Mental Health* 13: 107-124.

Marmot, M. (2004), *Status syndrom*, Bloombury, London.

Mattiasson, I., Folke, L., Nilsson, J.A. and Theorell, T. (1990), "Threat of unemployment and cardiovascular risk factors: longitudinal study of quality of sleep and serum cholesterol concentrations in men threatened with redundancy", *British Medical Journal* 301: 461-466.

Mattinson, J. (1988), *Work, Love and Marriage: The Impact of Unemployment*. London: Duckworth.

Mauno, S. and Kinnunen, U. (2002), "Perceived job insecurity among dual-earner couples: do its antecedents vary according to gender, economic sector and the measure used?", *Journal of Occupational and Organizational Psychology* 75(3), 295-314.

Michie, J. and Sheehan, M. (1999), "HRM practices, R and D expenditure, and innovative investment: evidence from the UK's 1990 Workplace Industrial Relations Survey (WIRS)", *Industrial and Corporate Change* 8(2): 211-234.

Moss, P. and Brannen, J. (1987), "Fathers' employment", in C. Lewis and M. O'Brien (eds), *Reassessing Fatherhood: New Observations on Fathers and the Modern Family*. London: Sage.

Näswall, K. and De Witte, H. (2003), "Who feels insecure in Europe? Predicting job insecurity from background variables", *Economic and Industrial Democracy* 24(2), 189-215.

Nickell, S., Jones, P. and Quintini, G. (2002), "A picture of job insecurity facing British men", *Economic Journal* 112(476), 1-27.

OECD (1997), "Is job insecurity on the increase in OECD countries?", *OECD Employment Outlook*, pp. 129-160.

OECD (2003), *OECD Employment Outlook: 2003. Towards More and Better Jobs*: OECD.

Orthner, D. (1995), "Families in transition: changing values and norms", in R. Day, K. Gilbert, B. Settles and W. Burr (eds), *Research and Theory in Family Science*. London: ITP.

- Pleck, J.H. (1993), "Are 'family-supportive' employer policies relevant to men?", in J.C. Hood (ed.), *Men, Work, and Family*. California: Sage.
- Preuss, G.A., and Lautsch, B.A. (2002), "The effect of formal versus informal job security on employee involvement programs", *Relations Industrielles–Industrial Relations* 57(3), 517-541.
- Riley, D. and Eckenrode, J. (1986), "Social ties: costs and benefits with differing subgroups", *Journal of Personality and Social Psychology* 51: 770-778.
- Rook, K., Dooley, D. and Catalano, T. (1991), "Stress transmission: the effect of husband's job stressors on the emotional health of their views", *Journal of Marriage and the Family* 53: 165-177.
- Rosenblatt, Z. and Ruvio, A. (1996). "A test of a multidimensional model of job insecurity: the case of Israeli teachers", *Journal of Organizational Behavior* 17(SIS1): 587-605.
- Roskies, E. and Louis-Guerin, C. (1990), "Job insecurity in managers: antecedents and consequences", *Journal of Organizational Behavior* 11: 345-359.
- Roskies, E., Louis-Guerin, C. and Fournier, C. (1993), "Coping with job insecurity: how does personality make a difference?", *Journal of Organizational Behavior* 14: 617-630.
- Rousseau, D.M. (1998), "Why workers still identify with organisations", *Journal of Organizational Behavior* 19: 217-233.
- Spector, P. (1994), "Using self-report questionnaires in OB research: a comment on the use of a controversial method", *Journal of Organizational Behavior* 15: 385-392.
- Standing, G. (1999), *Global Labour Flexibility: Seeking Distributive Justice*. London: Macmillan.
- Stewart, W. and Barling, J. (1996), "Fathers' work experiences affect children's behaviors via job-related affect and parenting behaviors", *Journal of Organizational Behavior* 17: 221-232.
- Sutherland, V.J. and Cooper, C.L. (1988), "Sources of work stress", in J.J. Hurrell Jr., L.R. Murphey, S.L. Sauter and C.L. Cooper (eds), *Occupational Stress: Issues and Developments in Research*. London: Taylor & Francis.

Tivendell, J. and Bourbonnais, C. (2000), "Job insecurity in a sample of Canadian civil servants as a function of personality and perceived job characteristics", *Psychological Reports* 87: 55–60.

U.S. Bureau of the Census (1997), *Statistical Abstract of the United States, 117th Edition*. Washington, DC: U.S. Government Printing Office.

Van Vuuren, T., Klandermans, B., Jacobson, D. and Hartley, J. (1991), "Employees' reactions to job insecurity", in J. Hartley, D. Jacobson, B. Klandermans and T. Van Vuuren (eds), *Job Insecurity: Coping With Jobs at Risk*. London: Sage.

Voydanoff, P. (1990), "Economic distress and family relations: a review of the eighties", *Journal of Marriage and the Family* 52: 1099-1115.

Voydanoff, P. and Donnelly, B. (1986), "Economic distress and mental health: coping strategies and social supports", Report submitted to the Office of Program Evaluation and Research, Ohio Department of Mental Health (cited in Voydanoff 1990).

Warr, P. (1987), *Work, Unemployment and Mental Health*. Oxford: Oxford University Press.

Wilkinson, R.G. (1996), *Unhealthy Societies: The Afflictions of Inequality*. London: Routledge.

Zedeck, S. (1992), "Introduction: exploring the domain of work and family concerns", in S. Zedeck (ed.), *Work, Families, and Organizations*. San Francisco, California: Jossey-Bass.

II – How does flexibility affect social cohesion? The Council of Europe’s tree model revisited

by Ton Wilthagen¹
and Mijke Houwerzijl²

Introduction : social cohesion and labour market flexibilisation

A society without social cohesion cannot possibly be envisaged. However, social cohesion is not a static and stable state of affairs. As understood by the Council of Europe, social cohesion is “the capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarisation” (Council of Europe, *Strategy for Social Cohesion*, 2004). This definition implies that social cohesion cannot be attained and established once and for all, but has to be (re)produced continually. New developments in society can put its capacity to minimise inequalities to the test. Flexibilisation of the labour market is one such trend with the potential to undermine social cohesion. A specific social cohesion perspective is innovative and necessary, as it complements other perspectives, such as a social-psychological approach (see for example Sennett, 1998). In this chapter we examine whether it is possible systematically to assess the threats that labour market flexibilisation poses to social cohesion, and how labour flexibilisation and labour market security might be combined to guarantee social cohesion – in other words, a type of best or good practice.

1. Chair in institutional and legal aspects of the labour market at Tilburg University (Faculty of Law), the Netherlands; Director of the international flexicurity research programme; Head of the general policy research programme of OSA/ the Institute for Labour Studies, also based at Tilburg University.
E-mail: wilthagen@uvt.nl. Web: www.tilburguniversity.nl/flexicurity.

2. Lawyer and senior researcher within the international flexicurity research programme, Faculty of Law (Department of Social Law and Social Policy), Tilburg University, the Netherlands. E-mail: m.s.houwerzijl@uvt.nl.

1. The flexibility–security nexus and “flexicurity”

In our global economy there is a growing need to balance the flexibility that firms require and adequate protection for workers. Fortunately, individual workers may have an interest in flexibility as well, albeit often not the same types of flexibility as their employers.

When it comes to security, we see just the opposite: workers are the more interested party, but employers need security as well. Here again, the security interests of workers and employers are not necessarily the same. Increasing attention is being drawn to the relationship between various forms of flexibility and security. This has been called the flexibility–security nexus (Wilthagen and Tros, 2004), stressing that these goals are interconnected: many societies, especially in Europe, aim to enhance both at the same time.

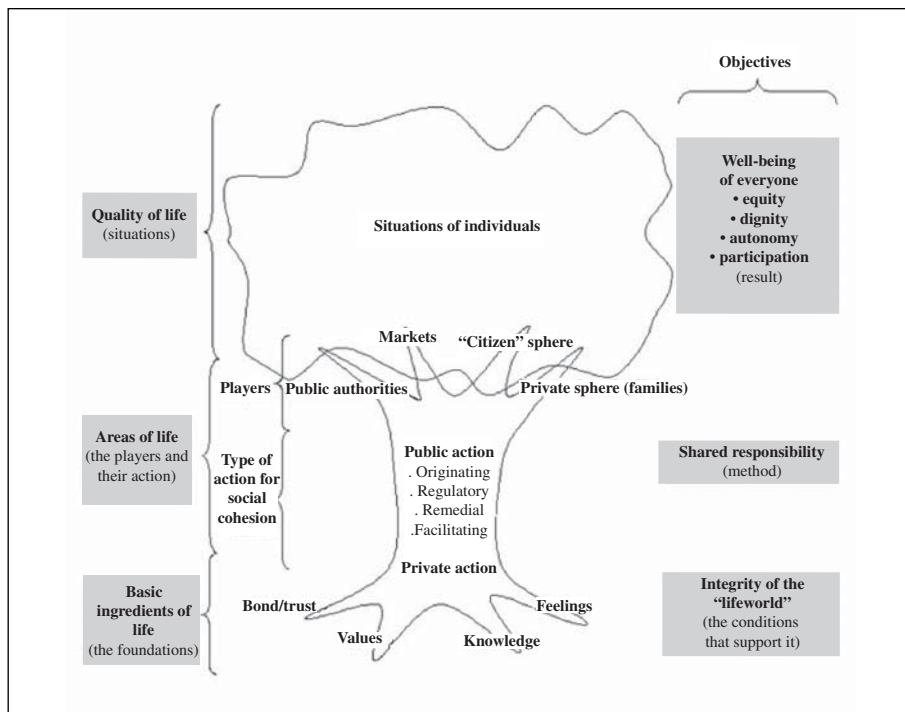
The term “flexicurity” is frequently used with reference to ideas, situations or policies promoting a win–win combination of these two dimensions. Policies that deliberately serve to enhance flexibility and security simultaneously are defined as “flexicurity” policies (Wilthagen, 1998, Wilthagen and Rogowski, 2002, Wilthagen and Tros, 2004).

Flexicurity is also considered a desirable “state” of labour markets, a well-balanced mix of high levels of (labour and workplace) flexibility on the one hand and (employment and social) security on the other. So, two definitions of flexicurity are common: one pointing to the need to increase flexibility and security at the same time, and the other underlining the idea of a balance between flexibility and security. The experience of several countries shows, however, that there are in practice several types and patterns of flexicurity arrangements.

2. Using the Council of Europe’s social cohesion tree model

With its Forum 2005 project on Reconciling labour flexibility with security and social cohesion, the Social Cohesion Development Division of the Council of Europe is addressing the challenge of initiating new policy frameworks in this field. In this chapter, produced on behalf of the Forum, we use the Council of Europe tree model to show how flexibility (and job insecurity) affects social cohesion.

Figure 10: The Council of Europe tree model of social cohesion



This model distinguishes between:

- basic ingredients of life or foundations – that is, basic values;
- areas of life (players and their action), also referred to as methods (private, public or public/private methods); and
- conditions of life or situations, which can be termed effects.³

On this last level four major effects are displayed, the so-called four dimensions of well-being, viz equity, dignity, autonomy and participation. Thus we have a model that connects basic values, which are expected, as a result of certain methods, action and players, to lead to distinct effects.

The tree model may be an innovative tool for analysing the flexibility–security nexus, modelling its multi-layered impact on society, and thus providing a complete and inclusive picture of the issues at hand. Hence

3. See the presentation of the Methodological guide to the development of social cohesion indicators, prepared for the social cohesion indicators seminar held in Venice on 12 and 13 February 2004.

a dynamic model may be drawn up that could firstly be used as a descriptive model to analyse (and compare) policies in a number of countries. To develop and test this model, a number of flexibilisation or flexicurity measures/cases in various countries could be selected and analysed. If, for instance, new or recent legislation is involved, a first step could be to identify the main goals and values underlying the legislation, as expressed by the legislator in various documents. The next step could be to examine the main procedures and methods included in the design and implementation of these measures. Thirdly, the effects (as mentioned above) of the new measure could be studied. Evidently, supranational legislation and policies, as well as collective labour agreements at both sector and company level, could be analysed and “tested” too. In this way various paths and effects of flexibilisation could be suitably mapped out and evaluated (see for example the 2004 study by Jager *et al.* of the various arrangements in different countries).

For this first attempt to test the links between labour flexibility and the Council of Europe’s concept of social cohesion, we have used the well-known Dutch Flexibility and Security Act (and its context and parliamentary history) as a case study. This law, in operation since 1999, aims to strike a balance between a flexible labour market on the one hand and job (or employment) security on the other. Our chapter is organised as follows: in sections 4, 5 and 6 we examine and evaluate this Dutch example of flexicurity policy from a social cohesion perspective, on the basis of the three levels of the Council of Europe’s tree model. The foundations or basic ingredients are the starting-point, the players and their action, or methods, are the next stage, and the conditions of life or effects provide the final act. In section 7 our attempt to use the tree model as a descriptive model is evaluated. We end with some concluding comments and a preliminary look at the second area of potential we see in the tree model: the development of a more standard-based Council of Europe Social cohesion test or checklist for examining proposed (ex ante) or existing (ex post) flexibility and/or security policies and measures.

3. The aims of the Dutch Flexibility and Security Act and the basic values underlying it

a. Background to the act

Since the 1980s, the Dutch labour market has been characterised by flexibility and diversification, with ever-greater variety and flexibility in working

time, pay, job descriptions, location of work, and terms and types of employment contracts. To some extent, this increase in atypical employment relations has been driven by a growing demand from a more individualised and emancipated workforce to combine the spheres of working and private life in a flexible manner. But the main driving force behind the flexibilisation in employment relations is without a doubt the (economic) need for modern companies to become “lean and mean”. To remain competitive in globalised open-market economies, companies need to be able to adjust easily and rapidly to constant technological and international developments. An adaptable workforce is increasingly considered a prerequisite, an absolute essential.

As in other countries, the debate in the Netherlands on flexible labour and atypical employment relationships has concentrated on the needs and limits of labour market flexibilisation.⁴ A general reason for this flexibilisation has been (and is) the growing influence of international economic developments on the Dutch labour market. The opening up of national markets and capital flows to regional (EU) and global (WTO) competition has forced Western countries to strive for more flexible labour markets, to remain competitive. The rigidity of Dutch labour law, especially with respect to dismissal, has been identified as a more direct, practical cause of the increased use of flexible employment contracts, and more specifically, of the supply of work through temporary employment agencies. In contrast to the insecure character of flexible contracts, there is quite a high level of protection for workers employed under a traditional employment contract. Therefore, discussions about the system of dismissal law and regulation are typical of the Dutch debate. In the Netherlands there exists a dual system of dismissal law, which is, moreover, of a pre-emptive nature. Employers must either ask the public employment service (CWI, *centrum voor werk en inkomen*) for a permit before giving notice to terminate an employment contract, or they have to file a request with the lower courts, asking for the dissolution of an employment contract for “serious reason”. Since the 1980s the dismissal permit system has been denounced as a major burden on business and the cause of much labour market inflexibility and immobility. Yet this criticism has not so far been supported by empirical research (see Mayes and Soteri, 1994, and Bertola, 1990).

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

Before the mid-1990s, employers' organisations and trade unions were sharply divided over the issue of flexibility. Whereas employers called for greater flexibility in contracts and labour law, trade unions objected to the deterioration of worker protection and called for an improvement of the legal status of "flex-workers". As a result, most of the recommendations of the Dutch Labour Foundation (*Stichting van de Arbeid, STAR*) and the Social and Economic Council (*Sociaal-Economische Raad, SER*) relating to the review of dismissal law, to flexibility and the legal status of flex-workers also differed (see for example the SER's Recommendation on flexible labour relationships, No. 91/19, 20 September 1991).

The Labour Foundation is a central consultative and advisory body, established at the end of the Second World War (1945; see Windmuller, 1969). Its members include the largest confederations of employers' and workers' organisations. Unlike the tri-partite Social and Economic Council, which also advises the government, the Labour Foundation has no government representatives.

b. A new approach: flexibility and security

A new approach to labour market flexibility and (in)security was adopted at the end of 1995, when the Dutch Minister of Social Affairs and Employment, Ad Melkert (Labour Party), in a memorandum called "Flexibility and Security" (*Nota Flexibiliteit en Zekerheid 1995*, No. 24 543), deliberately attempted to strike a balance between flexibility and (social) security. Striving for a win-win situation, he linked these two policies: increasing flexibility in labour relations while maintaining a sufficient level of worker protection. The memorandum contained an inter-related set of starting points and proposals for modifying the dismissal protection in standard employment relationships, abolishing the permit system for placements by temporary work agencies (TWAs) and enhancing the legal position of temporary agency workers, whose relationship with the agency was to be considered, in principle, to be a standard employment contract. It is important to note that the flexibility and security measures put forward by the Dutch government pertained first and foremost to the position of employees. To this end, it proposed several changes to existing dismissals law. The most important proposals included:

- a shortening of notice periods;
- different maximum probationary periods according to type of employment contract;

- identification of the contract between a temporary employment agency and a temporary worker as an employment contract; and
- easing the regulations on the use of fixed-term contracts, so that fixed-term contracts might be renewed twice without a notice period up to a maximum of three years.

Hindsight reveals that this memorandum led to the Flexibility and Security Act of 1998.

What aims and basic values (foundations) of the Dutch Flexibility and Security Act can be identified? The Dutch Ministry of Social Affairs and Employment did not adopt the concept of flexicurity itself.⁵ In the memorandum, the need was recognised to adjust labour law in line with the move to greater international economic competition between companies, to the individualisation and emancipation of the workforce, and to the far-reaching information technology revolution. Labour law reform was recommended, to help to create a new balance between the parties in the modern labour market. Therefore, flexibility and security had to go hand in hand, and the process of making labour more flexible had to continue in a responsible and balanced way for all parties. Well-balanced, steady but flexible employment relationships were, for the government, the key to an economically competitive and socially sound labour system.

c. Basic values underlying the new approach

Thus, the aim behind the flexibility/security proposals was to achieve an economically competitive and socially sound labour system. Looking for basic values or foundations of this combined social and economic goal, we observe some familiar issues, such as the growing importance of economic factors in labour market policies. The traditional focus of labour law exclusively on the protection of workers (security) against market forces has been challenged since the 1980s by the need to combat unemployment. The proposals about flexibility/security take up this challenge and reflect a shift of the traditional focus of labour law in an attempt to make that law compatible with market efficiency. This shift in paradigm has become possible because, to a certain extent, it coincides with a more cultural trend towards individualisation in society and therefore in the

5. However, it was during this same period, the autumn of 1995, that the concept of flexicurity took root in policy circles. The sociologist and member of the Dutch Scientific Council for Government Policy (WRR), Professor Hans Adriaansens, started to use the concept in speeches and interviews. Wilthagen took it up and modified it in a 1998 discussion paper for the *Wissenschaftszentrum Berlin* (Wilthagen, 1998).

labour market. But the new approach must operate within the confines of social justice, or solidarity. As we have seen, a lot of workers in flexible employment situations have been faced with a high level of job and income insecurity. When the level of insecurity becomes too high, the rather traditional question of social justice comes up again. The basic protection level of individual workers or of vulnerable groups of workers is in danger. In this connection the “decent work” approach of the ILO is worth mentioning. The ILO makes it clear that not only the number of jobs in a society, but also the intrinsic quality and fair remuneration of those jobs, as well as the sustainability of the newly created employment, are important.⁶

So, the practical flexicurity proposals in the 1995 memorandum may be seen as an effort to keep in line with international economic developments, but also as an effort to restore or maintain social cohesion in Dutch society. Social cohesion can exist only when most people in a society agree that social justice exists. They must have the feeling that they live in an equitable society as far as the distribution of, and access to, income and employment are concerned. This boils down to two fundamental rights: to work (employment) and to a certain level of income (minimum income/wage) (see Van der Heijden and Noordam, 2001). Only then can an inclusive society exist, where no individuals or groups are (or feel) excluded. It is recognised by prominent economic scholars such as Sen (1999) that a socially cohesive society is also important in economic terms, as a foundation for economic prosperity. This assessment is in line with the views of sociologists, including Sennett, Fukuyama and Putnam, who stress the importance of “social capital”.

From a legal perspective we need only to enquire into the origins of labour law and social security law. Social justice as a prerequisite for social cohesion has traditionally been the driving force behind the development of labour law and social security law (in the Netherlands often viewed together as “social law”). Among the basic values or foundations of social law, Van der Heijden and Noordam distinguish responsibility, a minimum level of income security (*bestaanszekerheid*), protection, solidarity, non-discrimination and participation. If, in social law, these foundations are provided through public and private-law methods, and also respected, we live in a society with social justice, with the result that it is socially cohesive.

6. See <http://www.ilo.org> for reports, such as the ILC-Report 1(A), “Decent work deficit: a global challenge”, Geneva, June 2001. Also see *International Labour Review*, Vol. 142, No. 2, 2003: special issue on “Measuring decent work”.

4. Which players and actions played a role in the Flexibility and Security Act?

If we look at the second level of the Council of Europe's tree model, we have to define which players and actions play (or played) a role in the Dutch Flexibility and Security Act. Subsequently we looked at the content of the act and subsequent actions, to find out whether they were appropriate to the goal of greater flexibility combined with more security.

a. Parliamentary history and adoption process

Evidently, government and parliament were key players in the process of adoption of the act. But the potential for others also to play an (even more?) important role is perfectly illustrated by the parliamentary history of the act. A short description of its history needs to be given.

As mentioned, the process started with a memorandum from the Minister of Social Affairs and Employment in December 1995. During the preparatory phase of this memorandum, advice was taken from several consultative councils: the Labour Foundation, the Social and Economic Council and the Council for Emancipation (*Emancipatieraad*). Yet the Dutch coalition government of the day (now referred to as the first "purple coalition", that is, a Labour, Liberal and Social Liberal coalition) could not reach agreement on the flexibility and security proposals in the memorandum. Subsequently, the Labour Foundation (*STAR: Stichting van de Arbeid*) was asked officially for its advice on certain parts of the proposal. The Labour Foundation is one of the central players in the Dutch consultation economy, or the "polder model" as it is called nowadays (Visser and Hemerijck, 1997). It is an institution remarkable for its strategies of positive sum bargaining. Its core task is the pursuit of so-called win-win strategies and results, as perceived by both workers and employers.

In the early 1990s the social partners were recovering from a period in the doldrums (Van Bottenburg, 1995). The employers' organisations and trade unions were sharply divided over the issue of flexibility until 1996. In his memorandum the Minister of Social Affairs and Employment, Ad Melkert, took an important step towards overcoming this deadlock. The memorandum on flexibility and security (Second Chamber 1995-6, No. 24 543) was submitted to the social partners in December 1995. In April 1996, the Labour Foundation published a unanimous recommendation, which largely coincided with the government's analysis and point

of departure (Document “Flexibility and security”, 3 April 1996, No. 2/96). However, the Labour Foundation did come up with alternative proposals on some important points.

The government very much appreciated the unanimity of the Labour Foundation’s recommendation and regarded it as a historic agreement that would make a valuable contribution to the creation of harmonious employment relationships. It therefore adopted nearly all the proposals, even those that differed from the minister’s in his memorandum. All the proposals were put into two bills submitted to Parliament on 7 March 1997: the Flexibility and Security Bill (No. 25 263) and the Bill concerning the Allocation of Workers via Intermediaries (No. 25 264, referred to as *WAADI*), which provided for abolition of the permit system for establishing a temporary work agency (TWA).

However, following publication in March 1997, as well as widespread enthusiasm and euphoria, there was also some criticism of the balance between flexibility and security achieved through the Flexibility and Security Bill. In addition, some groups in the First Chamber voiced disappointment about the minister’s lack of interest in setting up an independent committee of specialists – drawn from a wide range of political parties – to advise the government on reform of the current legislation on dismissal. Only when it finally became clear to the minister that the First Chamber would postpone the debate on the bill did he give in to the demand to set up a committee, to report in 2000. The First Chamber adopted the bill on 12 May 1998.

The adoption process and parliamentary history of the act showed a typical picture of corporatist co-ordination. In this co-ordination mechanism, the government and the employers’ organisations and trade unions (via the advisory boards on which they are represented) were clearly the most important players. Although the government took the initiative in this matter, the social partners’ successful negotiations were clearly decisive. Subsequently, the Chambers of Parliament played only a minor role, though the First Chamber at least tried to increase its role to the maximum in this “polder” process.

b. Implementation of the act in practice: players and action

The new legislation came into force on 1 January 1999. Table 2 hereafter summarises the main aspects, with flexibility aspects of the legislation listed on the left and security aspects on the right.

Table 2: Central aspects of the Dutch Flexibility and Security Act

Flexibility	Security
<ul style="list-style-type: none"> • Regulation of fixed-term employment contracts altered: after three consecutive contracts, or when consecutive contracts total three years or more, a permanent contract exists (formerly applied to fixed-term contracts that had been extended); • TWAs no longer obliged to hold permit; maximum term of temporary employment (six months) abolished; • The notice period now, in principle, one month, with a maximum of four months (formerly six months); • Public Employment Service (<i>CWI: Centrum voor werk en inkomen</i>) dismissal notification procedure shortened; employees no longer required to file a pro forma notice of objection to the Regional Director of the CWI in the event of dismissal on economic or financial grounds in order to substantiate a claim for employment benefit. 	<ul style="list-style-type: none"> • Two so-called presumptions of law introduced that strengthen the position of atypical workers (regarding the existence of an employment contract and the number of working hours agreed in that contract); the existence of an employment contract is more easily presumed; • On-call workers entitled to a minimum of three hours' pay each time they are called in to work; • Regulation of the risk of non-payment of wages in the event of there being no work for an on-call worker: the maximum period during which employers may claim that they need not pay wages (for hours not worked) reduced to six months; • A worker's contract with a TWA is considered an ordinary employment contract; only for the first 26 weeks are the agency and the agency worker allowed a certain degree of freedom with respect to starting and ending the employment relationship; • The statutory maximum trial period (that is the two-month period during which the employer and the employee are both free to terminate the contract) will not be extended, but will instead be restricted for short-term contracts that specify a term of employment.

The result of all these measures should be, on the one hand, to inject additional flexibility into the labour market by relaxing dismissal laws and the rules on starting a temporary work agency, while generating a higher level of security for employees in flexible jobs, on the other. However, from the technical point of view, the measures do not contribute to a simplification of Dutch labour law. Moreover, it should be noted that it is possible by means of a collective agreement to depart from a number of these provisions, namely those laid down in the Civil Code (which is the case for most of the measures) or not of a fully mandatory nature.

The act has had major consequences for the temporary work agencies (TWA) and those who work for them. It provides for a gradual increase in the rights of temporary workers proportionate to the length of time they are employed by a particular agency. At the same time, the permit system for TWAs was discontinued, thus ending one of the distinctions between them and other employers.

TWAs play a larger role in the Dutch economy than in any other in Europe. In 1983, 5.8 per cent of the Dutch workforce was employed by a TWA; the figure was 7.6 per cent in 1990, and by 1994 this had increased to 10.9 per cent. At that time, this involved mostly short-term assignments: 47.3 per cent lasted less than two weeks, and only 3 per cent exceeded the 11-month threshold. From a social cohesion perspective, it is interesting to note that in 1994 about a quarter of the job-seekers successfully placed by TWAs were in the "hard-to-place" (vulnerable) category. Thus these agencies are increasingly performing tasks traditionally carried out by public employment offices.

Temporary employment agencies granting permanent contracts may seem a contradiction in terms. Nonetheless, this combination is a key element in the Flexibility and Security Act.

c. Collective agreements in the temporary work agency sector

It is interesting to go a little further and look at the content of the first general collective agreement in this sector. The main provision of the collective agreement was termed a "four-phase system" that gradually grants more rights to workers as their tenure at the agency continues. Thus, for instance, once workers have completed 26 weeks with the agency they have a right to participate in a pension scheme at the agency and the agency must discuss their vocational training needs. After another 6 months, they are offered a fixed-term employment contract. After a total

of 18 months working for the same client firm, or after 36 months of working for different client firms, the fixed contract with the TWA is automatically converted into a permanent contract. Thus, to a greater extent than before 1999, temporary employees now find their rights and obligations set down in writing. The right to participate in a pension scheme after the first 6 months of work for a TWA is, in particular, a major step forward from a social cohesion perspective.

With its own collective labour agreement, the TWA sector had in fact reached maturity. But because of the sector's atypical nature, the collective TWA agreement raised problems of overlap. Which collective agreement should apply to the temporary worker: the collective agreement in the sector of the user or client company (the effective employer) or that of the TWA sector (the formal employer)? The issue was discussed at the level of the national social partners, who, in their October 2001 agreement within the Labour Foundation, made a number of recommendations on bargaining coverage and on the terms and conditions of temporary agency workers.

In order to prevent unfair competition between agency workers and a sector's permanent employees, and to deal with the problem of overlap between agreements on temporary agency work and other sector agreements, the Labour Foundation proposed exact definitions of the scope of the economic activity covered by the various collective agreements. Since this did not eliminate every potential problem, the Foundation also called for an exact description of what is included in the definition of a temporary work agency's activity. This description is modelled on the suggestions of the TWA employers' association (*ABU*), and it makes a distinction between TWAs operating solely (or mainly) in one sector and TWAs which in principle serve all sectors. When a sector collective agreement is declared generally binding (extended and made legally applicable to a whole sector by decree), it should also apply to workers from TWAs operating solely (or mainly) in that sector. However, a TWA has the right to pay its workers according to the (generally binding) TWA collective agreement if its primary activity is to provide workers in a number of different sectors.

d. The second TWA collective agreement

After the first TWA collective agreement in 1999, the economic situation changed significantly. From 1995 to 2001 the Netherlands experienced prosperity, with very low (official) unemployment rates, a tight labour market and steady economic growth. From 2001 things took a turn for

the worse, with unemployment going up, economic growth declining to near zero and productivity growth falling as well. On the basis of research (Colard *et al.*, 2001), some fresh recommendations on the new collective agreement were issued, the main one being a further differentiation of working conditions, the temporary workforce being fairly heterogeneous, from students earning extra cash to long-termers not using temporary agency work as a stepping stone. The four-phase system and the wage provisions were considered too complex and not transparent enough.

The second TWA collective labour agreement came into force on 1 April 2004 for a five-year period. Perhaps the most striking outcome, after months of negotiation, is that the duration of temporary work (phase A) was extended from 52 weeks to 78 weeks in return for more pay. Now, once they have worked for more than 26 weeks at the same company, temporary workers will be paid at the same rate as the employers' own staff. There is a different flexicurity trade-off: external numerical flexibility is enhanced by

- prolonging the period during which a temporary worker can be dismissed without notice in the event that the client firm stops using him or her (the so-called "agency clause"); and
- extending the period during which fixed-term contracts can be used.

The other part of the deal consisted of

- greater income security for temporary workers by giving them (after half a year) the pay and working conditions of the client firm (instead of the collective agreement of the temporary agency sector); and
- granting temporary agency workers more specific and individualised entitlement to training.

In fact, it could be argued, temporary agency workers have been brought closer to normalisation, since their working conditions have been made quite similar to those of normal workers. Client firms just pay extra money (to the agency) for the extra (external) flexibility they gain by using temporary agency workers. The employers' organisation, the ABU, and all three trade unions involved are enthusiastic about the new collective labour agreement.

e. Concluding remarks about the players and actions in the implementation phase

Despite the issues considered above, discussions and consultations on the content and consequences of the 1998 Flexibility and Security Act

(including the subsequent agreement on temporary agency employees) proceeded relatively smoothly. Since a number of provisions of the law leave room for exemptions through collective agreements, it was no surprise that the social partners played an important role in drafting the act. The government intervened only in the education sector, urging the social partners to compromise. Although in early 1999 the TWA employers' association and the unions sometimes seemed far apart, they were able to avoid severe conflict and even managed to work out their own flexicurity policy in their first sector collective agreement. An important external factor was of course the very favourable economic climate. It is therefore worth mentioning that the same players were able to achieve a similar flexicurity deal in September 2003, when they concluded a new collective labour agreement for TWAs.

5. Effects of the act in the light of the four dimensions of well-being

a. Defining its effects

The third level of the Council of Europe's tree model is concerned with effects. In the tree model, four major effects are displayed: equity, dignity, autonomy and participation. These effects fall neatly into line with the distinction between "active" and "passive" flexibilisation made since the 1990s by the Dutch trade union FNV. Active flexibilisation (also) meets workers' need for flexibility, for instance the needs of people combining paid work with other responsibilities, whereas passive flexibilisation is a unilateral form that takes no account of the workers' interests.⁷

Evidently, there is a need for the concepts of equity, dignity, autonomy and participation to be made more operational in the context of the flexibility–security nexus. Equity could, for example – very tentatively – be connected with (equal) access to facilities and rights; dignity represents a fundamental safeguard against the impact of flexibilisation on an individual's work and private life; and autonomy and participation are keys to workers' position in the procedures and processes of flexibility and flexibilisation.

7. Ronald Fahlbeck (1998, pp. 65-66) uses the terms "aggressive" and "defensive" flexibilisation and explains that the origins of the development towards flexibility are to be found amongst workers, rather than employers.

Taking the last first: in sections 3 and 4, we saw that workers participated indirectly in the adoption and implementation of the Flexibility and Security Act. They were represented by their trade unions. Of course, we are not discussing in this chapter the participation or co-determination rights of temporary agency workers within the framework of their employment relationship. These rights do exist in the Netherlands, at the agency and also at the client or user firm (after 24 months), and will be strengthened by the new law on co-determination currently being debated in parliament.

To analyse the other effects we examined three evaluations of the act and of the first TWA collective labour agreement (another official evaluation begins soon). However, these evaluations did not specifically measure the well-being of flex-workers, and may not have taken enough factors into account to make a comprehensive evaluation of the effects mentioned in the tree model.

b. The three evaluations of the act

The first evaluation was more of a quick scan. Published in April 1999, this survey reported on the initial effects of the Dutch Flexibility and Security Act. It revealed both positive and negative aspects. The representative survey was conducted among 1 300 employers (including employment agencies) and 1 500 flexible employees, of whom 1 000 were employed on a temporary basis. It took place immediately after the introduction of the act and revealed "mixed feelings" among employers, workers and their representatives, largely resulting from the need to consider the consequences of the new legislation and put it into practice, and to reorganise administrative procedures (Grijpstra *et al.*, 1999). Some 80 000 employees with flexible employment contracts had benefited from the Flexibility and Security Act. Positive effects of the act included the granting of permanent contracts to 35 000 on-call workers and to another 10 000 temporary employees. However, the survey also revealed negative consequences for some 45 000 flexible workers.

On the negative side, some on-call workers were not required to work, and some employees provided by employment agencies were summarily dismissed before 1 January 1999. In addition, numerous contracts were concluded containing "escape clauses", especially in the healthcare, retail and catering sectors. A third of the employers surveyed viewed the act as positive and 20 per cent had no opinion, whilst nearly half of them (47 per cent) were not in favour of it. Familiarity with the act appeared

stronger among employment agency employers than among other employers, though the latter were reported to possess adequate knowledge. Comprehension was also reasonably high among employees: 64 per cent of temporary agency workers and 75 per cent of all flexible workers reported familiarity with the act. This may be seen as a positive “equity” effect.

The second evaluation, in the second year of existence of the act, revealed that, following the introduction of the Flexibility and Security Act, there had been a shift from temporary to permanent employment contracts (De Klaver *et al.*, 2000). About 145 000 existing temporary contracts had been converted into new temporary contracts and nearly 72 000 temporary contracts had been converted into permanent contracts. A total of 86 000 temporary contracts had not been renewed. The contracts of 25 000 on-call workers had not been renewed, and a further 93 000 on-call workers had either become temporary agency workers or had changed to fixed-hours or fixed-term contracts.

In comparison with the first evaluation, positive experiences among employers (including TWAs) and flexible workers by then generally outweighed negative experiences. Half of the employers involved in the second evaluation had a positive opinion of the act (compared to a third in 1999). However, the employers running TWAs were less positive, with only a third expressing positive opinions (in 1999, a quarter of these employers had been positive about the act). Flexible workers were less likely to attribute negative developments in their employment relationship to the act. The researchers concluded that firms and workers were getting used to the new rules. Knowledge of the act was fairly widespread, though it remained important to keep providing information to those engaged in collective bargaining as well as to individuals (De Klaver *et al.*, 2000).

The results of a third evaluation (Van den Toren *et al.*, 2002) were largely in line with previous ones. A first observation was that the proportion of flex-workers had decreased between 1998 and 2000 (from 9.8 per cent of the working population to 7.7 per cent), mainly due to a decline in the numbers of on-call workers. The tight labour market had in practice limited the scope for using the new opportunities for more flexible deployment of labour. Employers preferred to use overtime and variable working hours to enhance flexibility in their company. Successive use of fixed-term contracts seemed to be the most frequently applied element of the new legislation. A quarter of temporary agency workers reported

that their legal position had been improved by the flexibility and security legislation. The presumptions of law introduced by the act appeared to have had a preventive effect in the form of differently and more appropriately worded contracts. Only in a minority of cases (about 10 per cent) where workers had worked for longer hours than stipulated by their contract had an appeal had to be made on the basis of the presumptions of law. However, many flex-workers reported that they did not rely on these presumptions, because they wished to maintain their flexibility towards their employer. Here we clearly see an “autonomy” effect.

The legislator’s expectations of the guaranteed wage for on-call workers had not yet been met. A sixth of employers stated that they did not pay the guaranteed minimum of 3 hours, whereas a third of the on-call workers asserted that they were not paid according to the legal requirements. We may see this as a negative “equity” aspect.

The four-phase system was well-known among temporary agency workers; half the workers reported that the agency had informed them which phase applied to them, and this may be seen as a positive “equity” effect. The majority of temporary work agencies (90 per cent) had introduced a pension scheme for their temporary workers; more than half the workers reported that they were building up pension rights. This is certainly a major “dignity” effect, because pension rights have a long-term effect on workers’ well-being. It can be described as a positive “equity” effect as well. Temporary agency workers in phases 1 and 2 are also entitled to sickness benefit, and workers in phases 3 and 4 are entitled to continued pay (by the agency) in the event of sickness.⁸ However, a third of the latter category of workers was unaware of this entitlement, and a quarter of workers did not receive a benefit when they were ill. Workers in phases 3 and 4 seemed to have more problems than their counterparts in phases 1 and 2. Here the picture is negative with regard to “equity” (access only in theory) and to “dignity”.

Most flex-workers who involuntarily left their jobs and became unemployed did not receive unemployment benefit. The main reason for this was that they did not apply for it, already having a new job or expecting to have one soon. When such an application was turned down, this was often because the employer was under an obligation to continue to pay the applicant. The social insurance agencies were now paying more

8. This is a general legal obligation for the employer in the Netherlands during the first year of sickness, soon to be extended to two years.

attention to this continued pay obligation than they used to: workers were referred back to their employers, but then often gave up trying to obtain their rights. This clearly had a negative effect on flex-workers' income protection, as well as on the "equity" and "dignity" aspects of well-being.

c. Tentative remarks about the effects of the act

On the basis of the three evaluations above, we may conclude that the Flexibility and Security Act had a generally positive effect on the "equity" and "dignity" aspects of flex-workers' well-being. However, judging by comments made by some employers (TWA Start) and other players on the outcomes of the three evaluations, the new act seems to affect particular categories of temporary employees differently. It seems that the negative effects of TWAs' fears of permanently employing their workers are falling most heavily on less educated workers, especially since the economic tide turned in 2001. Not much has changed for highly educated or sought-after employees; even before the act took effect, these people were often being offered permanent contracts by temporary employment agencies or by other companies. So, a lot of TWAs see the latter group as an attractive investment and the former as useful only for short-term cyclical work with no prospects, thus again restricting their job and income (pension!) security to a minimum. From a social cohesion perspective – especially the "equity" and "dignity" aspects – this of course gives reason for concern. Admittedly, the Flexibility and Security Act was never meant to provide a quick solution for the most difficult groups on the labour market. Not every flexible worker is suitable to be offered a permanent position by an employment agency. In this respect it must be stressed that the act was drafted at a time of economic prosperity and increasing scarcity on the labour market, when even the most vulnerable groups on the labour market were considered worthwhile workers. But when the act came into force, economic prospects were in sharp decline. In such circumstances, the least attractive groups are always the first to be out of work again.

It is still too early to judge the real long-term effects of the act. Will it prove to be a vital policy tool for establishing more permanent frameworks, which allow for labour market flexibility while maintaining or even increasing security? The second TWA collective agreement gives us reason to be positive. It reflects the idea that employment agencies should aspire to be good employers, treating flexible workers as normal workers as far as possible, and giving them adequate training and supervision.

If there is another economic upturn, since our workforce continues to age rapidly, we think the act may have a steady long-term effect on flexible workers' well-being, in increased security, equity and dignity for the most vulnerable groups. So far, the effects of the act at least partly reflect its intended purpose, namely to ensure that temporary employees are "placed and developed" instead of "used and abused".

6. Concluding comments about the Dutch Flexibility and Security Act in terms of the Council of Europe's tree model

In this chapter we have examined the Dutch Flexibility and Security Act from a social cohesion perspective. This viewpoint is central to the Council of Europe's mission and expertise, and it also represents an original slant on the issues. Most perspectives tend towards economic or administrative aspects, political science, industrial relations or a strictly legal view, whilst the Council of Europe's tree model aims to give a more complete and inclusive picture of the problem. We have used this model to evaluate an example of flexibility/security policy in terms of foundations/basic values (section 3), methods (section 4) and effects (section 5).

At the end of this "test stage", we may conclude that it is indeed possible to describe the history, content and operation of the Flexibility and Security Act on the basis of the tree model. If we push the metaphor of the tree model a little further, since the seed for this tree was sown only nine years ago, we may describe the Flexibility and Security Act as a sapling in a forest more than a century old (the modern labour market). A closer look at the roots of the tree (the foundations) reveals that it was planted precisely in order to offer an exposed, open area of the woods (the vulnerable majority of the group called flex-workers) better shelter from an excess of sunlight (globalisation and technological change), whilst allowing through the healthy rays of the sun. So, essentially, this tree was meant to help to restore or preserve a (socially) cohesive forest. What can we say about the process of the young tree's growth (action/players)? The planting process took about three years (1996-98), due to the typical corporatist co-ordination method that was used, with all leading forestry experts being consulted before a decision on the generally preferred (but not necessarily the optimal) mix of seeds was taken. When the tree was finally planted in 1999, the process of growth and survival in the everyday life of the wood began. This process was led primarily by the local forestry inspectors (the social partners in the TWA sector), via the collective bargaining process. The adaptability of the tree at this

stage to severe climate change (economic circumstances) was amply proved by the second collective agreement in this sector, clearly showing that a positive-sum game was being played. The tree is five years old now, and experts have already studied the tree's blossom (effects) three times. At first the main players strongly disagreed with each other about its blossom and yields. But after a while a largely positive view came to be taken about the blossom potential of this still young tree.

In non-tree terms, the policy documents that laid the foundations for the Dutch flexicurity Act clearly show an explicit and well-considered trade-off between forms of flexibilisation, namely, enhanced external numerical flexibilisation (slight reduction of dismissal protection in standard employment relations, far-reaching liberalisation of the temporary work market), and forms of security for vulnerable groups on the labour market, viz, more security of employment and employability for temporary agency workers and other non-standard workers such as on-call workers. Furthermore, where the action and players are concerned, it is safe to argue that this Act could never have been launched and implemented if it had not been for the joint efforts – in terms of a positive-sum strategy – of the social partners, both at the central (Labour Foundation) and the sector level (collective agreements in the TWA sector). Finally, the act is, after some disagreement initially, largely deemed to have had effective and positive consequences, which can be translated into a positive effect on the well-being of flex-workers in terms of enhanced equity and dignity, albeit with the proviso that one group can be seen to be more privileged, another one less so. The effects of the act on the autonomy and participation of flex-workers are too slight to be assessed.

After just one case-study, it is too early to say whether the tree model could successfully serve as a more standard-orientated model/checklist for proposed or existing flexibilisation policies, similar to the OECD's Quality regulation checklist and Principles on regulatory reform. Using the tree model to provide a set of normative starting points will require some rankings or preferences to be stated for foundations, methods and effects. Preferences in the foundations and effects have been given in the model, so the implication is that further debate is likely to focus on methods of achieving or safeguarding social cohesion within processes of flexibilisation. Nonetheless, on the basis of further case studies, a dynamic "forest" may grow and flourish, in which the tree model could also be used as a comparative (descriptive and normative) model to analyse various policies in other countries.

Bibliography

Bertola, G. (1990), "Job security, employment and wages", *European Economic Review*, 34: 851-886.

Colard, R.B.A. et al. (2001), *Schakels voor een nieuwe CAO*. Rotterdam: NEI.

Council of Europe (2004), *A New Strategy for Social Cohesion*. Strasbourg: Council of Europe.

De Klaver, P.M., Klein Hesselink, D.J. and Miedema E.P. (2000), *Ervaringen met en effecten van de Wet Flexibiliteit en Zekerheid. Tweede meting*. The Hague: Ministry of Social Affairs and Employment.

Fahlbeck, R. (1998), *Flexibilisation of Working Life: Potentials and Challenges for Labour Law. An International Analysis*. Lund: Juristförlaget i Lund.

Fukuyama, F. (1999), *The Great Disruption*. London: Profile Books.

Grijpstra, D.H. et al. (1999), *Eerste ervaringen met de wet Flexibiliteit en Zekerheid*. Leiden: Research voor Beleid/TNO Arbeid.

Jager, A., C. Wallace and B. Haas (2004), *Work and Flexibility in Europe. A comparative study in labour market flexibility in eight EU and candidate countries*. The Hague: Ministry of Social Affairs and Employment.

Mayes, D.G. and Soteri S. (1994), *The Right of Dismissal and Labour Flexibility*. The Hague: OSA (Working Document 121).

Pennings, F.J.L. (ed.) (1996), *Flexibilisering van het sociaal recht*. Deventer: Kluwer.

Putnam, R. (2000), *Bowling alone*. New York: Simon & Schuster.

Sen, A. (1999), *Development as Freedom*. New York: Alfred A. Knopf.

Sennett, R. (1998), *Corrosion of Character*. New York: Norton.

Van Bottenburg, M. (1995), *Aan den Arbeid! In de wandelgang van de Stichting van de Arbeid, 1945-1995*. Amsterdam: Bert Bakker.

Van der Heijden, P.F. and Noordam F.M. (2001), *De waarde(n) van het sociaal recht. Over beginselen van sociale rechtsvorming en hun werking*. Deventer: NJV Preadvies.

Van den Toren, J.P., Evers G.H.M. and Commissaris E.J. (2002), *Flexibiliteit en zekerheid. Effecten en doeltreffendheid van de Wet Flexibiliteit en Zekerheid*. The Hague: Ministry of Social Affairs and Employment.

Visser, J. and Hemerijck A. (1997), *'A Dutch Miracle': Job Growth, Welfare Reform and Corporatism in the Netherlands*. Amsterdam: Amsterdam University Press.

Visser, J., Wilthagen T., Beltzer R. and Koot-van der Putte E. (2004), "The Netherlands: from atypicality to typicality", in S. Sciarra, Paul Davies and Mark Freedland (eds), *Employment Policy and the Regulation of Part-time Work in the European Union. A Comparative Analysis*. Cambridge: Cambridge University Press, pp. 190-223.

Wilthagen, T. (1998), *Flexicurity: A New Paradigm for Labour Market Policy Reform?* Berlin: WZB Discussion Paper FS I, 98-202.

Wilthagen, T. and Rogowski R. (2002), "Legal regulation of transitional labour markets", in Schmid G. and Gazier B. (eds), *The Dynamics of Full Employment: Social Integration through Transitional Labour Markets*. Cheltenham: Edward Elgar, pp. 233-273.

Wilthagen, T. and F. Tros, "The concept of 'flexicurity': a new approach to regulating employment and labour markets", *Transfer: European Review of Labour and Research*, 10, No. 2 (Summer), 166-186.

Windmuller, J.P. (1969), *Labor Relations in the Netherlands*. Ithaca, NY: Cornell University Press.

PART II – TOWARDS RECONCILIATION: ISSUES FOR BRIDGING THE GAP BETWEEN FLEXIBILITY AND SOCIAL COHESION

A – The route to social cohesion flexibility

I – Different kinds of flexibility: reconciling different interests

by Aris Accornero

Introduction

In the past *Frangar, non flectar* was a noble motto that regarded inflexibility as a virtue. “Breaking rather than bending” meant being strong, masculine and stable; the contrary was synonymous with weakness, femininity and instability. David Riesman considered the former mentality typical of “self-directed” personalities, born of the first industrial revolution and the Victorian age. The industrial model of mass production and consumption – sometimes called Taylor-Fordism – needed exactly such a rigid approach.

Later, that model began to show signs of crisis, *inter alia* on account of its very rigidity in managing labour. A new idea emerged: diversifying supply by “personalising” commodities. Ever since, companies have accordingly had to contend with unprecedented variability in consumer demand. They have sought to make themselves more flexible by adopting structural approaches and modes of organisation allowing them to slim down and operate on a smaller scale. Globalisation and developments in information and communication technologies have facilitated and fostered this transformation.

We are therefore witnessing a surprising reversal of values: flexibility, rather than rigidity, is now perceived as positive. The driving force is precisely this new model, known as post-Fordism. As a result, employers expect their employees to become more flexible in turn. Their objective

need may in some cases prompt and satisfy a similar need for flexibility on the workers' side, but in other cases it may conflict with workers' need for stability.

Much past debate on this topic has been negatively influenced by the perception that there is a polarised conflict between flexibility and rigidity. The idea is simple: if you compel me to be flexible, you can be rigid. That is to say, the party that becomes flexible is the loser, while the winner is the one who remains rigid. We can regard this as a legacy of the self-directed mentality and personality. However, relationships between flexibility and rigidity are not comparable with a zero-sum game. This image may reflect the traditional view of class conflict, but it disregards the interaction of interests which flexibility brings into play. Instead of being pursued on such extreme terms as "flexibility versus rigidity", labour relations need a "flexibility versus stability" approach.

As a matter of fact, organisation of production is now more flexible than ever before, and therefore more efficient, thanks to both employers and employees. It should be said that the first to change was capital: it is not that capital remained rigid while labour was compelled to be flexible. Flexibility may appear to be unevenly distributed, requiring realignment between employers and employees, but under the post-Fordist model both sides are under pressure, and this situation will last decades. That means that everyone has to come to terms with it.

The major change taking place today inside and outside the workplace resembles the other great transformations in modern labour history. The first was linked to the industrial revolution, which led to the introduction of sweatshops, the factory system and mechanisation of work in the nineteenth-century United Kingdom, and the second led to Taylor-Fordism, which gave rise to assembly lines, mass production and specialisation of work in the twentieth-century United States. Both transformations caused concern among leading scholars about the future of the labour force: in the nineteenth century many of them feared the emergence of fragmented work and in the twentieth century thinkers warned of the advent of an alienating work process. Their worst prophecies were not fulfilled, but work and workers nonetheless changed.

The present transformation has its origins in post-Fordism, which introduced "lean production" and flexible work, driven by consumer orders placed and executed "just in time". Many people, including some leading scholars, now fear that the consequence will be growth in job insecurity. Is this a real risk? What are the core problems?

1. Types and levels of labour flexibility

Flexibility is intrinsic to post-Fordism, and the trend towards greater flexibility can be slowed only by the survival of remnants of Taylor-Fordism. The general frame of labour flexibility can be seen to be changing, starting with task flexibility, which is most typical of the new model and the basis of every other form of flexibility. Its key feature is that it goes against the strictest rule of Taylor-Fordism: one man, one task. Instead of applying that extremely specialised, restrictive approach, post-Fordism asks employees to broaden and/or enrich their specific skills; it accordingly allows them to enhance their knowledge and involvement. (Scholars refer to this as the “Japanese model”.)

Task flexibility is the main outcome of the reduced distance and lower barriers between managers and workers; it also leads to new demands on employees, who are now required and permitted to be more autonomous, resourceful and conscientious than ever before. And more “feminine” too. In a nutshell: more flexible in their attitudes and actions. This is the prevailing mood, regardless of the rhetoric sometimes heard about “workers’ commitment”.

Post-Fordist employers should consequently prefer to treat their employees as individuals and appeal to their professional potential, instead of regarding everyone as interchangeable as they did in the past. They should encourage workers to become multi-skilled, not just to adopt multi-task attitudes. That entails laying the foundations of “adaptability” – a pillar of European employment strategy, which applies inside and not just between firms – and of the related concept “employability”. (In this new context, task flexibility can be seen to be a more appropriate, more current concept than functional flexibility.)

Since task flexibility is most likely to foster worker involvement, public policies should prompt employers to acknowledge, certify and reward worker versatility and to encourage their employees to extend their range of skills and to take advantage of training schemes and learning opportunities. Good labour relations at workplace level offer the primary means of attaining these goals.

Within the general framework of labour flexibility, there are two main types of flexibility: time flexibility, which means reorganising, raising or lowering working hours; and job flexibility, which means redistributing, increasing or decreasing the number of employees (and may sometimes entail geographical mobility). Differences in forms of employment do not

matter here. In fact, both types of flexibility – time and job – are necessary with both fixed-term and open-ended contracts, that is to say not only for temporary, but also for permanent jobs, although the European Union regards the latter as the norm, and it is true that they represent the great majority of jobs. Different durations of work do not matter either: time and job flexibility are needed for both part-time and full-time work. There are then four kinds of job to which labour flexibility can be applied:

- permanent, full-time;
- permanent, part-time;
- temporary, full-time;
- temporary, part-time.

In this context, the main difference between European countries lies in the proportion of the first two kinds of job, which generally account for more than four-fifths of all employees. For example, the Italian labour market figures for 2003 were:

- permanent, full-time: 83.8 per cent;
- permanent, part-time: 6.3 per cent;
- temporary, full-time: 7.0 per cent;
- temporary, part-time: 2.9 per cent.

Time and job flexibility primarily depend on fluctuations in market demand, and both help to produce a “time-resilient workforce” in a “breathing company”. Because time flexibility can partly solve the problem of job flexibility, and vice versa, the two approaches are strongly complementary: with the same skills structure, the more employees’ time is flexible, the less their jobs have to be flexible. All employers can therefore make temporary use of one strategy or the other, or both. At firm level, however, their impact is different: time flexibility is more prevalent in large companies, job flexibility in small ones.

These two types of flexibility have different social implications: for instance, job flexibility can trigger spells of unemployment or downward pressure on salaries, whereas that is usually not possible with time flexibility. While this latter assumption is correct, it must be borne in mind that, on a national level, time flexibility affects a much larger number of employees and families than job flexibility. The former can therefore have more widespread implications and the latter more serious ones. Since their use by firms is complementary and both can contribute to the success of employment policies, it would be wrong to pay attention only to job flexibility.

Time and job flexibility have something in common: they disregard, if not betray, the basic industrial principles of the past. In fact, when employers introduce more complex, more variable work timetables – going far beyond simple shift work and overtime – or demand ever-greater job flexibility, they abandon the regularity, uniformity and stability that was necessary in the era of mass production to make the employees' effort steady, constant and reliable. This change, along with higher levels of education, explains why in post-Fordist times the need for flexibility is growing among workers too.

a. About time flexibility

One of the oldest kinds of labour flexibility – perhaps the first of the post-Fordist era – is the possibility for employees to change the start and end of their working day, at least with a view to recovering time lost in traffic jams or similar situations. The flexible workday, an astonishing departure from a rigid timetable, was initially introduced by a few large companies and reserved only for non-manual employees: it was in fact a social distinguisher. Many companies have since introduced flexible workdays, sometimes allowing considerable personalisation of working hours.

Other recent flexible time innovations are: “hours banks”, which allow employees to accumulate additional hours worked or overtime to be exchanged for extra time off in future; co-ordinated company-wide calendars, which allow employees to book their preferred working times; and multi-scheme leave schedules, which allow employees to split and/or distribute their holiday periods. Part-time work also offers many opportunities for improving time flexibility (as well as job flexibility: see hereafter).

Time flexibility is in fact more dependent on employee needs and demands than is job flexibility, and many companies try to improve it to meet employees' wishes. Unfortunately, most companies – particularly the smallest – still cannot satisfy even such a basic need as a flexible workday because of physical constraints inherent in the production process or the rigidities of work organisation.

Flexitime arrangements should always combine and reconcile the flexibility needed by employers with the work–life balance needed by employees. However, their needs and interests do not always coincide. For instance, in families with more than one employee – a growing num-

ber of families – a change in one family member's timetable can cause problems for the others. This makes the need for timely information on any proposed change as vital as the need to ensure timely implementation of changes in normal or shift-work timetables. On the other hand, there can be no question that both employees and employers need work timetables to be as stable as possible, and as flexible as necessary to cater for company or personal needs. The same applies to self-employed workers.

Setting up new working-time regimes is no easy task, especially when the conflicts of interest between employees are more numerous than those between employees and employers. As experts know, this can happen with traditional shift work too. At the same time, some temporary adjustments can be achieved directly by informal exchanges between the employees involved; this may make it possible to even out the impact on their families.

Fair solutions are easier to find where employees themselves – preferably with union support and/or their employers' encouragement – identify criteria or priorities acceptable to all concerned. This can help balance working and family life, not least when family members move on from one life-cycle to another. There is also no doubt that shared working time can reconcile, at least partly, time flexibility and job stability. (As might be expected, this also applies to companies where the prospect of mass layoffs has recently been countered by the hard solution of working more hours for lower earnings. Even in such a difficult situation, time flexibility plays a primary role.)

A basic condition for reconciling different interests when introducing all kinds of flexitime systems is that unions and management should negotiate collective agreements, whether formal or informal, and also draw up general schemes governing individual arrangements. Collective agreements on working time and/or timetables are a means of ensuring that employees are not given the impression that they have been sidelined. These practices, common in medium and large firms, should therefore be extended to as many others as possible under fair staff participation policies. Since they are consistent with the tendency towards more staggered work times and also with the need for personalised timetables, the positive effect of these practices could be to enforce a sense of corporate identity and encourage worker involvement. This is facilitated where employees are better educated and labour relations smoother.

Another very useful idea would be for the social partners and local administrative officials to find better ways of reconciling firms' flexitime arrangements with public or private transport timetables, including on Sundays. Obviously, proper management of flexitime is even more important in economically homogeneous areas. Improved management of time regimes, within and around companies, can actually help improve productivity and thus reduce risks and fears of job losses.

Other kinds of flexible working time, such as leave for life-long education and parental leave for child care, sometimes introduced by central governments, could be extended by the European Union. However, at that level it can be difficult to work out solutions acceptable to all, and those arrived at sometimes command only partial support. (The European Commission's proposal to modify Directive 2003/88 so as to redefine the concept of "ordinary working time" is in fact coming up against objections from both employee and employer organisations.)

Reorganisation of the working day, week and year is leading to a sharp decline in working time uniformity in traditional industries as well. Work timetables are more linked but less synchronised than before. They are also surprisingly diversified within the same branch, area and company, or within the same workshop, office or sales outlet. It is not just working-week hours that can fluctuate considerably over the year, but the working week can be shortened by introducing longer workdays, or workdays can be shortened by reducing breaks or even lunch time.

Reconciling different needs and interests may entail unexpected solutions, such as the shorter workday, which reflects the impact of transport problems and the fast-food trend. Part-time job timetables can also be spread horizontally (four 5-hour days in a week) or compacted vertically (two 10-hour days in a weekend).

All these new schemes show how much work and workers are changing, compared with the mass production timetables of the industrial past. For instance, there now appears to be less possibility – or, at least, likelihood – of workers being able to synchronise their leisure time. That could have an adverse impact on traditional concepts of worker solidarity, community relationships and even convivial events, and hence reduce space for social time.

At the same time, mass production timetables were imposed, far more than negotiated – except in the case of self-employed workers – whereas the present time-flexibility arrangements could pave the way for new

solutions and networks allowing the development of new patterns of time and job allocation, which could help foster social cohesion. (Examples of significant consequences of these trends are tendencies such as the “slow food” movement and the emergence of new leisure-time solutions, such as last-minute or low-cost travel.)

If we believe that improving time flexibility means making workplace timetables less uniform, all these new aspects can offer prospects of reconciling or balancing employers’ and employees’ interests, or at least offer both advantages and disadvantages for each side. The same is generally true of task flexibility, because these two types of flexibility are managed and decided within the workplace.

Things are different outside, in the labour market.

b. About job flexibility

Thanks to time flexibility, work is more widespread and dispersed than in the past. We are therefore now more accustomed than before to see people working at any time, every day and everywhere. Neither the demise of the huge factories, those “cathedrals of work”, nor too-high unemployment seems to be leading to an end of work. Even those who do not wish or want a “permanently active society” can welcome this change, if it is capable of preserving or restoring social cohesion.

As we have seen, job flexibility – that is, flexibility to distribute and spread work – is needed by both employers and employees, but its social dynamics are complex. Basically, it helps employers adapt their number of staff to the market situation and company policies, and it helps employees improve their skills and/or advance their careers within the workplace or between workplaces. Let us examine these aspects separately.

For employers, job flexibility does not simply mean freedom to hire and fire employees, but the possibility of recruiting and keeping the exact number of individuals, with the requisite skills, needed by the company in the medium term. Commonly, job flexibility is a solution for employers who temporarily need an extra worker, regardless of whether that worker’s skills exist within the firm, are not continuously needed or do not exist in house. In any of these three cases, the employer may foresee that the company will not need such a worker for longer than a given period; and, anyway, should a further or additional need come to light, the employer knows it will be possible to renew the contract when it expires; otherwise the employment will end. Employers can also obtain

job flexibility indirectly, by externalising or outsourcing some company tasks and/or activities. Some employers are even considering subcontracting personnel or human resources management.

Job flexibility can also help employers who temporarily need an autonomous worker, or specialised staff, to work alongside or in partnership with their existing personnel in order to perform one or more tasks. Job flexibility can even help employers who predict that they will need an extra worker, but do not yet know when.

For employees, job flexibility does not simply mean the possibility of changing jobs, one after another, but the opportunity to acquire new skills, improve their existing skills and learn lessons from each successive job. Commonly, job flexibility is a solution for permanent staff trying to build their own working-life pathway, either by accumulating experience in the same company or by combining experience gained in different companies. In some respects, job flexibility can also help temporary workers: they too can build up their skills base and integrate the lessons of each job into their professional knowledge.

When an employee weighs up the pros and cons of choosing to stay in his/her current job or leaving to take up a new one, choosing between stability and flexibility, he/she naturally takes into account his/her present conditions and compares them with those offered by other employers. In any case the employee has to be able to take the risk. (Richard Sennett fears that job flexibility brings about a "corrosion of character", but in a telling anecdote he did give some clever advice to a number of engineers employed by IBM who were complaining that their dismissal was on the cards: "You'd better resign in advance" – in other words, job flexibility is a problem, but also a solution.)

Such decisions are often taken after some bargaining with the present and/or future employer, and they are in any case implemented after a notice period. This kind of job flexibility is neither strange nor rare. In spite of their unemployment rates, several European countries show high worker turnover; the number of people changing jobs is high in economically homogeneous areas and generally involves short-distance mobility. (In Europe long-distance labour mobility is more problematic, especially in countries with high levels of home ownership.)

We should not regard such instances of voluntary mobility as negative, though they can undoubtedly hurt employers. The same applies to justified dismissals, which cannot be considered as negative flexibility. However,

other forms of behaviour would qualify as negative: for instance, the case of an employee who asks for more pay or promotion to a higher grade immediately after, or even before, his/her employer proposes a modest extension of his/her responsibilities; or the case of an employer or manager who attaches no importance to the fate of a temporary worker who has had several spells of employment with the company concerned.

In short, employees and employers may be faced with similar, but opposite, choices: to keep or dismiss a worker, to keep or give up a job. But such cases are not frequent. Usually, positive flexibility is possible for both sides: for instance, where a worker is able and willing to accept and make the most of a provisional new task, in order to learn more and improve his/her skills, or where an employer or manager is able and willing to regard a temporary worker as a potential permanent employee.

2. Flexible work and workers

a. Flexible work...

As we have just seen, employers may need to be able to propose a variety of flexible jobs. To that end, they can now make use of a wide range of forms of employment contract, going far beyond traditional part-time work: fixed-term, temporary, locum cover, apprenticeships, government-sponsored employment schemes, on-call jobs, job sharing, manpower leasing, and so on – all of which can be termed non-standard contracts. In some European countries, employers can choose from many kinds of employment solution, even to outsource jobs on a permanent basis.

Only over the past 20-30 years have the rules and practices prevailing in European labour markets made it possible to improve job flexibility; before that, there were restrictions on the measures needed, or they were even forbidden outright. Restrictive, protective regulation of employment was typical of twentieth-century Taylor-Fordism and mass production, which brought about:

- a social-anthropological framework of occupations, where the typical working-class family was supposed to be headed and supported by a male with a full-time permanent job – the “breadwinner model”;
- a sort of social-economic agreement between trade unions and big corporations, which traded job stability for employees against work stability for employers – the “Ford–Keynesian compromise”.

For decades, until the advent of post-Fordism, the breadwinner model and the Ford–Keynesian compromise were regarded as common sense and influenced social policies. This culminated, in the years after the Second World War, in a period known as the “golden age of capitalism”, when European countries approached full employment.

The case of part-time work offers a typical example of the repercussions of that old-fashioned “common-sense” approach, all the more so as it concerns both job and time flexibility. Over the last 20-30 years in some countries, especially those with higher unemployment, part-time work was criticised and its introduction delayed, before ultimately being legally allowed for all workers. The primary reason for this attitude was the idea that a part-time job was less than half a job, and thus a very poor one, mainly reserved for women. Seen from this standpoint, a job involving reduced hours or half the normal workday was potentially socially demeaning and not a job for a man. Accepting a part-time job therefore meant belittling oneself.

Implicit in this argument was also the belief that women did not prefer part-time jobs and accepted them only in the absence of an alternative, that is to say where full-time jobs were lacking. Today, on the contrary, most scholars acknowledge that part-time jobs strongly increase female employment everywhere, while a number of surveys have shown that growing numbers of women prefer part-time work as a voluntary alternative. The percentage who say they work part-time because of their family responsibilities continues to vary widely between European countries. Anyway – and this is very important – part-time work generates more other work than one might think, whether paid, non-market or voluntary work.

Generally speaking, prejudice against non-standard contracts is based on the idea that they are diametrically opposed to standard ones, which can/must be guaranteed for life, as in the past. This is tantamount to saying that there are bad jobs and good jobs. This attitude is not surprising since the greater the fears of job insecurity, the stronger people’s impression that the past was a realm of job security. However, the truth of the matter is that many workers stayed in the same job with the same company simply because it was the only one they had found. This situation may have favoured some, but for others it amounted to forced labour. Today, young people would scarcely welcome the prospect of a life-long job in the same company, or even the same job for 10, 20 or 30 years.

More specific fears have their root in the impression that non-standard employment is increasing at the expense of standard employment. As a matter of fact, after a sharp increase during the 1990s, in recent years the ratio between the two seems to have stabilised. The European Community Household Panel survey shows that between 1995 and 2001 the proportion of temporary jobs rose from 6.0 to 6.9 per cent. In turn, the Eurostat Labour Force Survey shows that between 2000 and 2003 the average percentage of fixed-term employment decreased. Thus, so far, fears of widespread job insecurity are not borne out. Incidentally, some observers treat the number of non-standard contracts as an indicator of the number of non-standard workers. This is wrong by definition: almost all non-standard workers have more than one contract per year.

A useful historical comparison is the well-known, frequently described phenomenon of assembly-line work, which engendered perhaps justified fears of worker alienation, but that kind of work never affected more than 10-15 per cent of the workforce on each site concerned. It is interesting to note that, by chance, this percentage is not so different from the proportion today of temporary jobs in the European Union. Moreover, sociological surveys and official annual forecasts confirm that employers and managers do not need a proportion of temporary personnel of more than about 20 per cent. (A telling fact is that the Spanish government was obliged to soften its labour market deregulation measures following a tremendous rise in fixed-term contracts.) If we are talking about a standard, real (not virtual) company, this simply means that there are not just economic, organisational, and even material limits to job flexibility, but also “social limits”, to borrow Fred Hirsch’s phrase.

b. ...and flexible workers

However, the consequences of job flexibility seem to be less acceptable than those of time flexibility. Job flexibility opens up two prospects:

- a striking, but mostly avoidable, risk of creating a stable group – some say an underclass – of workers who never have anything other than temporary jobs with different companies; this is the prospect opened up by the core/contingent or core/peripheral employment model, though the definition of the concept generally refers to a single company;
- a less striking, but virtually certain, probability of discontinuity in everybody’s working life, which means no more jobs for life, whether in the same job profile, the same company, or even the same occupation; this is the “flexible man” described by Richard Sennett.

The first prospect is worrying because temporary employees and occasional workers could be trapped in a sometimes-irreversible marginalisation from the labour market, the community and society. This risk is generally perceived to exist, and is reflected in newspaper articles, books and films. Whereas about one-third of companies make use of fixed-term contracts (disregarding seasonal ones), the core/contingent employment model mainly concerns other cases. A typical example is that of workers hired by a temporary work agency just for the duration of the mission – that is, the job – needed by a company.

However, it should be noted that, after performing several missions for the same company, at least a fifth to a quarter of temporary workers are hired. In that case, each mission becomes a sort of probationary period for both employer and employee. It is also noteworthy that about one-third of missions are refused by workers because the pay is insufficient or the place of work too distant.

At the same time, the propriety of relying on the core/contingent model, where workers performing non-core activities for one company are permanently employed by another, sometimes larger, company, is more questionable, though the former employer also has its core workforce, even if it is a cleaning ladies' co-operative. On the other hand, all companies (except perhaps for virtual ones) try to keep their core workers.

Surveys of individual job experience show that transition rates in the labour market decrease sharply after four or five jobs, and that few workers are still without a permanent job after eight to ten temporary ones. There is accordingly very little likelihood that a worker will never find any permanent job at all, if only because permanent jobs – as we will see – are also tending to become less stable than in the past. We should also bear in mind those workers who do not want a permanent job, at least at that stage in their life, and those other workers whose particular skill makes them contingent or peripheral, by definition.

The second prospect – discontinuity in everyone's working life – should not be underestimated, because in a few decades it could bring about a significant increase in labour turnover and a decrease in job tenures (in other words, fewer insiders and more outsiders). This risk affects not just workers on fixed-term contracts, but also those with open-ended ones, that is, permanent, standard employment. This not particularly harmful but widespread consequence of job flexibility could therefore lead to more convergence between labour markets as different as the European Union's

and the United States'. (According to the American Bureau of Labor Statistics, the years of tenure average – a measure of job security – would seem not to be declining.)

More discontinuity in careers and working life means that all workers, temporary and permanent, will have to deal with the labour market more frequently than workers did in the past. For some, this may be a more frightening prospect than the historical impact of mechanisation and technical progress. Moreover, the transition to the post-Fordist model causes not only fluctuations in markets and economic cycles, but a number of intensive processes that companies have to contend with in a context of globalised competition: business turnover (birth and death of companies), thinning down, geographical transfers, plus splitting of businesses, break-ups, take-overs and mergers. On this subject, it need but be pointed out that more companies are being established day by day but most of them presumably have a shorter life. All these factors could make labour markets more difficult for both the employed and the unemployed. At the same time, a marked decline is to be observed in collective recruitment, and employers prefer to hire individuals face to face. Workers too are becoming increasingly selective in their job searches, even in countries with high unemployment rates. So the meeting and matching process between labour supply and demand seems more complicated than ever before – even “atomised” – despite the growing number of private agencies that exist alongside public employment offices.

This may explain the very low proportion of e-recruitments – at least in larger countries – and the surprisingly high proportion of people who find a job through word of mouth. Labour market reform should result in regulations and institutions matching the real consequences of the transition to post-Fordism, which generates new needs among both the unemployed and people with jobs.

3. Optimising flexibility for all

The quality of working conditions now tends to be better than before, both ergonomically and professionally. There should be no regretting the days gone by, when some employers told their employees: “You are not paid to think”. Now many employers instead say: “Quality depends on you”. Whereas workers generally appreciate the improvements in the workplace (especially older workers, who experienced very different conditions in the past), many of them believe, or fear, that labour protection is declining. Higher quality, lower protection: this is a real contradiction

in the post-Fordist model. It is, for instance, surprising that some European countries have recently made their labour market more flexible by creating new types of contract that still lack social security references. So the sticking point seems to be flexibility, whereas yesterday it was rigidity.

A scenario, or even a feeling, of job insecurity is troubling not only for employees, their families and communities (particularly those more economically dependent, as in immigrant communities), but also for employers and companies, which mostly try to hold on to and even generate loyalty among good employees instead of making them less secure through a process of continual hiring and firing. Yet, temporary jobs are a necessity, and discontinuity in career trajectories unavoidable. At the same time, building up an individual's working and social identity will be based on more jobs, more tasks and, even, more occupations than in the past.

Nevertheless, many temporary workers find it hard to rent accommodation or obtain a mortgage, while others consider it wiser to delay getting married or having children. Many female part-timers experience difficulties in obtaining overtime work on request; and some permanent employees struggle to travel to a new workplace every day, while others find it impossible to follow their company when it moves elsewhere. There is a range of social problems that could make any temporary job or fixed-term contract socially unacceptable. In view of this situation, the French Government has introduced policy measures to assist workers unable to obtain a mortgage.

How can the risks and feelings of job insecurity and instability be avoided and reduced? How can labour flexibility be made sustainable, how can it be optimised? Michel Didier and other economists recommend "making workplace flexibility compatible with an essential need for social stability". Accordingly what is needed is a mix of social security cover and social culture capable of supporting flexible employment norms and practices, and making flexibility a genuinely shared value.

An appropriate culture, not an ideology – as Alain Supiot has pointed out – is of key importance for flexibility, which has both positive and negative social implications, not just one or the other, as ideologies tend to maintain. The same is true of rigidity: it brings not only disadvantages, but also advantages, as could be seen in the twentieth century when it had both a productive and a destructive impact. Both flexibility and rigidity are needed, and should be combined in a resilient mix. At the same time, they follow social and historical cycles and cannot be considered as stable, or

indefinitely growing or waning. (For instance, following the 11 September terrorist attacks the United States have become a less flexible or – some might say – a more rigid society.)

Flexibility too has its “social limits”, to use Fred Hirsch’s term, but it can become a value “with a human face” that mankind can regulate and reconcile. This is possible where flexibility is perceived as an opportunity for both the social partners and society. Flexibility is the most direct consequence of the new model of production and consumption, which is more adaptive and proactive than the previous one and could therefore be more people-friendly and useful.

Flexibility is thus a necessity that can offer great opportunities. First of all, it can prompt employees to become more proactive in managing their own career: an opportunity previously reserved for a minority. However, the response to anxiety about flexibility cannot be to stress and magnify its virtues. It is neither a panacea nor a “free lunch” because it has both economic and social costs, and requires economic and social investments. (A telling example is teleworking, which, because of the economic and social cost, has become a symbol, far more than a multiplier, of flexibility.)

It is also very important for flexibility that there should be an adequate social security framework. This cannot be the classical European welfare state system, which places more emphasis on job stability within companies than flexibility within markets. What is needed is a new system, in tune with post-Fordist conditions of employment. To achieve the right mix of labour flexibility and stability, social security must be based on two simple, general principles. Because flexibility is a challenge for all European societies and because the European Union’s current goal is to preserve the dominance of the “normal” employment model:

- as the first principle, it is unfair that those who are willing to be more flexible, or who bear the burden unwillingly, should be penalised instead of – so to say – favoured: so, for instance, workers who perform repeated temporary jobs or “missions” for the same company should receive unemployment benefits in periods of inactivity, but also some share of their pension contributions should be refunded to them or paid on their behalf, and after three or more spells of employment they should be guaranteed the earliest possible stabilisation of their situation (as in the Netherlands) and seniority rights in the event of recruitment to a permanent job, while temporary workers should be helped when they need to take out a mortgage or any other loan (banks could give them credit facilities on privileged terms or “honour loans”), and all this could be achieved through a mix

of collective bargaining, or arrangements between unions and management, and legislation; as a support measure, companies that offered open-ended contracts to their temporary workers, or to other workers still without a permanent job after 8-10 spells of temporary work, could qualify for tax credits;

- as the second principle, it is necessary to guarantee continuity of social citizenship throughout people's discontinuous working lives: since transitions are crucial moments, no worker should lose his/her status or rights – "entitlements" and "provisions" in Ralf Dahrendorf's words – just because he/she is changing jobs within the labour market; that means ensuring basic, equal statutory rights (such as seniority rights) along with social protection (such as unemployment benefits and pension contributions) for all workers, whether employed on standard or non-standard contracts.

Public services, private agencies, partnership bodies and social insurance institutions should aid workers with the transition process, help them assess their potential for obtaining an alternative job, certify their moves between jobs, or from work to training and vice versa, fill periods of unemployment or inactivity with learning activities, ensure recognition of all employment spells in the same company, and group together absolutely all periods of work in a single insurance career. Any transition by any worker should leave a "citizenship trace". From the post-Fordist life-course perspective, this is the basic right to be guaranteed so as to ensure adequate social security cover.

Needless to say, all European countries should have a conditional "basic income" for all, a minimum revenue paid as a last or survival resource.

4. Family and working life

The system of labour flexibility has consequences that go far beyond markets and companies because it involves home and family, which are a hidden side of it but play a real role. No reconciliation between labour flexibility and social cohesion is possible without reconciliation between family and working life; and no reconciliation between family and working life can be achieved without other kinds of work – paid or informal, market or non-market – performed in the domestic or even neighbourhood context.

Unfortunately, this aspect is often ignored, though it is a source of many solutions (and also needs). This hidden side of labour flexibility is naturally

extremely complex and entangled, and for that reason some flexicurity schemes neglect it too. On the other hand, its social contribution is essential because it acts as a sort of reconciliation agency, though it is hardly perceived as such, and sometimes helps to reconcile family members with each other.

The family or domestic micro-context is affected by both time and job flexibility (but clearly not by task flexibility). It should also be said that time flexibility requires more ad hoc adjustments than job flexibility, though the family's work inputs are more important; on the other hand, job flexibility is covered by social security tools while time flexibility is not. A typical example is exchanging jobs within the family when, for example, one person finds permanent employment, allowing another family member to give up a temporary job, or where one loses his/her permanent job, obliging others in the family to search for any job at all, permanent or temporary. (Presumably, a single person with no family will experience less conflict between working and family life.)

Events such as these are shaped by families' demographic and occupational structure, so they can be extremely varied. They bring to mind the social functions of the family in the labour market, a well-known underlying area of micro-phenomenology. There may perhaps be no repercussions on the family when the husband gives up his job because he has been offered a better one – better pay, a more senior position, less distance to travel – but the impact may be far greater when a wife searches for and finds a part-time job, when a son takes up an apprenticeship on leaving school, or when a daughter becomes unemployed after a couple of fixed-term contracts.

Any one of these instances of job flexibility can become a great family event, first of all in the economic sense. (Accordingly, no case of job flexibility should be considered outside its family context.) It may involve not only parents and children, but also other relatives and people outside the family. Workers' families have to face these events together, because the family's income depends on their choices. Decisions may be taken by the parents alone or by all family members of working age, and they generally affect the amount of labour available, formally or informally; more rarely, they may lead to a withdrawal from the labour market. These binding decisions need to be seriously discussed and planned by the family before taking action in the labour market. In short, families can do much to reconcile family life and job flexibility for their members.

A more workable – perhaps the most workable – means to increase or reduce the amount of labour offered in the market is part-time employment, whether temporary or permanent, which also improves both time and job flexibility. Since such employment is more widespread among females than males, even in European countries with a modern or reformed labour market, that means that labour flexibility depends mostly on women. In comparison with men, they are more open to flexibility but have more gender-related constraints.

Part-time work shows how complex can be the interactions between individuals involved in labour flexibility. To what extent does the female activity rate depend on decisions by married women in full-time work, on maternity leave after weaning their babies? How much do those decisions in turn depend on family structure and needs? Will the woman return to her previous job, ask to work part-time, look for work elsewhere (even in the hidden economy) or withdraw from the labour market?

Apart from the last option, decisions like these can generate an analogous amount of domestic work: paid, market work for baby-sitting and home-cleaning; unpaid work for a grandmother or grandfather; non-market, sometimes voluntary, work in the healthcare sector; and work for neighbours providing occasional services. Moreover, the distribution of part-time and temporary contracts helps to share the given amount of employment available among more workers.

These contributions to overall employment also show the importance of regulation of part-time work, which should balance the rigidity needed by employees, who probably do not want to work extra hours, with that required by employers, who probably do not want staff to withdraw their labour. (For self-employed people, whose timetables are in any case less standardised, part-time work involves almost no constraints, but is just as important.)

As we have seen, time flexibility requires far more adjustments and compromises than job flexibility. Within a family these are naturally linked to the number of family members who work and to differences between their personal timetables. A temporary change in the working hours of a single member – say, several days of overtime or working on Saturdays, a period of night-shifts, a modified starting or finishing time – may upset both the individual's routine and the group way of life, and create conflicts of interest similar to those arising between employees and employers.

The consequences may be hardest to bear in longer periods of change, for instance when the working week varies significantly over the year or when a company switches from short days to a short week, or vice versa. In all these cases, all adult family members need a fair balance to be struck between synchronisation and de-synchronisation of their timetables, as well as an equitable distribution of family duties. While families can cope with occasional variations in timetables by asking different members of the family to contribute, for instance by picking up children from school, caring for elderly family members, cleaning the house, doing the shopping, and so on, more lasting changes may necessitate other forms of assistance, public as well as private.

All in all, the consequences of labour flexibility for individuals and families are so complex that it seems difficult to find generally applicable ways of directly reconciling it with family life. This specific goal, which does not necessarily entail or call for a defined set of statutory rights or legislative measures, has to be pursued in order to make flexibility socially acceptable and foster individual and family contributions to it. Three guidelines can therefore be recommended:

- the employment model for European families and society should be based on a majority of open-ended contracts;
- working families without at least one open-ended contract should be considered at risk;
- working women who head families with more than three members should have at least a full-time job.

As regards time flexibility, emphasis should be placed on the role of labour relations at workplace level in finding solutions, for instance linking an individual employee's timetable to that of another member of his/her family. As regards job flexibility, the focus should be on the role of local administrative authorities, employment services, trade unions (or the social partners), assistance agencies and neighbourhood networks in counselling and helping workers' families – not just individual workers – to cope with events like those outlined above. A broad policy domain of appropriately linked initiatives and measures thus needs to be opened up or, at least, enlarged.

Conclusion

Will the third great transformation in labour history lead to greater job insecurity? The outcome of the last major change teaches us that some

leading scholars' darker prophecies can prove wrong. One reason for this was that they underestimated the positive effects of national legislation, government policies, labour relations, social dialogue and worker solidarity. The outcome of post-Fordism too depends on these institutions and regulatory forces.

Is a post-Fordist compromise conceivable and possible, and what form might it take? Will it simply confirm general trends, exchanging less job stability for employees for less work stability for employers? If so, it would not be a brilliant compromise. Better would be a trade-off aimed at recasting the old model of social protection, which would therefore be based on the post-Fordist labour model's own particular feature – employer encouragement of employee participation.

This should lie at the core of a new social compromise between capital and labour, with the aim of exchanging work quality for worker participation. Under that scenario all the stakeholders could benefit from a fairer balance and reconciliation of labour flexibility and stability. At the same time, a scenario along those lines is implicit in and consistent with the European Employment Strategy, which in fact fittingly stresses the importance of knowledge and participation as means of improving the EU's performance in terms of both employment and competitiveness.

Bibliography

Accornero, A. (1992), "Are we going toward a society of 'activity' or 'work'?", *Labour*, Vol. 6, No. 2.

Accornero, A. (1986), "Il sindacato nella società flessibile", in Ferrante, G., (ed.), *Il futuro del sindacato*. Rome: Ediesse.

Accornero, A., Altieri, G. and Oteri, C. (2001), *Lavoro flessibile. Cosa pensano davvero imprenditori e manager*. Rome: Ediesse.

Barbier, J.-C. and Nadel, H. (2000), *La flexibilité du travail et de l'emploi*. Paris: Flammarion.

Barker, K. and Christensen, K. (eds) (1998), *Contingent work. American employment relations in transition*. Ithaca, NY: Industrial Labor Relations Press.

Beers, T.M. (2000), "Flexible schedules and shift work. Replacing the '9-5' workday?", *Monthly Labor Review*, Vol. 123, No. 6.

Carré, F., Ferber, R.A., Golden, L. and Herzenberg, R.A. (2000), *Non-standard work. The nature and challenges of changing employment arrangements*. Champaign, IL: Industrial Relations Research Association.

Carrieri, M., Damiano, C. and Ugolini, B. (eds) (2005), *Il lavoro che cambia. La più vasta ricerca sui lavoratori italiani*. Rome: Ediesse.

Castel, R. (2004), *L'insicurezza sociale*. Turin: Einaudi.

CNEL (2003), *Rapporto sul mercato del lavoro 2003*. Rome: National Council of Economy and Labour.

Didier, M. (ed.) (2003), *Des idées pour la croissance*, Economica, Paris, 2003, p. 136.

Dore, R. (1987), *Taking Japan seriously. A Confucian perspective on leading economic issues*. Stanford, CA: Stanford University Press.

Ebbinghaus, B. and Manow, P. (eds) (2001), *Comparing welfare capitalism: social policy and political exchange in Europe, Japan, and the United States*. London: Routledge.

Esping-Andersen, G., Gallie, D., Hemerijck, A. and Myles, J. (2002), *Why we need a new welfare state*. Oxford: Oxford University Press.

- European Commission (2004a), *Employment in Europe 2004*. Luxembourg.
- European Commission (2004b), *Report of the High-Level Group on the future of social policy in an enlarged European Union*. Luxembourg.
- European Foundation for the Improvement of Living and Working Conditions (2003), *A new organization of time over working life*. Dublin.
- Fallick, B.C. (1999), "Part-time work and industry growth", *Monthly Labor Review*, Vol. 122, No. 3.
- Fullin, G. (2004), *Vivere l'instabilità del lavoro*. Bologna: il Mulino.
- Hirsch, F. (1978), *Social limits to growth*. Cambridge, MA: Harvard University Press.
- Jürgens, U., Malsch, T. and Dohse, K. (1993), *Breaking from Taylorism. Changing forms of work in the automobile industry*. Cambridge: Cambridge University Press.
- Lavie, J.-P., Horiuchi, M. and Sugeno, K. (eds) (2004), *Work in the Global Capitalism*. Geneva: International Institute of Labour Studies.
- Marglin, S.A. and Schor, J.B. (1990), *The Golden Age of Capitalism. Reinterpreting the postwar experience*. Oxford: Clarendon Press.
- Moen, P. (ed.) (2003), *It's About Time. Couples and careers*. Ithaca, NY: Industrial Labor Relations Press.
- Nardone, T., Veum, J. and Yates, J. (1997), "Measuring job security", *Monthly Labor Review*, Vol. 120, No. 6.
- OECD (2004), *Employment Outlook*. Paris.
- OECD (1995), *Flexible working time. Collective bargaining and government intervention*. Paris.
- Riesman, D. (1950), *The Lonely Crowd. A study of the changing American character*. New Haven, CT: University of Yale Press.
- Samek Lodovici, M. and Semenza, R. (2004), *Il lavoro part-time. Anomalie del caso italiano nel quadro europeo*. Milan: Angeli.
- Sennett, R. (1999), *The Corrosion of Character. The personal consequences of work in the new capitalism*. New York: W.W. Norton.

Supiot, A. (1999), *Au-delà de l'emploi*. Paris: Flammarion.

Tilly, C. (1996), *Half a Job. Bad and good part time jobs in a changing labor market*. Philadelphia: Temple University Press.

Tronti, L., Ceccato, F. and Cimino, E. (2003), "Measuring atypical jobs. Levels and changes", *Rivista di Statistica Ufficiale*, a. IV, No. 1.

Waterman, R.H. jr, Waterman, J.A. and Collard, B.A. (1994), "Toward a career-resilient workforce", *Harvard Business Review*, Vol. 72, No. 4.

II – Flexicurity schemes

by Ute Klammer¹

Introduction: key ideas and definitions of the concept of “flexicurity”

The working world is more varied than ever before. Flexibility is not only one of the key demands of employers, it is also high on the wish-list of employees – albeit often with different emphases. However, demands for greater flexibility are often vaguely formulated and fail to distinguish the various forms of flexibility. To introduce some degree of precision into the debate, it is a good idea to look back at a template for types of flexibility developed by the OECD back in the 1980s.

a. Types of flexibility

The OECD template distinguishes external and internal flexibility, the latter being of two kinds:

- external numerical flexibility describes numerical adjustment of the workforce by companies (lay-offs, possible re-employment, use of limited employment contracts or employee leasing);
- internal numerical flexibility is based on adjustment of employees' hours, using time accounts or reductions in working time (to protect jobs), methods used in Germany, for example, by the car manufacturer VW with its introduction of the 28.8-hour week: unlike external flexibilisation (staff cutbacks), the number of employees remains constant;
- internal functional flexibility means reacting to changing production or service needs by adjusting work organisation systems and focusing on employee multi-skilling, an adaptation strategy designed to permit deployment at different workplaces to meet fluctuating market demand; this type of flexibilisation is often a necessary precondition for the efficient functioning of internal numerical flexibility.

1. Professor Dr Ute Klammer, Niederrhein University of Applied Sciences, Germany. (ute.klammer@hs-niederrhein.de).

b. Flexicurity – one idea, but different approaches geared towards combining flexibility and security

The realisation that combining flexibility and security will be one of the key challenges for private and working life in the future and increasing awareness of the accompanying labour market and social policy measures have led to a debate on flexicurity – first in the 1990s in the Netherlands and Denmark, and more recently in Germany and other European countries.² The general consensus is that the goal of flexicurity is to strike a new balance between flexibility and security, and therefore to provide an alternative to a deregulation-only policy – and an alternative to a continuation of the current rigid regulations in the area of labour law and social policy. At the same time, though, there is no standard international definition of “flexicurity”. In the Netherlands, for example, the prevailing opinion in the current debate is that policies should only be described as “flexicurity policies” if they simultaneously increase flexibility and the (social) security of those affected. This standpoint is reflected in several pieces of measures enacted in the Netherlands in recent years – such as the 1998 Law on Flexibility and Security (“Flex-Wet”), introduced to promote flexible employment relationships while also containing provisions on dismissal protection, probationary periods and other factors that provide a minimum level of protection for those in flexible employment relationships. It is also reflected in the Dutch scientific debate on flexicurity (as in Wilthagen 2001, Wilthagen and Tros 2004). In Denmark, the debate about flexicurity focuses on mobility in the labour market (Braun 2002; Madsen 2003, 2004). The Danish situation is characterised by a particularly low level of dismissal protection combined with extremely high unemployment benefits (as much as 90 per cent of an unemployed person’s former pay, depending how much they previously earned). In the German debate, the concept of “flexicurity” is used in a broader sense. It refers to the various levels of flexibilisation and the methods by which this can be secured. At macro level, for example, the focus is on the development of atypical employment relationships and the way in which these are secured by labour and social welfare laws; it also looks at the support given to transitions (from more flexible to more stable employment relationships). At company level the interest is focused on the various strategies for, and implications of, internal flexibilisation (such as adjustment of working times, wages/salaries or

2. For an overview of the different national discussions and concepts of flexicurity in EU-countries, see the special issue of the journal *Transfer* on “Flexicurity: Conceptual issues and political implementation in Europe”, Vol. 10, No. 2, summer 2004, edited by the author of this paper in conjunction with Maria Jepsen, ETUI.

employability of the workforce) and external flexibilisation (through lay-offs, outsourcing and so on). What are the implications of different forms of flexibilisation for employees and companies? Are these forms alternatives? At the micro level of employees, key questions relate to the time and support needs of different groups of employees in connection with the work-life balance – and new risks that are only inadequately covered by the social insurance system and those resulting from the self-exploitation of “entreployees”.³

One precondition for such a comprehensive analysis of flexibility and security is that it should look not merely at the company perspective but also at people’s lives. Flexibility is increasingly shaping lifestyles – through the declining cohesive power of marriage, for example. Only by looking at the interplay between flexibility in the realm of work and flexibility in the private sphere is it possible to arrive at an adequate assessment of the former and to root it within the context of flexicurity. For this reason, flexicurity is a topic not just for labour market policy, but also for family policy, insofar as family policy has to be adjusted to more flexible family models and individual life-courses.

The idea that flexibility has to be reconciled (better) with security has now reached the official publications of the European Commission. Although the publications do not (yet) usually employ the term “flexicurity”, the idea behind it – looking for new balances between flexibility and security – frequently appears. In the European Union’s Employment Guidelines for 2003, the balance between flexibility and security is seen as a crucial goal:

Providing the right balance between flexibility and security will help support the competitiveness of firms, increase quality and productivity at work and facilitate the adaptation of firms and workers to economic change. (Council of the European Union 2003, paragraph 12).

Accordingly, the European Commission’s report *Employment in Europe 2003* contains a chapter on “Flexibility, security and quality in work” (European Commission 2003, chapter 4).

Some aspects of the Commission’s more recent publications hint at a perspective that has so far played only a minor role within the flexicurity

3. “Entreployee” is the term used to describe a new type of employee who markets his/her working abilities on his/her own initiative and who, though formally a dependent employee, bears the risks that are traditional entrepreneurial risks. Labour sociologists have been debating the “entreployee” since the late 1990s (Voß and Pongratz, 1998).

debate: the life-course perspective. Picking up on such concepts as life-long learning and active ageing, the 2003 Employment Guidelines state: “this requires developing comprehensive national strategies based on a life cycle approach” (Council of the European Union 2003, paragraph 15).⁴

Regardless of the extent to which specific forms of flexible employment relationships and interruptions in employment have become widespread, and irrespective of who is affected to what degree – the long-term perspective is decisive when it comes to the ways in which flexibility is achieved from a social point of view. Whether atypical employment relationships or interruptions in employment prove to be precarious for the people concerned depends on, among other things, their cumulative duration and development over the course of the individual’s life.

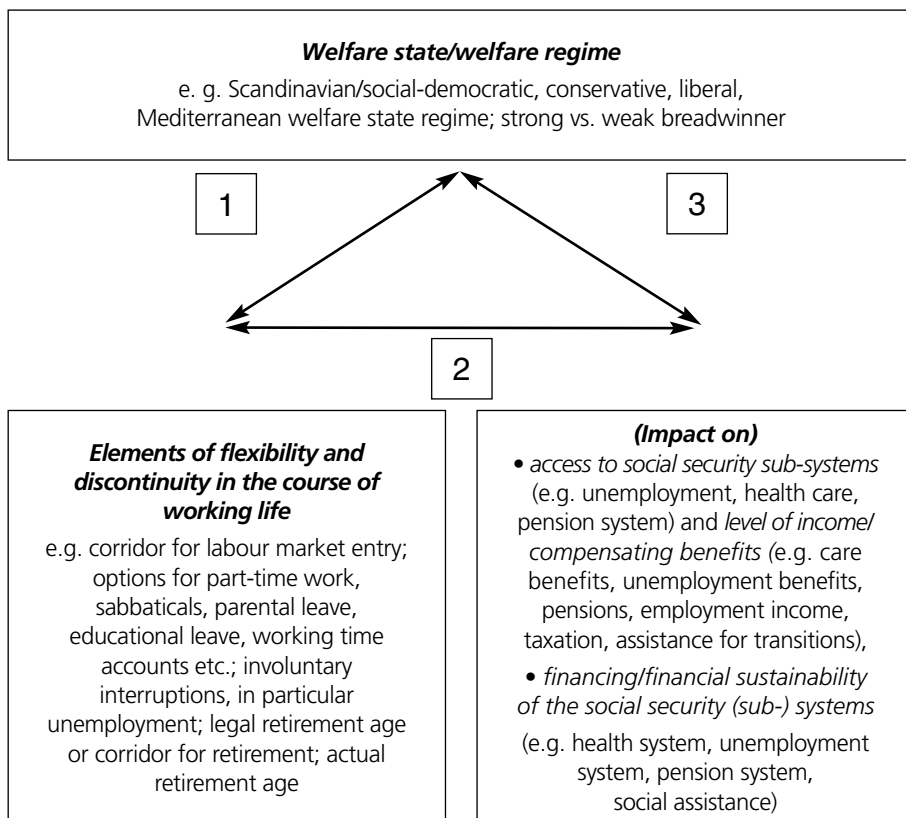
The next part of the chapter takes up these ideas and concentrates in greater detail on aspects of flexicurity from the perspective of the individual’s life course. The focus is on how flexible work – both paid and unpaid – is protected in different European welfare state models. This implies that the concept of flexicurity is both widened and narrowed at the same time. It is widened insofar as the analysis focuses on the dynamic, long-term effects of flexibility and security. Only if the dimension of time is included in the analysis does the impact of flexibility and discontinuity become obvious (such as an accumulation of job changes, working time changes and/or periods out of employment). The focus is narrowed in that it concentrates on the employee’s/individual’s development over time and on social security systems, which implies that the employers’ perspective is not systematically addressed. It is assumed, however, that a reorganisation of “security” during the life course is a precondition for the employability of the workforce and that employers will benefit from it, too.

1. Welfare state regimes, flexibility in the course of working life and social security

Relationships between flexibility – viz, flexibility and/or discontinuity in the course of one’s working life – and social security differ. The field to be analysed can be seen as a triangle.

4. The lifetime perspective is not new; it has played an important role in debates on labour market and social security issues since the 1960s. It has recently been a subject of renewed interest in the context of demographic change, changing lifetime work patterns of individuals and the discussions on a new organisation of time over the course of a working life (see European Foundation for the Improvement of Living and Working Conditions, 2003).

Figure 11: European relationships between flexibility and social security



Source: Own illustration

2. Labour market integration over a lifetime – evidence for different welfare state regimes

The different European welfare state regimes show remarkable differences today as far as the labour market integration of the population over the life course is concerned.⁵ This relates directly to the question of flexibility and security in the course of people’s working lives (see Figure 11).

5. The following analysis is restricted to the “old” EU of 15 countries. All findings of this section refer to data from about 2002/2003. Sources are: BMGS 2003, Bielski/Bosch/Wagner 2001, EIRO-online 2003, Europäische Kommission 2003, European Commission 2000, European Commission 2003, OECD 2001, Plantenga/Koopmans 2002.

In the EU countries with a *Scandinavian welfare state regime* (Sweden, Denmark, Finland, and to some extent the Netherlands), a high labour market integration of the male and in particular female workforce over the whole working life is characteristic (employment rate of about three-quarters of all citizens aged 15-64). This goes along with relatively low unemployment rates.⁶ A high proportion of young people (those aged 15-24) are integrated into the labour market, in particular in Denmark and the Netherlands. Among Swedish, Danish and Finnish couples, less than one in five households is a single-earner household. With the exception of the Netherlands, part-time rates are moderate, and part-time usually means “long part-time”. Looking at the institutional factors, generous leave schemes and a high level of provision of public childcare are obvious factors enabling women to remain in the labour market. Within the EU 15, Denmark and Sweden are the leading countries in the field of public childcare for small children (under age 3). All Scandinavian countries provide parental leave options beyond maternity leave, ranging from 13 weeks in the Netherlands to 18 months in Sweden. All countries give parents some flexibility as to when they want to take parental leave (up to the 8th or 9th birthday of the child), and they allow the combination of parental leave with part-time work. Another particularity of the Scandinavian welfare states (in particular Sweden and Denmark) is that they try to encourage fathers’ take-up of parental leave (through “daddy” days/months and the like). All countries provide further arrangements for compassionate leave to cover emergencies such as caring for sick children or dying family members. The Scandinavian countries also have exit schemes (regulated at different levels) that allow workers to take time off for training or for personal reasons⁷. Working-time banking and other flexible working-time schemes are widespread. At the upper end of working life, the actual retirement age is quite high in the Scandinavian countries compared with most other EU countries and a high percentage of people aged 55-65 still work (especially in Sweden).

Based on the indicators analysed, the following features seem to be characteristic of the population’s labour market integration in the Scandinavian welfare state model: a high amount of paid working hours in the course of the working life of both sexes, with early entry to the labour market and late exit, moderate part-time rates and a focus on

6. In Finland unemployment is higher and the employment rate somewhat lower.

7. In Denmark sabbatical schemes were reduced in the 1990s when labour shortages became a problem.

extended part-time work, and high continuity, despite some temporary exit options for care work and training. Compared with other welfare state types, this implies that paid work is relatively evenly distributed across the sexes, age groups and family members. The institutional background includes generous and flexible leave schemes and a highly developed public sector offering social services such as childcare support to enable both sexes to remain in the labour market. Other important factors in this are individualised tax systems that do not (or only weakly) support the male breadwinner model, and (some) universalist social security benefits based on the idea of citizenship. Some of these features apply mainly to Denmark and Sweden, whereas the Netherlands combines leave options and universalist benefits with low public services and ongoing support for the (modified) breadwinner model.

If one looks at the countries that are usually described as *conservative/corporatist welfare states* (Germany, France, Belgium, Austria and Luxembourg),⁸ some differences from the Scandinavian states become obvious. On average the proportion of the population of working age actually working is much lower than in the Scandinavian countries. In Germany, France and Belgium, a high rate of exclusion through unemployment is one decisive factor. In terms of age, on average young people start working life later and elderly people retire earlier. Both features are in particular typical of Belgium, France and Luxembourg. Also, employment rates of women are much lower than in the Scandinavian welfare states; in Germany, France and Belgium they are below 60 per cent, as opposed to over 70 per cent in Sweden and Denmark. When living in couples, between one quarter (Belgium) and one third (Austria, Germany) of all women are not active on the labour market. Again, some characteristics of the welfare state and regulatory framework can be identified that promote these features of integration into or exclusion from the labour market in the course of one's life. A range of "push and pull" factors contribute to part-time work and interrupted periods of work among women. Parental leave schemes making it possible to leave the labour market for up to three years per child (Germany, France, Austria) contribute to this situation, combined with a low level of provision of public childcare for small children, in particular in Germany and Austria (but not in France and Belgium). Although flexible working-time arrangements are quite widespread (for example, working-time accounts in Germany), leaving the labour market sometimes appears to be the only way for women to

8. In some classifications the Netherlands is also regarded as belonging to this group.

reconcile working and private life. Another widespread option for women is part-time work: the part-time rate of women in Germany, Belgium or Austria (not in France) is somewhat higher than in Sweden and Denmark, but what is more important here is that part-time is often short part-time in the continental countries, unlike the Nordic countries. Inactivity or marginal activity among married women is compensated for by derived benefits in the social security systems and the system of joint income taxation, in particular in Germany. As far as integration in terms of age is concerned it can be assumed that the relatively high level of labour market regulation and dismissal protection for the core workforce contributes (among other factors, such as prolonged education) to the late labour market entry of younger people. As far as the early exit of elderly workers is concerned, a high level of decommodification through social security benefits entails the early exclusion from the workforce: elderly workers who become unemployed can often claim unemployment benefits for a relatively long period, and pre-retirement schemes continue to support an early exit from the labour market (as in Germany).

The so-called *liberal welfare states* (in the EU 15 these are United Kingdom and Ireland) are well known for their low level of decommodification through social security benefits. This creates a higher obligation to earn one's living by continuing in the labour market over the whole working life. There are relatively few exit options for care-provision or other interruption schemes. The labour market participation of men is high; women's employment rates, however, are much lower than in Sweden or Denmark. In particular, many women in Ireland do not work and an analysis of couples reveals the traditional role model is still strong: almost every second woman living in a working-age couple is not active on the labour market. British women are much more often economically active, but they often choose a part-time job, many of which are short part-time jobs. Unlike the situation in the conservative welfare states, this is not the result of high financial support for the breadwinner model. Instead it can be regarded as a common strategy to cope with personal time needs, for instance for care: the level of provision of public childcare for children aged 3 and older (not for younger ones) is far below the European average. Looking at working time across age groups, the following features can be identified: at the lower ages of working life – among young people – labour market integration is much higher than in the conservative welfare states, while at the upper end people on average retire later than in the conservative welfare state regimes. In these "liberal" countries, youngsters finish school and their vocational education on average earlier than in some of

the conservative countries, and social security systems (such as the British New Deal) focus on the labour market integration of young people. For elderly workers, early exit options are also very limited, because of the existing pension schemes and the low level of benefits provided for old age. All in all, the liberal welfare state model also shows a high concentration of paid work time on men (similar to the conservative welfare state model, but different from the Scandinavian model), but it does not show the same level of concentration of a person's lifetime working hours on middle age, the "rush-hour of life" (different from the conservative welfare state model, but similar to the Scandinavian model).

As far as the so-called *Mediterranean welfare states* are concerned, several studies have shown that in many respects Portugal is very untypical, in particular where the (high) level and continuity of female labour market participation of women and the prevailing gender model are concerned. In the other three Mediterranean countries (Italy, Spain, Greece), the following features can be noted: the overall rate of persons in gainful employment is below 60 per cent of people of working age and therefore much lower than in the other three welfare state regimes. This results mainly from the very low rate of women in employment (42-44 per cent, depending on the country). Unemployment plays a very important role for labour market exclusion in general and in particular for women: in all three countries the unemployment rate of women is about twice as high as that for men. Unemployment is also very much centred on young people; in all three countries, the proportion of people aged 15-24 in employment is far below average (only 26-33 per cent, depending on the country), and far below the average rate for youth in the liberal and the Scandinavian welfare states. At the upper end of working life, the picture is similar to the conservative countries: only a low proportion of citizens aged 55-65 still work – much fewer than in the liberal and Scandinavian countries. In addition, average retirement is lower than in the latter two welfare state regimes.

As has frequently been pointed out (e.g. Bettio and Villa 1998), the Mediterranean countries are still characterised by a relatively traditional gender model. The welfare system relies to a significant extent on the family and particularly on women as providers of care. To date the public provision of childcare is quite high in Italy and Spain for children aged 3 and older, but it is still far below average in Greece, and it is particularly low in all Mediterranean countries for children under 3. All countries have some exit options for parental leave, as well as for emergency care (for sick children; in Italy and Greece also for sick or dying adult family

members), but these options are limited, given the low provision of public services. Flexible working-time schemes, regulated by collective agreements, have recently increased, at least in Italy and Spain. Part-time options are still lacking, however. Only about 15 per cent of all working women (less than 10 per cent in Greece) hold a part-time job. This leads to a sharp division: whereas younger women or single women without children tend to work full-time, a high proportion of mothers are at least temporarily economically inactive: almost 50 per cent of all women in working-age couples (in Spain, 60 per cent) do not work. To sum up, the Mediterranean welfare state model has some similarities with the conservative welfare states in concentrating paid work on prime-age men. The exclusion of women and young workers is even more visible in the Mediterranean countries. Unlike the conservative model, there is also a concentration of female working time: due to a high discontinuity over their working life for women in couples (mainly mothers), there is a growing inequality in labour market integration between mothers/women in couples and other women.

As the analysis has shown, the common welfare state regime types reveal specific features in the level and continuity of labour market inclusion and exclusion for different age groups and for both sexes. It can be assumed that some of the disparities can be ascribed to institutional flexicurity factors, such as the existence of leave options and employment protection law.

The following section will analyse some of the relevant institutional factors. The focus of the analysis is on the perspective of the individual, his or her access to certain branches of social security and the benefits he or she can claim (in the short term and the long term) to cope with flexibility and discontinuity. Three groups of issues which may be of relevance in people's working careers are discussed:⁹

- a. career breaks, for instance, through unemployment or the take-up of leave schemes;
- b. reduced working hours, in particular long and short part-time work; and
- c. flexible working time schemes, such as working time accounts.

9. This part of the paper is based on institutional analysis that the author conducted in 2003/4 for an international research project on behalf of the European Foundation for the Improvement of Working and Living Conditions, Dublin: "Towards a new organisation of time over the life course" (research report forthcoming).

3. Career breaks, working-time changes and individuals' income and social security in different member states of the EU

Individual career breaks or interruptions (because of unemployment or parental leave, for example), reduced working hours (compared with full-time work) and work contracts with a flexible distribution of working time over a longer period can directly or indirectly influence a worker's access to social security and the level of benefits.

a. Social protection of people with interruptions in their occupational careers

There can be a number of reasons for career breaks or interruptions. They can be the result of taking up an existing leave option (such as maternity or parental leave, care provision leave, leave for training or sabbaticals). They can also result from inactivity beyond such schemes, often nevertheless connected to care provision, as when women stay outside the labour market after parental leave or when they give up employment to care for an elderly relative. Interruptions can result from unemployment, or they can result from a late entry to the labour market entry or an early exit, compared with what is regarded as a normal career path.

In terms of social protection and income options over the life course, the incidence and duration of career interruptions differ widely across socio-economic groups within a single country and also between countries. Cover depends on such factors as the extent to which the break in question is regarded as the result of a social risk that requires social protection, or of a socially valuable (non-market) activity that deserves collective protection. What is also relevant is whether the interruption is regarded as voluntary or involuntary. Finally, the notion of a career interruption requires a normative – though often not reflected in practice – concept of a full working life. This norm can differ from country to country, as is obvious from differences in the legal retirement age.

One of the employment interruptions most commonly accepted as a social risk and as “involuntary” is unemployment.¹⁰ Although the definition of

10. The notion of “involuntary” unemployment is highly controversial among both economists and politicians, and one must not forget that unemployment can also be voluntary, as in the case of frictional unemployment. However, the original idea behind collective unemployment insurance was the perception of unemployment as a risk that workers were involuntarily exposed to. In many countries (e.g. Denmark, Greece, Spain, France, Luxembourg and Sweden) the “involuntary” nature of unemployment is still explicitly mentioned as a condition of receiving unemployment benefits.

unemployment differs from country to country and, furthermore, recent labour market reforms show a trend to re-define (and restrict) the idea of unemployment, so far all countries provide some sort of cash benefit to cover times of unemployment. Except for the liberal welfare states (United Kingdom and Ireland), where flat-rate benefits are paid, all countries from the "EU15" provide income-related benefits at least for the first phase of unemployment. Compared with other interruptions, income security for unemployment is therefore relatively well regulated, though in many countries not as well as it used to be some years ago. Some important differences in the criteria for entitlement to unemployment insurance and eligibility for earning-related benefits for certain countries and sub-groups of the workforce must be mentioned. Sometimes entitlement is restricted to persons with certain jobs, excluding for example self-employed persons or the "pseudo" self-employed, or people with small jobs. Whereas in some countries – like France – even workers with small part-time jobs are entitled to unemployment insurance, other countries restrict entitlement for certain groups of part-timers. For example, in Sweden, people with part-time jobs of less than 12 hours a week are not eligible; in Germany, the threshold for entitlement to social insurances is €400 per month. These regulations can be regarded as barriers to a more flexible distribution of working time over a lifetime. Another barrier can be the requirement for a long insurance period prior to unemployment, especially in combination with a short qualifying period during which this requirement has to be fulfilled.¹¹

The level and maximum duration of unemployment benefits in most countries depend on the employee's work history. Another important factor for the duration of the earning-replacement benefit is the age of the unemployed person (as in Denmark, Greece and Germany, but particularly so in Greece, where the duration depends only on age). Whereas the first criterion refers to the idea of equivalence (between individual contributions and the resulting claim), the second criterion follows another logic, reflecting the lower labour market chances elderly unemployed people have in many countries. From a life-course perspective, unemployment is therefore better protected in the later stages of life in many countries. If one considers the national variations in the maximum duration of earning-replacement benefits (from 4 months for certain groups

11. For example, the insurance requirements in France (6 months out of the previous 22 months) are easier to fulfil than those in Luxembourg (26 weeks out of the previous year), and the requirements in Germany and Denmark (52 weeks out of the previous 3 years) are easier to fulfil than those in Austria (52 weeks out of the previous 2 years).

of insured workers in Spain, to an unlimited time in Belgium), it becomes obvious that many unemployment periods are not covered by cash benefits in spite of existing unemployment systems, and that unemployment can therefore threaten not only people's time allocation but also their income over the life course. Re-eligibility usually requires a new period of employment. In some countries (such as Sweden), enrolment in active labour market programmes can serve to fulfil the criteria required. In other countries (Germany, for example), this "revolving door effect" has been restricted in recent years. Active labour market measures have frequently become the precondition for eligibility for financial transfers during unemployment (as in the British New Deal programmes or in the Danish system, where the period of unemployment after which activation is compulsory has been shortened several times). Whereas young persons who encounter problems in establishing themselves on the labour market often have limited access to cash benefits in the case of unemployment, several countries (for example France, Netherlands, United Kingdom, Germany) have focused special active labour market programmes on this group. As far as cash benefits are concerned, however, the general picture is that work interruptions due to unemployment are better protected when they occur later in life and after a longer period of employment.

In countries where social protection strongly relies on statutory insurance (in particular the conservative countries, like Germany and France), registered unemployment usually gives access to the health care system and the pension system. Pension claims are built up during unemployment, although to a reduced degree. In those countries where some medical treatment is granted for the whole population (taking Sweden as an example of the Scandinavian regime, the United Kingdom as an example of the liberal regime and Spain as an example of the Mediterranean regime), it is less important how employment interruptions are classified, because basic rights to health care are not affected by the employment status and classification of employment interruptions. The same holds for entitlement to citizen-based basic pensions (as in the Dutch or the Danish system) and for systems that guarantee minimum pensions for the elderly in need (such as the new Swedish *garantipension*, the Spanish *pensión de jubilación no contributiva* or the British Category D retirement pension). Where minimum pensions are based on a certain number of insurance years, however, (as the *minimum vieillesse* in France, *Il trattamento minimo* in Italy or – with limited requirements – the British Basic State Pension/Category A Retirement Pension), periods of unemployment usually count for the required waiting period.

Although social protection for unemployment phases seems to be fairly well provided for compared with other career interruptions, it has to be stated, however, that this refers to most statutory first-pillar systems only.¹² As far as second pillar systems (occupational pensions) are concerned, unemployment usually leads to problems in building up one's claims for retirement age. This is particularly relevant in countries where second (and third) pillar systems play a significant part (as in the United Kingdom).

Compared with unemployment, leave schemes are usually less well protected. This does not apply to maternity leave, however: in most countries a high wage-replacement benefit is paid during maternity leave (e.g. 80 per cent in Italy, 90 per cent in the United Kingdom and Denmark, and 100 per cent in Germany and France). Job security is guaranteed, and cover under the statutory health and pension system is not adversely affected by the duration of maternity leave.¹³ From a life-course perspective, there are no problems with social security cover during maternity leave, but they can result from the distribution of costs: where employers have to bear a considerable part of the costs incurred, this might influence their recruitment behaviour and restrict young women's chances on the labour market, which can have an effect on their whole life course. In Denmark, the social partners recently (2004) decided to start a collectively financed maternity fund to avoid this effect.

Subsequent periods of parental leave are covered to a far lesser degree, even though many countries grant the right to take leave beyond the regulations of the EU directive on parental leave. Only in a few European countries (as in France, Luxembourg and Germany) are there any cash benefits, and even then they are usually restricted to persons with a certain employment record, they are means-tested, and the maximum level cannot replace a wage. In Sweden, parental leave is compulsorily insured as a social risk and a wage replacement benefit of 80 per cent is paid, but this is a rare exception in Europe. Another problem is that existing parental leave schemes do not always give an employment guarantee, even though they give the right to cash benefits (for instance, in France).

12. The term "first pillar system" is used to describe the statutory core systems of old-age security (e.g. national pension insurance), whereas "second pillar systems" are occupational pension systems, either compulsory or voluntary, that build on the first pension layer. The "third pillar" covers private savings and other provision for old age.

13. In the Swedish case, paternity leave also plays a considerable role, in particular because it entails a wage replacement benefit, and because a part of parental leave (two months) is exclusively reserved for fathers.

The cover for provision of the care of older people is even more limited. To date, a legal right to interrupt work for elder care is found in only a few European countries (for instance, Sweden and the Netherlands). In addition this right is sometimes restricted to close relatives or to dying family members, or the maximum period is very restricted.¹⁴ The loss of present or future income for the carer is usually not perceived as a social risk and therefore not covered in most countries. Again Sweden, where the carer can receive an 80 per cent wage replacement benefit for up to 60 days per person in need of care, is an exception. Ireland and the United Kingdom also provide a “carer allowance”, but it is a means-tested benefit for needy carers only and has to be seen in the context of the low benefits within social assistance schemes. Where payments for private care are provided, it is usually the person in need of care who can claim the money, not the carer (as in Germany, the Netherlands and Denmark). The dominant idea behind this is to give the person in need of care some financial autonomy (an idea which is very strong in the Netherlands, for example). The loss of employment income of carers, on the contrary, is not perceived as a risk that has to be covered collectively, at least not in a way that exceeds the protection of other inactive persons (see below).

However, carers are sometimes supported as far as their future retirement income is concerned. In Spain, up to three years per child is taken into account in the pension system to cover periods of parental leave. In Germany, parents receive tax-financed pension credits equalling three years of full-time employment for each child. German social care insurance pays pension contributions for people engaged in private elder care. In the British state pension system, career interruptions for childcare (up to age 16) and elder care (no limits) are credited and can fill gaps in insurance contributions (domestic responsibilities protection). While there is no hierarchy of periods for care, the monetary equivalent of the credits is moderate; they only help to achieve the full, but low state pension. In countries with basic pensions based on citizenship or residence, as in Denmark or the Netherlands, care periods do not affect this general claim and discontinuous periods are therefore better protected. However, leave periods affect the protection afforded in second pillar systems. This

14. In the Netherlands, the legal right to take time off for care provision is restricted to a maximum of 10 days; longer care leave can be arranged within the scheme for career breaks, but the person providing the care is responsible for making the appropriate arrangements to finance such leave.

has to be regulated within collective agreements. As far as the Netherlands is concerned, a Dutch report from 2000 analysing the 100 largest pension funds made it clear that for more than three-quarters of all insured persons there was a regulation enabling them to build up pension credits while availing themselves of a leave scheme (of whatever kind: parental, care or sabbatical).

Recently, developments in the field of elder care – including workers' rights to take leave for this kind of care – have been ambivalent. Whereas in some countries, for example Germany and the Netherlands, the social protection of such carers has been extended (either by leave options or by cash benefits, or both), improving relatives' options for care, there is a clear trend in the Scandinavian countries, certainly in Finland and Sweden, to abolish the obligation of children to take care of their parents as part of the overall trend towards individualisation. Taking into account the general demographic trend and the increasing problems in financing public welfare it is quite probable, however, that increased time options and benefits for elder care will of necessity be on the future political agenda in many countries. In the context of managing risks over the life course, this topic can be regarded as one of the crucial fields for regulation.

A third field that has to be analysed is inactivity. The (commonly used, but of course questionable) notion of "inactivity" means that people are not active in the labour market, neither in registered unemployment, nor making use of a regulated leave scheme. Inactivity in this sense also covers people involved in care activities, unless they can make use of a regulated leave scheme.

In the context of new risks and sources of insecurity over the life course, the question of whether the state supports phases of inactivity (and for whom) must not be neglected. It is to be presumed that a high financial support for inactivity (= a high level of decommodification) enhances people's chances in coping with new risks and sources of insecurity.

In fact no European country provides an unconditional basic income for all citizens. Social assistance schemes are means-tested everywhere (at least before people reach the age of retirement) and are increasingly conditional on certain requirements, such as the search for paid work. Yet a high level of decommodification still exists in some countries for married spouses. In spite of the general trend towards individualised taxation, several European countries still offer considerable incentives for the second person in the

household not to work. Whereas the household profits from tax reductions, the marginal tax burden on the second income is particularly high. The highest tax subsidies for non-employed spouses (compared with a second full-time job) can be found in Belgium and Germany, where a second average full-time income in the household increases the net household income by only about 54 per cent (Belgium) and 63 per cent (Germany).¹⁵ In the United Kingdom, on the contrary, the increase would be 92 per cent (Klammer and Daly, 2003, Table 3).

In some Scandinavian countries (Sweden, Finland), a family breadwinner's income is taxed at the same tax rate as the income of a single person (Koopmans and Schippers, 2003). Yet this is not necessarily a characteristic of individualised tax systems. In the Danish case, spouses are taxed separately, but single earners in a family nevertheless benefit from considerable tax relief (Dingeldey, 2002, p. 158). Given the philosophy behind the Danish welfare state, however, this can hardly be interpreted as a means of making female labour market participation unattractive. Instead the idea is to leave the minimum of existence for each person tax-free and to give people in certain life/family phases the option to leave the labour market for a certain period.

In some Bismarckian welfare states, for example France and Germany, spouses' inactivity on the labour market is still supported by free health-care insurance. In addition, most conservative and Mediterranean welfare states provide derived cover for spouses through quite generous survivors' pensions. This is particularly the case in Belgium, where married spouses can receive up to 80 per cent of their deceased partner's pension, in Greece, where it used to be 70 per cent¹⁶ or in Italy or Portugal (and a number of other countries), where 60 per cent is paid. In the Scandinavian countries and the Netherlands, on the contrary, survivors' pensions have been abolished or at least restricted to special groups of survivors, and pension claims are more strongly individualised.

How much the later pension income is reduced by periods of inactivity also depends on the notion of a "complete" insurance record. While in Germany this is 45 years, it is 40 in France and Italy but only 35 years in Spain. This implies that a limited number of "missing years" (typically in female working lives) do not have any impact in the Spanish statutory pension system.

15. Assuming that the first person earns as much as an average production worker (APW).

16. Reduced to 50 per cent for people who became insured after 1992.

Subsidies for the single-earner family (and the one-and-a-half-earner family) give spouses (often women with children or other care obligations) some freedom to choose whether and how much they want to work. Although this form of decommodification must be considered as one approach to allowing people to distribute their time flexibly according to their preferences and needs, it has led to a fierce debate from the gender perspective (Dingeldey 2000, Klammer and Daly, 2003). In fact, from a life-course perspective, one criticism is that this approach is limited to married partners. The empirical finding is that subsidising single-earner families has helped to reinforce traditional gender roles and time-arrangements (for a comparison between Sweden and Germany, see Gustafsson, 1992, p. 81). It is therefore limited to sub-groups of the population and even for them it covers only a certain part of their potential working life. In spite of the options that derived rights can give to married partners to optimise work arrangements in the household and to adjust them over the life course, this group of rights can therefore be regarded as inferior to universalist rights. Universalist rights for the individual citizen – for example general access to public health care, or a right to a citizen-based minimum pension for all elderly citizens – can widen the individual's choice of working-time arrangements, regardless of his or her marital status. Since universalist rights are (still) most widespread in the Scandinavian welfare states, these countries obviously grant people with job insecurity and discontinuous work histories better social protection, at least in some branches of social security.

A fourth field to consider in the context of “missing” years of employment and social insurance over the life course is the field of early retirement. This always refers to the legal retirement age and the notion of a full employment career, and therefore is a normative concept. A comparison of the legal retirement age in different European countries reveals that there has been some convergence towards the age of 65. However, there are still some differences in the first pillar systems (age 60 for both sexes in France, and for British and Austrian women), and age thresholds differ even more when systems for special groups or second pillar systems are included in the comparison. In some countries – in particular in Sweden and Italy – the retirement age is flexible, and the age chosen determines the level of pension. Other countries (such as Germany, Austria and Spain) allow early retirement under certain circumstances, for example after long-term unemployment, or for certain professional groups. In most cases early retirement entails pension reductions. Options for late retirement (after the legal retirement age) are more widespread

(VDR, 2003, p. 451-453). Usually this entails increased pension benefits. Making the retirement age more flexible is without doubt a way to give people more options to organise their labour market involvement over their working life, according to their individual needs and preferences. It must be taken into account, however, that this is an individualised option that provides no answer to the question of how people with particular job risks and time needs over their life course (for example, for care) can be compensated. In addition it can be expected that in times of high unemployment and labour shortage, elderly employees will be encouraged to retire, if retirement is possible.

Pension reductions/supplements for early/late retirement are increasingly used as a steering instrument. Whereas today pensions are reduced by 3.6 per cent per year of earlier retirement in Germany, it is 6 per cent in Sweden and up to 8 per cent in Spain. On the other hand, pension supplements for retirement beyond age 65 are credited with only 2 per cent per year in Spain, but 7.5 per cent in the United Kingdom and even 8.4 per cent in Sweden (BMGS, 2003; European Commission, 2003; VDR, 2003). Obviously the main aim of the Spanish regulation is to make early retirement unattractive, whereas the focus of the Swedish regulations is on encouraging people to postpone retirement. Plans of the Labour government in Britain to increase pension supplements to 10 per cent per year of postponed retirement (Green Paper of 2002, see VDR, 2003, p. 416) show that this will probably become a common answer to the political challenge to prolong working life.

b. Social protection of people with reduced working hours (regular or marginal part-time work)

Looking at the level of income and social protection for people in part-time work, one needs to examine whether their situation is better or worse compared with standard full-time employees in absolute terms and/or in relative terms (compared with their investment in the systems, by contributions or otherwise).

As far as present cash income from work is concerned, the number of public schemes directly subsidising the (gross) income of part-time workers is limited. Subsidies (wage subsidies or subsidised social security contributions) are often channelled to support people with low incomes and low chances on the labour market, but not directly people with reduced working time. Several countries (such as France, Luxembourg and Germany) allow parental leave to be taken on a part-time basis and for this to be combined

with cash benefits. The combination of leave and benefits in these schemes usually requires that neither a certain income threshold nor a maximum number of working hours is exceeded. One of the rare schemes directly subsidising income during part-time work is the German partial retirement scheme. This scheme guarantees elderly participants considerable wage-related subsidies for their part-time income and their contributions to the pension system. In the case of part-time work of parents (with children up to age 10) there are no subsidies for present income, but subsidies for the later retirement income.

Whereas direct cash subsidies for part-time workers are rare, tax credits are common in EU countries. Individuals working part-time – voluntarily or involuntarily – usually benefit from lower tax rates than full-time workers because of progressive tax systems. The more progressive the tax system is, the more attractive a part-time job will be. At household level the situation is more complex, because the system of taxation (joint or separate taxation of couples, or the possibility of choosing between the options, as in Ireland or Spain) is an additional factor. In some countries the taxation of spouses or families provides an incentive not only for the second person not to work (see above), but also for part-time work. Among the countries considered, Germany is the one that gives the highest monetary incentives for spouses to work part-time instead of full-time (along with other continental states such as Belgium and Luxembourg, and to a more limited degree also in the Netherlands). Spouses hardly get any incentive to do so in the United Kingdom, Spain, Sweden and France. Except for France, the latter countries tax couples individually and a second full income in the household is not particularly punished. On the other hand, the financial incentives for non-working spouses to take up a part-time job are very limited in Germany, Belgium and France, moderate in Sweden and the Netherlands, and quite considerable in Spain. In the United Kingdom, taking up a part-time job is financially attractive for inactive spouses since the net household income increases proportionally to the gross household income (Klammer and Daly, 2003, p. 216).

Following the EU regulation on non-discrimination against part-time work, regular part-time work now usually gives entitlement to all branches of social security. In particular, Dutch legislation has sought to eliminate all kinds of discrimination against part-time workers in recent years.

Part-time workers – and full-time workers on low wages – often even get a better return (in benefits) on their investment in social security contributions (or taxes). In the unemployment system, this mainly happens in

the field of active labour market policy, where unemployed persons who formerly worked part-time often have similar rights and obligations to participate in activation measures to those of former full-time workers. Cash benefits, in contrast, are directly related to former income in most countries, but in some countries part-time workers get higher replacement rates (as in Denmark) or flat-rate benefits (as in the United Kingdom).

In particular, part-time workers can benefit more from public health care systems (health insurance or National Health Service) compared with full-time workers. In Spain, Sweden and the United Kingdom, medical treatment in the national health system is tax-financed and all citizens are covered; here part-time workers have a better return on investment than full-time workers but pay more (via their taxes) than inactive persons. In the Netherlands and Germany, the general finding is the same, and even more obvious because medical treatment is financed by earnings-related social security contributions. The difference between these two countries is that the Dutch health system (AWBZ) is a universal system, covering all citizens (as long as they do not leave to be insured under a private insurance scheme), whereas the German statutory health insurance covers only employees with an income above €400 per month and their inactive dependants. People with marginal¹⁷ part-time jobs do not get access to the system through their employment contract. Although many of them are in fact covered through marriage, this is an obvious gap in the social protection of people with flexible jobs.

In old-age insurance the redistributive effects in favour of part-time workers vary considerably. They are relatively small in Germany, where the pension system is mainly geared towards the idea of equivalence between individual contributions and the level of pension. Part-timers do not get less than full-timers for each euro of contributions to the system, but in absolute terms their pension income will usually be much lower than the pension of somebody with a continuous full-time career. Only some part-timers – mainly part-time working parents and elderly workers in partial retirement – can benefit from redistributive schemes.

In countries with minimum pensions or basic pensions based on citizenship, part-time workers can benefit from redistributive elements to a far greater extent. The Scandinavian countries, providing basic pensions for

17. There is no common European definition of a “marginal” part-time job. The idea of precariousness in relation to jobs also differs between European countries, see Düll, 2002, Barbier, 2002.

all citizens (for instance, Denmark, but the same is true in the Netherlands) or at least decent minimum pensions for citizens with insufficient claims towards the pension insurance (Sweden after the pension reform of 1999), make it much easier for their citizens to opt for or to cope with a part-time job. The United Kingdom also has a minimum pension in the first pillar system, but the level of this pension is below the guaranteed minimum of existence for pensioners (Minimum Income Guarantee) and therefore not sufficient to prevent poverty in old age. In future, part-time workers will benefit from the new State Second Pension implemented in 2002, however. This scheme will in particular increase the claims of employed people with low income from work (including part-timers) compared with the former SERPS system (VDR, 2003, p. 401).

In Spain, the insurance-based statutory system provides a contributory minimum pension, but this requires at least 15 years of contributions, and marginal part-time jobs do not count. Taking a part-time job in the second half of one's career (after a period of child-raising, say) is disadvantageous too, because the calculation of pensions is based on income in the last 15 years of one's career. The elderly in need, however, have the right to a non-contributory, means-tested minimum pension.

As the analysis has shown, there are various redistributive elements in favour of part-time workers in most social security systems. In spite of these relative advantages over full-time work, part-time work might be perceived as unattractive and precarious from an individual perspective. Pension systems with a relatively strong equivalence principle in the pension formula, as in the German one, lead to a loss of potential pension income compared with a full-time job. This effect is much more limited in countries with a first-pillar system based on residence or citizenship (as the Dutch or the Danish system), or where decent benefits are guaranteed for people with insufficient insurance claims (as in Sweden). In these systems, a relative loss of pension income through part-time work only occurs at the level of occupational pensions (and private savings).

In countries with strong elements of derived social security benefits based on marriage the take-up of a part-time job can also be unattractive, because it leads to an obligation to pay social security contributions, but allows no new claims or reduces existing derived claims. In the German case, for example, married women who take up a job have to start paying contributions into the health and care insurance scheme. Before working they were insured in these systems through their husbands without paying contributions. Other benefits, such as tax credits or survivors' pensions,

are reduced or even eliminated in the case of own income. These regulations can be regarded as one reason for the slow increase of female labour market participation in countries with a strong breadwinner model, in particular the conservative and Mediterranean welfare states. Social security regulations can therefore limit the readiness to accept part-time employment among both full-time workers and inactive persons. In the long run, this generates additional risks and sources of insecurity in today's societies in which adults are increasingly expected to be able to earn their own living.

In addition, the relatively positive picture of social protection of part-time work in some countries does not really apply to people with marginal part-time work. In Germany, incentives to take up marginal part-time jobs have recently (April 2003) been increased in spite of the fact that they give only very limited entitlement to social protection (Koch and Bäcker, 2003). The preference for these jobs, especially among married women, results from the fact that they get their social protection more cheaply as long as they are inactive or have only a small part-time job. In this way social protection systems help to keep up the traditional breadwinner model.

c. Social protection of people with flexible distribution of working time

Working-time accounts, time banking and the annualisation of working hours are systems geared towards a flexible distribution of working hours over a period longer than the traditional working week. None of the terms defines the level of time autonomy given to the employee within a certain scheme; it therefore remains open whether or not employees can actually use a certain flexible working-time system to structure their working time according to their individual needs or whether the time scheme is an additional source of insecurity for them.

Following the 1993 EU Directive on the organisation of working time (93/104/EC), many European countries have developed a legislative framework that allows a flexible distribution of working time over longer reference periods, as long as the normal limits (such as maximum weekly working hours) are maintained on average. The maximum reference period varies. Most countries allow a reference period of 12 months, but in some countries this requires a collective agreement (as in Denmark, Ireland, Italy and the United Kingdom; for an overview see EIRO-online, 2003). Statistical information on the coverage of employees is still very limited. In Germany, about 40 per cent of all employees are covered by working-time accounts. In a Dutch survey from 2002, 28 per cent of respondents

(employees) said that they were able to participate in a *verlofspaarregeling* (working-time account) and 11 per cent actually used this (Korteweg, Tijdens and de Winter, 2002).¹⁸ The EIRO report comes to the conclusion that annualisation schemes are most common in Germany, Denmark, France and Spain, followed by a second group of Belgium, Finland, Italy and Luxembourg, whereas coverage is very limited or non-existent in other countries, such as Austria, Ireland, Greece and Portugal (EIRO-online, 2003, p. 17).

So far there is hardly any research being done on the impact of working-time accounts or annualised working-time schemes on social protection. The following analysis for the German case – where working-time accounts (WTAs) are most widespread – can serve as an example of the various aspects that need to be taken into account in assessing the relationship between new flexible working time schemes and social security.

When the period of work and its compensation (through salary payments) fall apart, as is usually the case with banked sabbaticals or long-term working-time accounts, the question arises as to when social security contributions have to be paid and which periods are covered by the social insurance systems. In Germany, the 1998 Law on social protection for flexible working times (*Gesetz zur sozialrechtlichen Absicherung flexibler Arbeitszeitregelungen*) regulated some of the problems. Since then, social protection has been guaranteed in all branches of social security in most cases where employees have contracts that allow them a flexible distribution of working time and the saving of time for time-out phases.

Nevertheless there are certain risks for employees with flexible working-time schemes such as long-term WTAs. Problems arise in particular when unforeseen developments (such as illness, death or unemployment of the employee, or insolvency of the company) bring the contract to an untimely end. If the employees cannot fulfil their contracts or use up their time credits, for instance, due to illness or death, a complicated procedure that annuls the effects of the WTA is set into place (Wonneberger 1998: 983). In the case of the unemployment of an employee saving for a sabbatical, unemployment benefits are not calculated according to the reduced salary, but according to the former full salary. Once the sabbatical has started, however, they are calculated on the basis of the reduced income level. If the employer has to set his staff on short-time work due

18. Lower take-up rates (6 per cent) for Dutch employees are reported by van Luijn and Keuzenkamp (2004).

to a shortage of work in the company, workers have to use up a part of their savings in WTAs before they can claim social security benefits. This limits their time autonomy and it also means that they have to accept a reduction of social security, namely a reduction of collectively-financed cash benefits.

In the event of insolvency of the employer, the payment of salaries for the three months before the date of insolvency is guaranteed. As far as savings in long-term WTAs are concerned, however, there has so far been a large deficit. The law sets out the duty of employers to insure working-time credits of their employees against insolvency. But an empirical investigation has revealed that to date the majority of German companies with WTAs do not have insurance for WTAs in the event of insolvency (Schietinger, 2003).

Similar problems may arise within partial or phased retirement schemes. The current German scheme, introduced in 1996, is similar to a WTA, but with subsidies: when the “block model” is chosen, the worker continues working full-time for the first half of the contracted period (usually five years) and stops working during the second half. He or she receives a constant, subsidised salary over the whole duration of the contracted scheme.¹⁹ Again, deficits in the protection of partial retirement contracts against insolvency of the employer had been obvious for years, before a law finally obliged companies to insure credits from phased retirement schemes against insolvency (since July 2004).

The introduction of flexible working-time schemes can help to replace external flexibility (making people redundant) by internal flexibility. What can be regarded as an advantage for the employee is the stabilisation of income (income security) and the increase in job stability (job security). However, the price of this strategy has to be taken into account: the costs of unemployment are shifted onto employees. They usually accept a loss of income in the event of labour shortage in exchange for their job security, while costs for the employer and the collective unemployment insurance are reduced. This can be one reason for the fact that in some countries (as Denmark and Ireland) employers are much more in favour of flexible working-time schemes than employees (EIRO-online 2003: 15). Yet working-time accounts and annualised hours have significant potential to avoid dismissals and to limit job insecurity.

19. The partial retirement scheme can therefore be called an “integrated” option, where the time option is combined with collectively-financed monetary benefits.

4. Some political implications

As the analysis has shown, the challenge in the context of more flexible and discontinuous life courses is to find a new balance between “commodification” and “decommodification”, to use the terminology of Esping-Andersen (1990).

Commodification in this sense means that help for (re-)integration in the labour market has to be offered. This can include assistance at the beginning of one’s working life, after periods out of the labour market or after periods of reduced or precarious labour market participation (for persons who interrupt paid work for unpaid care work or for persons who become unemployed), but also support for mobility (whether regional or job mobility) in the event of job changes. The topic of commodification has come to the fore because of the shift towards an “active welfare state”. But in spite of the general trend towards activation, countries differ a lot in the degree and targeting of the help offered, as well as in the level of coercion they employ (Klammer and Leiber, 2004).

Decommodification, in contrast, means independence of the labour market through having a right to leave the labour market in certain situations and life phases, and in particular through financial support for these phases. This has not been made superfluous by the shift towards the active welfare state. On the contrary: there is a need to rethink and redefine under what circumstances and for what phases people are not expected to gain their living through work, and how these periods (before, during and after the potentially active phase) can be covered.

As the analysis has made clear, the stipulation of minimum conditions for flexible employment relationships (such as limited employment contracts, hiring-out of employees, mini-jobs) in the area of labour and social law is a key element in a flexicurity policy. However, it is just as important to provide security for transitional phases to prevent the long-term marginalisation of specific groups of people. Concepts to provide security in different life phases must also include reliable options for voluntary reduction of working time or voluntary interruption of employment (sabbaticals, parental leave or phased part-time retirement, for example). This also includes provisions for monetary cushioning of voluntary and involuntary discontinuities in areas where such assistance appears to be necessary or socially justified (such as unemployment, child-raising and elder care).

The concentration of social security concepts on providing security for different life phases should also comprise an element of empowerment,

geared towards helping employed people to maintain (or regain) their employability. The ongoing development of concepts for lifelong learning plays a key role in this area. Employees who continue to gain extra qualifications should increase their adaptability (functional flexibility) within and between companies in the external labour market. Learning-time accounts of the type now included in several collective agreements (for instance, in Germany's chemical, textile and clothing industries) offer employees the opportunity to adapt to new qualification-based requirements in their own interest throughout their employment history. Employees secure and improve their employability, while companies underpin their adaptability. Moreover, the combination of empowerment strategies and monetary security provisions paves the way for individuals to voluntarily address – and master – the accompanying risks (such as the decision to become self-employed).

At company level, an effective way of promoting flexicurity is by replacing external forms of flexibilisation (the laying-off of employees) with internal forms – such as adjusting the volume of working time and further training of employees to equip them to meet new content-based requirements. New regulations on working-time accounts and “opening clauses” in collective agreements have greatly extended the freedom of action of companies in recent years. Although internal flexibilisation can be beneficial for both companies and employees, many such options remain unused. If companies reduce working hours instead of laying off employees, they save on redundancy costs and possibly on re-employment costs later. They secure the amortisation of investments in employee skills, they retain the expertise of practised teams, and they avoid in-house disputes over collective redundancy programmes that can negatively impact productivity and innovative drive. Employees retain their jobs and secure their claims to seniority as well as their human capital. They also avoid unemployment. But this higher employment stability has a price: employees must accept at least temporary income cuts, in return for more free time. The limits of internal flexibility become apparent, however, in persisting structural crisis situations. These situations create a challenge for labour market and social policy.

One of the most urgent tasks in the restructuring of the conservative (or Bismarckian) social welfare systems is to create broader access to the insurance and social security schemes; social insurance systems that are geared to the needs of dependent employees need to be opened up to all those in gainful employment or even to everyone in the country. A further key task is to strengthen the minimum security elements in state

systems to avoid poverty among people in flexible employment relationships and/or with discontinuous work history – in employment phases but also in retirement. In these fields, the Scandinavian welfare states are still better equipped to meet the demands of flexible labour markets and discontinuous working histories – though some recent reforms (such as Swedish pension reform) have diminished this advantage by reducing citizen-based benefits.

To sum up: preparing and empowering people for flexibility and insecurity over the life course means protection against unacceptable flexibility as well as empowerment for desired flexibility. Some crucial questions to be tackled in the political arena to improve flexicurity are discussed next.

a. How can continuity in working life be assisted and involuntary discontinuities be avoided?

It is not the flexibility required by companies as such that is problematic for employees, but certain types of atypical jobs (such as fixed-term contracts or small part-time jobs) and involuntary career interruptions, which entail special risks – in particular when these phases cumulate over a long time or when several disadvantages come together. The political challenge is to support upward mobility and continuity, and to prevent dead-end roads that lead to poverty or long-term unemployment. Several strategies can help to achieve this goal, among them concepts of lifelong learning that share responsibilities and financial obligations between individuals, companies and public authorities, or an improved focus on working conditions to prevent occupational diseases and burn-out. Both strategies are inevitable to improve employability throughout working life and to achieve the European goal of raising the actual retirement age. Limiting discontinuities in a flexible economy also means that the issue of granting all kinds of workers access to social security systems and at least a minimum of social protection takes on a new importance. Collective agreements can contribute to workers' upward mobility, for instance, by granting them more and more rights (income, stability of the contract) the longer they have worked in flexible contracts (as in the Dutch case). Companies can contribute to this strategy by replacing external with internal flexibility.

b. How can the desired flexibility in terms of time use be secured?

Workers themselves require more flexibility today to adjust their working times and labour market engagement according to their needs and preferences in different phases of their life. This becomes even more urgent

as European welfare states move towards an adult worker model, where men and women are primarily regarded as workers, while the question of care work (for children, the elderly and so on) is still not settled. This requires new rights: for instance, to reduce or extend one's working hours and to interrupt one's career for care, training, voluntary work or other reasons. While all EU countries grant some right to maternal leave and parental leave (resulting from the European directive on parental leave), the situation is still very diverse as far as interruptions for elder care is concerned, or the right to work part-time.

c. How can transitions be supported?

The transitional labour market (TLM) approach has rightly drawn attention to the fact that in a flexible economy the individual requires more help to master transitions in working life. Supporting transitions (not just status) also means empowering people to actively face and manage transitions, and even take risks (by starting their own business, say). Empowering people for transitions could mean providing personal budgets for certain events, or subsidising wages for a certain period. It could also mean keeping up contacts between the company and a mother/father on parental leave to ease re-integration into working life. As far as the transition to retirement is concerned, partial retirement schemes or flexibility in the legal retirement age could be useful approaches.

d. How can a "decompression" of working time be achieved?

It will only be possible to give more room for different time needs during working life if the widespread trend of the last decades towards a shortening of one's working life from both ends can be reversed. This requires some political effort to remodel the entrance and exit phases of working life. In some countries (such as Germany), rearranging the length of schooling (starting at the age of 5 instead of 6, reducing schooling from 13 years to 12 by extending school hours to the afternoon), shortening the average time spent at university (by the new bachelor/master system) and increasing the support for young people looking for their first jobs could all contribute to an earlier entrance to the labour market. Improved provision of training and partial retirement options for older workers could promote postponement of the final labour market exit.

e. How can cash benefits and other forms of financial support be reallocated?

In spite of the new focus on activation and re-commodification in the active welfare state, passive benefits (= cash benefits) will not lose their relevance

or necessity. On the contrary: the new flexible and discontinuous working patterns lead to new questions on the inter-temporal and interpersonal redistribution of money. Fresh thought needs to be given to the question of what interruptions in careers should be covered by collectively-financed cash benefits, and which ones have to be covered privately. On the one hand, it cannot be overlooked that social cohesion demands at least a minimum of protection for all people with low or irregular income. This implies a strengthening of redistribution within the social security systems in favour of people with weak insurance histories, irrespective of the reasons. Furthermore, some arguments can be put forward to concentrate support on discontinuities that result from socially valuable or necessary work, such as care work (for example, by paying benefits during parental leave or care leave). However, this implies that a consensus has to be found on what kinds of activity deserve support and what kinds do not. Irrespective of this question, all kinds of social protection benefits and claims have to be adjusted to more flexible life-courses – for example, occupational pension claims. Their portability should be further improved to remove obstacles for labour market mobility.

These fields of political action can be regarded as crucial for the re-organisation of social policy in accordance with the idea of flexicurity.

Bibliography

Barbier, J.-C. (2002), "'Precariousness' of employment: linguistic and conceptual differences", Political discourse and academic debate in five countries, Paris.

Bettio, F. and Villa, P. (1998), "A Mediterranean perspective on the break-down of the relationship between participation and fertility", *Cambridge Journal of Economics*, Vol. 22 No. 2, March: 137–171.

Bielenski, H., Bosch, G. and Wagner, A. (2001), "Wie die Europäer arbeiten wollen. Erwerbs- und Arbeitszeitwünsche in 16 Ländern", Frankfurt am Main: Campus.

BMGS (2003), *Sozial-Kompass Europa*. Soziale Sicherheit in Europa im Vergleich, Bonn.

Braun, Th. (2002), "Flexibilität und soziale Sicherung in Dänemark unter besonderer Berücksichtigung von aktiver Arbeitsmarktpolitik und Weiterbildung", in Klammer, U., and Tillmann, K. (eds): *Flexicurity – Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse*, Düsseldorf: Ministerium für Arbeit und Soziales, Qualification und Technologie des Landes Nordrhein-Westfalen, 637-680.

Council of the European Union (2003), Council Decision of 22 July 2003 on guidelines for the employment policies of the member states, in *Official Journal of the European Union*, 5 August 2003, L 197 13 – L 197 21.

Dingeldey, I. (2000), "Einkommensteuersysteme und familiäre Erwerbsmuster im europäischen Vergleich", in I. Dingeldey (ed.), *Erwerbstätigkeit und Familie in Steuer- und Sozialversicherungssystemen*. Opladen: Leske & Budrich, 11-47.

Dingeldey, I. (2002), "Das deutsche System der Ehegattenbesteuerung im europäischen Vergleich", in *WSI-Mitteilungen* 3/2002: 154–160.

Düll, N. (2002), "Defining and assessing precarious employment in Europe: a review of main studies and services", ESOPE Project, Deliverable 1, Munich.

EIRO-online (2003), "Annualised hours in Europe", <http://www.eiro.eurofound.eu.int/print/2003/08/study/tn038101s.html>, 09/01/04.

Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press.

Europäische Kommission (2003), "Europäische Sozialstatistik. Erhebung über Arbeitskräfte. Ergebnisse 2002". Luxembourg: Amt für amtliche Veröffentlichungen der Europäischen Gemeinschaften.

European Commission (2003), "Employment in Europe 2003. Recent trends and prospects", Luxembourg.

European Commission (2000): "European economy. Performance of the European Union labour market. Joint harmonised EU Programme of Business and Consumer Surveys", 4/2000, Luxembourg: Office for Official Publications of the European Communities.

European Foundation for the Improvement of Living and Working Conditions (ed.) (2003), "A new organisation of time over working life", Luxembourg.

Gustafsson, S. (1992), "Seperate taxation and married women's labor supply. a comparison of West Germany and Sweden", in *Journal of Population Economics*, Vol. 5: 61–85.

Klammer, U. (2004), "Flexicurity in a life-course perspective", in *TRANSFER* Vol. 10 No. 2: 282–299.

Klammer, U. and Daly, M. (2003), "Die Beteiligung von Frauen an europäischen Arbeitsmärkten", in Gerhard, U., Knijn, T., and Weckwert, A. (eds), *Erwerbstätige Mütter. Ein europäischer Vergleich*, München 2003, 193–217.

Klammer, U., and Leiber, S. (2004), "Aktivierung und Eigenverantwortung in europäisch-vergleichender Perspektive", in *WSI-Mitteilungen* 9/2004, 514-521.

Klammer, U., and Tillmann, K. (2002), "Flexicurity – Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse, Forschungsprojekt im Auftrag des Ministeriums für Arbeit und Soziales, Qualifikation und Technologie des Landes Nordrhein-Westfalen", MASQT 1106, Düsseldorf.

Koch, A., and Bäcker, G. (2003), "Mit Mini- und Midi-Jobs aus der Arbeitslosigkeit? Die Neuregelungen zur Beschäftigungsförderung im unteren Einkommensbereich", in *Sozialer Fortschritt* 3/2003: 94-102.

Koopmans, I. and Schippers, J.J. (2003), "Female employment and family formation – the institutional context". Paper prepared for the joint meeting of MoCho, FENICS, CynSoc and AGIR, 18-20 February 2003, Brussels.

Korteweg, J.A.C., Tijdens, K.G. and de Winter, J.M. (2002), "Keuzemogelijkheden in CAO's. Wat is het de werknemer waard?", Tilburg: OSA Publication A202.

Madsen, P.K. (2004), "The Danish model of 'flexicurity': experiences and lessons", in *TRANSFER*, Vol. 10 No. 2, summer 2004: 187–207.

Madsen, P.K. (2003), "Flexicurity through labour market policies and institutions in Denmark", in Auer, P., and Cazes, S. (eds) (2002), *Employment stability in an age of flexibility. Evidence from industrialized countries*, ILO, Geneva.

OECD (2001), *Employment Outlook 2001*, Paris.

Plantenga, J. and Koopmans, I. (2002), "Freistellungsregelungen für Sorgearbeit und ihre praktische Bedeutung im internationalen Vergleich", *WSI-Mitteilungen* 3: 161-168.

Schietinger, M. (2003), "Insolvenzversicherung von Arbeitsguthaben: Rahmenbedingungen, Absicherungsmodelle, Entscheidungskriterien. Düsseldorf: Ministerium für Wirtschaft und Arbeit des Landes Nordrhein-Westfalen".

Transfer (2004), special issue on "Flexicurity: Conceptual Issues and Political Implementation in Europe", Vol. 10, No. 2.

Van Luijn, H. and Keuzenkamp, S. (2004), *Werkt verlof? Gebruik van regelingen voor verlof en aanpassing van de arbeidsduur*, Den Haag.

VDR (ed.) (2003), *Rentenversicherung im internationalen Vergleich 2003*. DRV-Schriften 45, Frankfurt a. M.

Voß, G. and Pongratz, H.J. (1998), "Der Arbeitskraftunternehmer. Eine neue Grundform der Ware Arbeitskraft?", in *Kölner Zeitschrift für Soziologie und Sozialpsychologie*, 1/1998: 131-158.

Wilthagen, T. (2001), "'Flexicurity': the emergence of a new paradigm in labour market and employment regulation? – the Dutch background and experiences", Paper presented at the 13th Annual Meeting on Socio-Economics, Amsterdam, 28 June to 1 July 2001.

Wilthagen, T. and Tros, F. (2004), "The concept of 'flexicurity'. A new approach to regulating employment and labour markets", in: *TRANSFER* Vol. 10 No. 2: 166–186.

Wonneberger, W. (1998), "Das Gesetz zur sozialrechtlichen Absicherung flexibler Arbeitszeitregelungen", in *DB*, 19: 982–987.

III – What are the ingredients of “good” flexicurity arrangements? Some ideas for identifying factors that make for success

by Sebastian Sperber

Introduction

In the quest to adapt the European Social Model¹ to the challenges of globalisation and technological change, it is of central importance to find new ways of reconciling employers’ desire for flexibility with their need for security, while also reconciling these aims for employees. The term “flexicurity” was coined to describe a twofold ambition: achieving flexibility and security at the same time (Wilthagen, 1998). In the search for appropriate policies and institutions, an obvious question is of course what makes for the success of flexicurity arrangements. Despite its apparent importance, almost all the work done so far has concentrated on solution strategies. The link with the outcomes of these policies and institutions has been only rarely taken into account. What are the essential ingredients of successful flexicurity or, in practical terms, what ultimately leads to more job security and good economic performance? The purpose of this chapter is to help to fill the gap.

A look at the many different possible configurations for flexicurity policies (such as Klammer and Tillmann, 2001) and the various factors that affect perceived job insecurity and economic performance (see Burchell 2002) makes it clear just how ambitious an undertaking it is to answer this simple question and how over-simplified any answer will be.

Nevertheless, given the importance of this question for policy-making and institutional choice, this chapter seeks to give a preliminary idea of how this question might be tackled by bringing together some ideas from the academic literature. Although this approach is inevitably simplified, it is particularly interesting insofar as perceived job insecurity – the key aspect of the problem – has been shown to behave quite differently from what would be expected when objective security measures are taken (see,

1. Despite the considerable variations from country to country, the European approach can be considered sufficiently distinctive when compared with other world regions that it has often been referred to as the “European social model” (see The Council of Europe’s *Revised Strategy for Social Cohesion*).

for instance, Auer and Cazes, 2002; Burchell, 2002; OECD, 2004). As job insecurity is, however, inflicting an objectively measurable cost on society (see, for example, Ferrie 1999), an insight into how the various institutions and policies can address this phenomenon is very useful – even if it were to show that it all depends on the aversion to risk inherent in a culture.

The way to find out whether flexicurity policies are feasible is to start with a very simple model of institutional arrangements for flexibility and security. Inevitably, every flexicurity arrangement represents a point in the plane spanned by the two basic dimensions, employment protection legislation (EPL) and social security or, to be more precise, unemployment insurance benefits (UIB). A first step in determining the key ingredients of successful flexicurity policies is to analyse the effects of these two dimensions on our target variables. This is why the second part of this chapter concerns the effects of EPL and UIB on job security and on economic performance. The final section contains some preliminary thoughts on a more complex set of factors.

1. How do labour market institutions cope with security and flexibility ?

The commonest means of protecting workers against labour market risks are employment protection legislation (EPL) and social security, particularly unemployment insurance benefits (UIB). Blanchard and Tirole (2004) regard them as the basic pillars of properly structured labour market institutions and give an essential overview of how labour markets are organised. Flexibility and security in labour markets can be linked to these two dimensions. Accordingly, every point in this plane can be interpreted as a flexicurity arrangement. (According to Wilthagen's 1998 definition, a flexicurity policy is actually a movement within this space.) A classification along these lines can serve as the basis for a simple analysis.

a. A simple classification

Auer and Cazes (2002; Auer, 2005) present a simple classification of flexicurity arrangements in labour market institutions (Figure 12). There are four basic combinations of employment protection legislation and social security. It is possible to have low UIB and a low level of EPL, as in the United States or the United Kingdom, or a high level of EPL as well as high UIB, as in France or Germany. On the other hand, it is possible to rely only on high employment protection and not provide much social security, as in the case of Japan and in Portugal, Greece, Italy and Spain. A final possibility is an arrangement that provides security by means of a high level

of social security but forfeits employment protection legislation, as is particularly clearly seen in Denmark, Finland and Belgium and to a lesser extent in the Netherlands and Ireland (Auer, 2005). It is clear that different ratios between these two ingredients of labour market policy are possible. A key question is whether they behave as substitutes for each other or whether they complement each other.

Figure 12: A simple classification of flexicurity arrangements

Employment Protection Legislation (EPL)	High level of EPL	Japan (14;04)	France (21;20)
	Low level of EPL	United States (01;03)	Denmark (08;27)
		Low Level of Social Protection	High Level of Social Protection
		Social Protection (UIB)	

(X;Y)

X= Ranking of 26 countries by their EPL strictness (based on OECD EPL indicator), "the higher the more strict".

Y= Ranking of 27 countries by their UIB generosity (UIB expenditure as percentage of GDP), "the higher the more generous".

Source: based on Auer and Cazes 2002

b. EPL and UIB: are they alternatives or do they complement each other?

Auer and Cazes also use the "simplified relations between EPL and UIB" in Figure 12 to raise the question of whether there is a trade-off between employment protection and social protection, or whether they complement each other. It is easy to see that a trade-off would, for example, allow policy-makers to substitute one for the other and would open up a whole range of policy options with equivalent characteristics in some respects.

If we look at Japan, where people seem to trade social protection for jobs for life, and Denmark, where people appear to trade employment protection for very good social cover, this trade-off does seem to exist.

The question is, what third variable do we use to analyse the shape of those *isoquants*? That is, what do we want to explain with different combinations of EPL and UIB? As obvious as the answer seems in our context, there are in fact three different dependent variables (dependent on a combination of EPL and UIB) in the literature: political equilibrium, economic efficiency and job security, often presented without much explanation. The last two are the most important for our purpose, and the last one (as stated above) has hardly been analysed.

Political economy

Political economy does not concern itself with good or adequate policy but with the final outcome of a political system. The focus of interest is the interplay of the parties concerned and the outcome they can be said to negotiate, that is, the political equilibrium at which they arrive. From this perspective, Boeri *et al.* (2003) raise a question reflected in the title of their paper: "Protecting against labour market risk: employment protection or unemployment benefits?" They observe that there is a trade-off between the two and show that the mix adopted in various countries corresponds to a stable political/economic equilibrium.

As in the case of other analyses of this kind (see, for example, Saint-Paul 2002), they show that insiders (mainly employees) would vote for high EPL, whereas outsiders (job-seekers) would vote for high UIB. The final outcome depends on the distribution of these categories in the population and consequently on the distribution of such characteristics as age or qualifications. If low-skilled insiders constitute a majority, an equilibrium with a positive but low level of UIB and a high level of EPL will emerge. If, on the other hand, there are enough highly-skilled people and poorly-skilled outsiders, a high level of UIB and a low level of EPL will be chosen. Obviously, it is important in practice to determine the conditions under which policies can be implemented. However, a successful flexicurity arrangement is – in the first instance – rated according to the extent to which it fulfils its original purpose. Therefore this chapter concentrates on economic performance and in particular on job security. Political economy insights are of relevance to the second (implementation) stage as far as policy-makers are concerned. This is why I shall come back only briefly to these ideas at the end of the chapter.

Economic efficiency

Economic theory provides a further rationale for considering that EPL is a substitute for UIB and vice versa. Both protect workers against labour

market risks. This time, however, the question is how they can be interchanged without affecting economic efficiency. Pissarides (2001) shows that, when optimal choices are made for severance payments and notice periods in the event of dismissal, there is not necessarily any need for unemployment insurance, which implies that each is a substitute for the other. Actually, the influence of these labour market institutions is a highly debated issue, which will be dealt with in further detail below. At this point I would just like to point out that we obviously need to assess the different institutional arrangements' effect on economic performance in order to identify factors favourable to this part of the flexicurity objective. To take the simplest approach, economic efficiency could be approximated to per capita GDP growth rate or measured in terms of the unemployment rate.

Job security

Finally and most importantly, this chapter naturally sets out to analyse the performance of these institutional arrangements in terms of perceived job insecurity. We need to understand the impact of each of these instruments and the way in which, together, they can lessen job insecurity. Perceived job insecurity is obviously not a simple phenomenon either. Many factors influence job insecurity, some having a moderating influence and offsetting harmful effects. Nevertheless, a simple model describing job insecurity as a function of the estimated probability of job loss and the estimated costs associated with that loss is considered a good first approximation in the literature (see, for example, Clark and Postel-Vinay, 2004; OECD, 1997).

2. A first step towards identifying successful flexicurity arrangements

Since good flexicurity policies or optimal labour market institutions create the flexibility needed to maximise economic performance with sufficient security to ensure low perceived job insecurity among the public, an assessment of these simple labour market institution models – with respect to perceived job security on the one hand and economic performance on the other – can be seen as a first step towards identifying factors that make for success.

a. Job insecurity

We can already gain a first glimpse of the performance of these institutional arrangements in terms of perceived job insecurity if we add to our first figure the figures for job insecurity in these countries. In Figure 13

they are approximated in terms of the percentage of the working population preoccupied with job insecurity (Auer and Cazes, 2002). If we compare the job insecurity in the cells in each row – that is, if we compare countries with low social protection and those with high social protection, irrespective of the degree of employment protection – we find that people in France feel more secure about their jobs than people in Japan, and people in Denmark more secure than people in the United States. Each time (and this is true of all four values), high social protection is associated with a more widespread feeling of job security. In this very simple model, high UIB seems to be the prevailing strategy for policy-makers concerned with job security, since (as they would expect) higher UIB are always linked to lower job insecurity.

Figure 13: Institutional arrangements and job insecurity (percentage of working population concerned about job insecurity, shown in **bold**)

Employment Protection Legislation (EPL)	High level of EPL	Japan (14;04) 53	France (21;20) 43
	Low level of EPL	United States (01;03) 48	Denmark (08;27) 32
		Low Level of Social Protection	High Level of Social Protection
		Social Protection (UIB)	

(X;Y) = (EPL strictness; UIB generosity) – compare Figure 12

Figures in bold = indicator for perceived job insecurity, “the higher the more insecure” (based on worry about future of company and worry of losing one’s job) compare Auer/Cazes, 2000.

Source: based on Auer and Cazes, 2002.

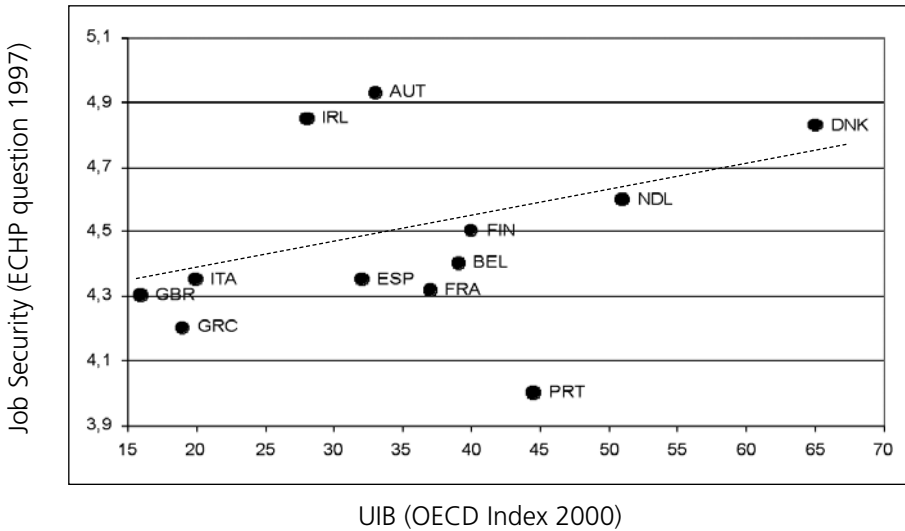
If we now compare the values in the columns – that is, the effect of EPL on job security, irrespective of the level of UIB – we find that Denmark and the USA, the countries with low employment protection, actually perform better on job security than France and Japan, countries with high employment protection. This is an unexpected result: EPL is designed to

protect employees. But here low employment protection is systematically linked to lower job insecurity. In the next two sections we will take a more detailed look at these influences.

A naive correlation

Another simple method, which includes the experience of more countries, is a naive regression analysis of the two factors. Such a cross-country regression is particularly interesting as there are few time-series data available for analysing a country's reform, which would be a natural experiment. Figures 14 and 15 – based on Clark and Postel-Vinay, 2004 – show this type of analysis, which is found in the literature (as in OECD Employment Outlook 2004, 1997). Figure 14 shows generosity of social protection in the form of unemployment insurance according to the OECD UIB index² and the perceived level of job security estimated in answers to the job security question in the European Community Household Panel survey (ECHP, 1997). It again reveals a clearly positive correlation between those variables. As expected, countries with more generous social protection, which lowers the cost for each individual in the event of a spell of unemployment, have higher perceived security.

Figure 14: Raw job security and UIB



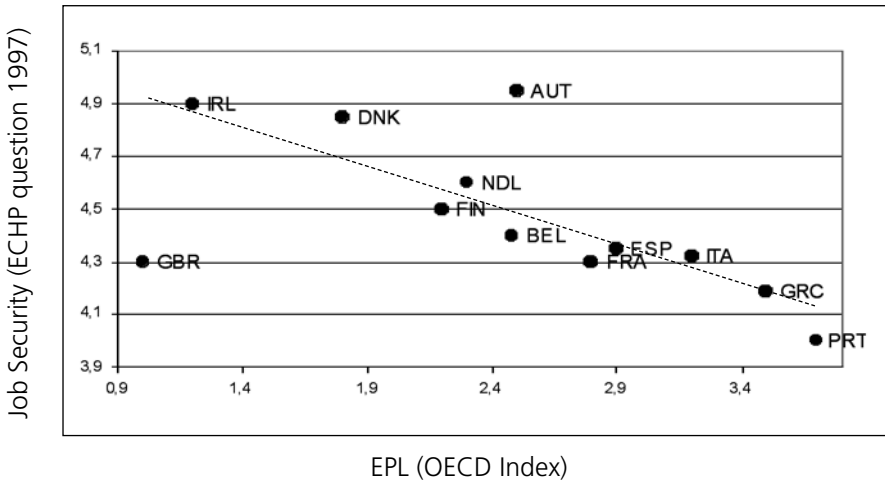
Source: based on Clark and Postel-Vinay, 2004.

2. Obviously an index of concepts as complex as UIB and EPL is bound to simplify to some extent. It is nevertheless a very helpful instrument for making these concepts measurable. It is probably not so much their precision as their overall accuracy which has led to their widespread use in scientific literature.

By contrast, Figure 15 shows that strictness of employment protection, displayed on the abscissa in the form of the OECD EPL index, is negatively correlated with perceived job security. It confirms the surprising result above – that more employment protection goes hand in hand with more job insecurity. However, the information found in this regression analysis is, on the face of it, limited: it merely displays a correlation and provides no proof of a cause-and-effect relationship.

Job security undoubtedly depends not only on EPL and UIB, but on a whole series of observable and unobservable individual, job or labour market characteristics. A meaningful analysis would have to check for those other variables in order to filter out the influence of UIB and EPL. Furthermore, with EPL lowering labour market permeability, the rigidities very often lead to a higher number of temporary contracts, which again are characterised by higher job insecurity.

Figure 15: Raw job security and EPL



Source: based on Clark and Postel-Vinay, 2004.

Multivariate analysis

For more insight into these relationships, a multivariate analysis such as that recently carried out by Clark and Postel-Vinay (2004; see also Postel-Vinay and Saint-Martin, 2003) would be necessary. They constructed indicators

for the perception of job security in 12 European countries, and tested the impact of UIB and EPL. They distinguished three types of job contract – permanent private, permanent public and temporary – and checked for observed and unobserved heterogeneity in characteristics concerning workers, jobs and the labour market.

Their important conclusion was that this multivariate analysis confirmed the conjecture above: on the one hand, job security in permanent private-sector and temporary jobs is positively correlated across countries with UIB. On the other hand job security in permanent private-sector and temporary jobs remains negatively correlated across countries with EPL. Furthermore, the difference in perceived job security between permanent and temporary jobs increases with EPL and falls with UIB, which means that both effects are larger in temporary jobs. The contrary is observable for jobs in the public sector. There the correlation between job security and EPL is three times smaller and the correlation between UIB and job security as little as a fifth of what it is in the private sector. This seems to indicate that public-sector jobs are to some extent less affected by the problem.

Most importantly, the surprising result persists: EPL does not provide any security, but on the contrary is associated with more widespread job insecurity. Why is this the case? Clark and Postel-Vinay argue that this may be so because individuals know that, unlike UIB, EPL can be both a curse and a blessing for them. Theoretically and empirically, EPL lowers the permeability of labour markets. It therefore makes it more difficult to enter the labour market and makes it less likely that people will leave it, which means that average job tenure, but also the average unemployment period, is longer. In practical terms, this means that, thanks to EPL, individuals are less likely to lose their jobs but, if they do, the cost will be higher. So, given that there is a certain aversion to risk, the second effect can prevail, and lead to an overall negative correlation.

Unfortunately, as shown by the authors, we cannot rule out another explanation: it is possible that workers, being more frightened by job insecurity, have actually demanded more protection, so that higher EPL is not the cause of job insecurity but its effect. A political economy analysis would be needed to check in each country if this were the case. Furthermore, the availability of longitudinal data could help clarify cause-and-effect relationships.

Even though the cause-and-effect relationships are not perfectly clear, as a first approximation UIB can nevertheless be considered preferable to EPL as a means of insuring against labour market risk.

b. Economic performance

As a second stage, we need to consider the impact on economic performance. Although there is very widespread agreement among economists on the optimal design of product market and financial market institutions, there is much less agreement on what constitute good labour market institutions (Blanchard, 2004). We are therefore embarking on difficult ground.

Figure 16: Institutional arrangements and unemployment rates
(In **bold**: Average standardised OECD unemployment rate).

Employment Protection Legislation (EPL)	High level of EPL	Japan (14;04) 4.7%	France (21;20) 9.3%
	Low level of EPL	United States (01;03) 4.0%	Denmark (08;27) 4.4%
		Low Level of Social Protection	High Level of Social Protection
	Social Protection (UIB)		

Source: OECD.

To gain a first impression of the two labour market institutions' impact on economic performance we can go back to our table showing ideal types of institution (Figure 12). As an approximation, Figure 16 includes the unemployment rate, which is very often the first objective mentioned when it comes to explaining the need for more flexibility. Again, when we compare the columns, we can see that the countries with less EPL have lower unemployment rates. On the other hand, if we look at the impact of UIB, the countries that have lower social protection perform better as far unemployment is concerned. However, the result is less

obvious than it first appears, since Denmark and the United States both have low, and only slightly different, unemployment rates. So we could conclude that low social protection is not generally a necessary condition for better economic performance.

For a more detailed insight, a regression analysis, especially a multivariate one, would be very interesting. In contrast to research into the effect on job insecurity, more than one attempt has been made to measure the impact of our two policy options on the economy and welfare. In fact, this issue has generated a whole series of articles and an important scientific debate, focusing largely on employment protection and significantly less on unemployment insurance and social protection. The paragraphs below present some of the most important results and arguments of the debate.

Overview articles such as Addison and Teixeira on the “economics of employment protection” (2001) or the summary of empirical findings in the OECD’s *2004 Employment Outlook* can give a good first insight into this debate. The results, from the 20 empirical analyses they bring together, show that the conclusions are far from homogeneous. Five of them show no effect at all³ or an insignificant effect⁴ on overall unemployment. The others, and almost all the articles analysed by Addison and Teixeira, show some type of negative effect: structural unemployment is higher, the duration of unemployment longer and labour market participation lower. There is also more self-employment and there are more temporary contracts, although less temporary work; negative shocks are reinforced.

These observed negative effects are in line with basic neo-classical analyses. In a perfect market model (where all the necessary assumptions are fulfilled), EPL represents employment costs and barriers at the entrance to the labour market. This is where the popular view that it is necessary “to get rid of the labour market rigidities” comes from (Blanchard, 2004). On the other hand it becomes clear why the observations are not necessarily unequivocal when one considers that theory becomes much more difficult in the presence of market imperfections (which, to the sor-

3. Baker *et al.* (2004), “Labour market institutions and unemployment”; Belot and van Ours (2000), “Does recent success of some OECD countries in lowering their unemployment rate lie in the clever design of their labour market reforms?” IZA Discussion Paper No. 147; Nickell, S. (1997), “Unemployment and labour market rigidities. Europe versus North America”, *Journal of Economic Perspectives*, Vol. 11, No. 3, pp. 55-74.

4. Addison *et al.* (2000), “The effect of dismissals protection on employment: more on a vexed theme”, *Southern Economic Journal*, Vol. 67, pp. 105-122; OECD, *Employment Outlook* (1999).

row of economists, are almost omni-present). As the work of the Nobel prize-winners Stiglitz and Akerlof for example, has shown, even small deviations from perfect market assumptions can create very different outcomes (Schettkat, 2003). Our discussion of perceived job insecurity shows of course that individuals are usually not risk-neutral but have an aversion to risk. As Blanchard and Tirole (2004) show, for instance, a certain level of EPL is actually efficient in ensuring that individuals are insured and companies linked to the negative externalities they create with lay-offs. (To avoid any legal uncertainty this is best achieved with a lay-off tax.) So, in more complex and realistic models, employment protection is not necessarily a problem and might even be necessary for socially efficient allocations. However, in reality these models also raise some practical problems, very often in institutions that encourage moral hazard. For example, optimal EPL would require employees to pay a risk-assurance premium to the employer, which would be reflected in lower wages. Because of ex-post wage bargaining, employees, once they start work, have no incentive to accept such wage moderation. On the contrary, as they possess market bargaining power (thanks to EPL), they can negotiate wages that are even higher than their productivity, which leads in the end to less employment and output.

Furthermore, slower turnover of staff can be a disadvantage when it comes to reallocating labour from declining to rising sectors and can thus create lags in economic performance. Finally, from an equity perspective, ELP has some disadvantages. It creates protected insiders and unprotected outsiders, and leads to longer periods of unemployment and more temporary contracts. Very often particular groups suffer from this uneven distribution, namely young people and the elderly.

All in all, employment protection turns out to be much less harmful than some deregulationists would have us believe. However, even though it can be neutral in some circumstances, the empirical analyses mentioned suggest that it often has negative effects on economic performance and more specifically on unemployment.

The scientific discussion of the effects of UIB on economic performance is much less extensive. As UIB do not directly affect the functioning of the market, by definition they do not impair perfect labour market flexibility. That is why they are usually described as more mobility-friendly and well suited to micro-economic adjustment (Boeri, 2003). It may come as no surprise that countries whose economies are among the most open take advantage of this potential for flexibility and rely almost

exclusively on UIB for protection (Auer, 2005). Furthermore, UIB allow workers to seek jobs that are hard to obtain because they require specialised skills (Boeri, 2003) and it has been found that the longer the search time, the better the match and the longer the job lasts, so UIB may allow the time needed for optimal labour allocation. This is of course offset by the problem of the incentive to search. If work is just a source of income for individuals, their motivation to look for a new job is naturally limited if unemployment benefits are generous. In addition, UIB are costly and have to be financed. Obviously, they create a distortion effect if they are financed by labour taxes, but this can be prevented if they are financed by a general lump sum tax or lay-off taxes. All in all, UIB seem to be quite compatible with economic development.

With respect to the second aim of flexicurity, which is flexibility and especially economic performance, high social security and unemployment benefits likewise outperform EPL. Overall it seems that an optimal flexicurity arrangement would consist of high UIB and weak EPL.

However, these conclusions are drawn from a very simple model. It would normally be necessary to construct a significantly more complex model. Nevertheless, in the next section the analysis will be extended by including two central ideas and advancing some arguments as to their effect on what we have concluded so far.

3. Extending the analysis

As said above, UIB and EPL, the two pillars of labour market institutions and policies, have been grossly over-simplified. By trying to adopt a more realistic approach, the social protection dimension, which represents labour market policies (in contrast to regulations), can be divided into active and passive labour market policies. The EPL dimension of course reflects, most importantly, dismissal protection, but also regulations governing fixed-term contracts and temporary employment agencies, working hours and even labour standards in the broader sense. Whereas dismissal protection directly regulates the most obvious, external flexibility, the other aspects of EPL may allow internal flexibility, a possibility that might significantly modify our initial results.

a. Different forms of labour market policy: active or passive social protection?

Whereas passive labour market policy is mainly seen in transfer (insurance) payments to individuals, active labour market policies are designed

to activate people, the unemployed in particular. The aid is designed not only to assure the subsistence of the unemployed, but also to give them direct help in finding a job. It aims to ensure the individual's employability and so consists primarily of further education and training, and measures that keep individuals close to the labour market in order to prevent human capital depreciation. For this reason, one would imagine that active labour market policies would further lower perceived job insecurity since, other things being equal, faster re-integration into a new job lowers the cost of unemployment. Not only does this conclusion presuppose efficient active labour market policies: it fails to consider that typical activation measures tend to link assistance (including passive assistance) to efforts to reintegrate. Activation seeks to both "support and require". These policies are empowering, but also coercive. The net effect on job insecurity when labour market policies become active cannot be theoretically determined. The more they represent real empowerment and the less coercive they are, the more such active labour market policies can be seen as an additional means of combating job insecurity.

Moreover, as far as obligations are concerned, activation measures are a solution to the incentive problem identified for this pillar of labour market policy. Periods of unemployment become shorter and the total cost of this type of protection diminishes. From an economic point of view, active measures are likewise preferable.

Very recently the ILO (Auer, Efendioglu and Leschke, 2005) published an analysis of activation policies, which provides crucial information by establishing the exact link with job insecurity. It shows that active labour market policies lead empirically to more job security. Therefore, activation based on the idea of real empowerment seems to be another ingredient for successful flexicurity.

b. Internal flexibility

The possibility of achieving flexibility within an organisation opens up a whole new perspective for flexicurity. At first sight it seems to combine the positive, protective aspects of EPL and to exclude those that make it rigid.

If flexibility can be achieved at company level, the main fears of job insecurity are dispelled – from an objective perspective. The likelihood of being laid off drops sharply; some sort of income is guaranteed. In addition, flexible working time can make it easier to reconcile work and family life, and a certain poly-functionality can make a job more interesting. The

company, on the other hand, can “breathe” and adapt to the quantity of work by changing working hours instead of workers and shifting employees to tasks that need to be done, without having to fire old staff and hire new personnel. The company can save on the considerable costs linked to recruitment and lay-offs, and can profit from longer-lasting relationships with its most valuable resource, its workforce, which is again more motivated and productive as a result.⁵

However, internal flexibility is no panacea either. First of all, we have to ask to what extent this type of flexibility is sufficient for a company. In the case of long-lasting structural problems, internal flexibility does not seem to be an alternative to lay-offs. Secondly, there is no guarantee that employees are poly-functional, and there are limits to this strategy. For an individual, this very poly-functionality may also create problems in terms of job intensification and constant overload, especially if one considers Burchell’s definition of job insecurity as the fear of losing either one’s job or its essential characteristics. Moreover, working-time flexibility does of course entail income insecurity and, as the flexibility is in this case distributed over the whole work force (and does not affect only those laid off), such measures affect significantly more employees and their families.

As an empirical example, the Japanese model may help (and throw up new questions). Here a job for life is still the rule. Interestingly, this system is governed more by custom than law. Flexibility is almost entirely internal. At the end of the 1980s, Japanese arrangements and management methods – relying on flat hierarchies, teamwork and poly-functionality – were considered the world’s role model, just as Japan led the field for several years in terms of several economic indicators.⁶ In the wake of the Asian banking crisis, which threw the country into a lasting recession, Japan is now criticised for precisely those “qualities” (Schettkat, 2003). That is why any conclusion about impact on economic performance is very ambiguous. In addition, the relevant indicator shows that job insecurity is, paradoxically, a widespread phenomenon in the country with the highest job tenure.

5. The link between job tenure and productivity is analysed by Auer and Cazes (2002). Even though there is a negative effect for those with very long service, productivity seems on average to grow during the first 14 years’ service.

6. Interestingly, Schettkat (2003) shows that Japan objectively led the field in terms of these indicators for quite a while, whereas the new “leading model”, the American one, scored best solely on per capita growth rates during the 1990s.

Theoretical analyses and the Japanese example show that internal flexibility alone is not the solution to the quest for optimal flexicurity arrangements. Nevertheless, the possibilities opened up by internal flexibility offer quite a range of choices for achieving significantly better “flexicurity ratings”, quite apart from the EPL dimension. They are particularly attractive in that many relatively simple opportunities have so far remained unused.⁷ Overall, internal flexibility seems to be a good complement to the other strategy components

Conclusion

This article represents an initial summary of ideas for identifying factors that make for successful flexicurity arrangements. Such an approach, which seeks to link institutions and policies to the system’s final outcome, would seem to be of great practical interest to policy-makers. Even though this first attempt may do no more than shed some light on the question, it puts forward some interesting conclusions: high social protection goes hand in hand with a widespread feeling of job security and seems perfectly compatible with good economic performance. On the other hand, low employment protection (especially protection against dismissal) seems necessary in order to achieve low job insecurity and good economic performance. Finally, activation measures appear to offer further security while diminishing the incentive problem, which again can help reduce the high cost.

All in all, as a first approximation, “high UIB”, “low EPL”⁷ and an “active labour market policy” seem to be key elements of successful flexicurity arrangements.

Interestingly, this outcome is identical to the Danish “golden triangle of flexicurity”,⁸ which is often taken as a model for flexicurity. As is widely known (see, for instance, Larsen, 2003), one needs to be careful when it comes to transferring good practices from one country to another. However, the arguments above do not in fact present a role model, but have tried independently to identify the factors that make for success. The findings explain the Danish model’s success and suggest that its core

7. See Ute Klammer’s article in this volume (“4. Some political implications”, p. 182)

8. Low in terms of protection against dismissal, etc. (this regulates external flexibility), but high if it allows internal flexibility.

9. The combination of a flexible labour market, a generous welfare system and active labour market policies is often referred to as the “golden triangle”. See, for example, OECD (2004).

ingredients might also be helpful in other countries. In a nutshell, the Danish flexicurity model could be what employees would like to have, without their knowing it.¹⁰

Of course this result does not logically imply that there is a one-size-fits-all solution; nor does it pretend to represent this solution. This approach is, rather, an attempt to ensure that we learn systematically from flexicurity experiences. It can provide guidance by identifying factors that are linked to positive performance, across countries that have very different systems overall. For a deeper insight, a more detailed analysis (including, for instance, a longitudinal comparison) would obviously be needed.

10. Postel-Vinay and Saint-Martin, 2003.

Bibliography

Addison, J. T. and Teixeira P. (2001), "The economics of employment protection". IZA Discussion Paper No. 381.

Auer, P. (2005), "Protected mobility for employment and decent work: labour market security in a globalised world", ILO Employment Strategy Papers 1/2005.

Auer, P. and Cazes S. (eds) (2002), *Employment stability in an age of flexibility. Evidence from industrialized countries*. Geneva: International Labour Office.

Auer, P., Efendioglu Ü. and Leschke J. (2005), "Active labour market policies around the world. Coping with the consequences of globalization", Geneva: ILO.

Baker *et al.* (2004), "Labour market institutions and unemployment", in D. Howell, *Fighting Unemployment*. Oxford: Oxford University Press.

Blanchard, O. (2004), "Designing labour market institutions", unpublished lecture, Conference on Labor Markets, Santiago, Chile.

Blanchard, O. and Tirole J. (2004), "The optimal design of unemployment insurance and employment protection. A first pass". MIT mimeo.

Boeri, T. *et al.* (2003), "Protecting against labour market risk: employment protection or unemployment benefits?" Università Bocconi, IGIER Working Paper No. 239.

Botero, J. C. *et al.* (2004), "The regulation of labor", *Quarterly Journal of Economics*, November.

Burchell, B. *et al.* (eds) (2002), *Job Insecurity and Work Intensification*. London: Routledge.

Clark, A. and Postel-Vinay, F. (2004), "Job security and job protection" DELTA working paper No. 2004-16. Paris: PSE.

Clark, A. *et al.* (2004), "Heterogeneity in reported well-being: evidence from twelve European countries", DELTA working paper No. 2004-01. Paris: PSE.

Deloffre, A. and Rioux, L. (2004), "Do workers correctly evaluate their job security? A European comparison". CERC and CREST-INSEE manuscript.

Dominitz, J. and Manski, C. F. (1996), *Perception of Economic Insecurity: Evidence from the Survey of Economic Expectations*, NBER Working Paper, No. 5690.

Ferrie, J. E. (ed.) (1999), *Labour Market Changes and Job Insecurity: A challenge for social welfare and health promotion*. WHO Regional Publications, European Series, No. 81.

Klammer, U. and Tillmann, K. (eds) (2001), *Flexicurity: Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse*. Forschungsprojekt im Auftrag des Ministeriums für Arbeit und Soziales, Qualifikation und Technologie des Landes Nordrhein-Westfalen.

Larsen, F., "The importance of institutional regimes for active labour market policies – the case of Denmark", in *European Journal of Social Security*, 6,2, June 2004.

Manski, C. F. and Straub, J. D. (1999), "Worker perception of job insecurity in the mid-1990s". Evidence from the Survey of Economic Expectations. NBER Working Paper No. 1999.

OECD (2004), "Employment protection regulation and labour market performance", in *Employment Outlook 2004*, pp. 61-125.

OECD (1997), "La précarité de l'emploi progresse-t-elle dans les pays de l'OCDE?", in *Perspectives de l'emploi*, juillet 1997: 143-181.

Pissarides, C. (2001), "Employment protection", *Labour Economics*, Vol. 8: 131-159.

Postel-Vinay, F. and Saint-Martin A. (2003), "Comment les salariés perçoivent la protection de l'emploi", Research Unit Working Paper 0312, Laboratoire d'Economie Appliquée. Paris: INRA.

Saint-Paul, G. (2002), "The political economy of employment protection", *Journal of Political Economy*, Vol. 110, No. 3: 672-704.

Schettkat, R. (2003), "Institutions in the economic fitness landscape: what impact do welfare state institutions have on economic performance?", IZA Discussion Paper No. 696.

Wilthagen, T. (1998), "Flexicurity: a new paradigm for labour market policy reform?", Flexicurity Research Programme FXPaper, No. 1.

B – Labour law and social protection in the context of labour flexibility

I – Citizenship, flexibility and the diversity of approaches to activating social protection in Europe

by Jean-Claude Barbier¹

Introduction

No assessment of the consequences of the trend towards greater flexibility in the world, at all events in developed countries, can ignore the key role played by international monetary rules. Their influence extends beyond the labour market to the reform of social protection. One sign of this is the well-attested trend towards the “activation” of these systems.

When one sets aside ideological considerations and the fallacy of a universal policy recipe, the facts show that these systems are being transformed by an activation process under the common stimulus of a search for greater flexibility, or flexibilisation. However, this process is far from being a fatal condition leading unavoidably to the disintegration of institutional arrangements going back to the late nineteenth century. It takes a variety of forms: two activation ideal-types are easily identified and a third is as yet much less clearly discernible. Contrary to superficial claims of the convergence of social protection systems, there has been no diminution in diversity in the last 20 years.

Criteria and indicators (such as those developed by the Council of Europe to measure social cohesion) help in understanding the effects of activating social protection on citizenship and social cohesion. These criteria concur with those used in a different policy perspective, namely the transitional labour markets.

1. Economic imperatives of flexibility and activation

As has been shown (Barbier and Nadel, 2000; 2002), the general trend towards greater flexibility is a consequence of the economic crisis of the

1. Director of Research CNRS, Centre d'études de l'emploi (France).

1980s. This economic context defines the constraints within which reforms of social protection, and in particular its activation, are possible.

Over the last 15 years, in an effort to make wages more flexible and reduce the total wage bill, European countries have, to varying degrees, sought to reduce social contributions, particularly on low wages. This reduction has been accompanied by a certain decline in social protection. However, the extent of differences between countries and between social protection sectors makes it impossible to generalise. In most countries – Scandinavia is an exception – the disadvantages of more flexible employment and working conditions have been concentrated on certain categories in the population. The downside for them includes less secure employment, working hours that are more fragmented (or insufficient for an adequate income) and patchy social protection. The overall result is that flexibility in employment and labour increases inequality without limiting privileges. In some countries the social protection system limits these growing divisions but, in others, individuals affected by employment and labour flexibility depend solely on their family or community networks.

Hence, the scope for reforming social protection is determined to some extent by changes in the global economy. Though this is not a deterministic process and the results are not always unfavourable (Pierson, 2000), there is a close link between such reforms (restructuring) and more flexible labour markets. Restructuring has a number of dimensions,² depending on the countries concerned, so it is hardly surprising that activation, as an element of this wide-ranging restructuring, takes different forms and has widely varying consequences for the rights and components of citizenship, and for the quality of and access to social protection. This is shown empirically by many works (Barbier and Gautié, 1998; Torfing, 1999; Goul Andersen *et al.*, 2002; Jørgensen, 2002; Van Berkel and Möller, 2002; Serrano Pascual, 2004; Barbier and Ludwig-Mayerhofer, 2004). However, the current activation trend has to be placed in a historical perspective because activation is by no means entirely new.

2. Activating social protection: a far-reaching process

Before identifying common activation characteristics, policies must first be considered briefly in a historical perspective. Such a retrospective approach is essential for defining an authentic concept of activation, as distinct from

2. Pierson sees three dimensions to it: a certain recommodification, cost-containment and recalibration. The balance between the three varies according to welfare regimes.

the normative and political use of the terms. The political use is often limited in that it focuses on specific programmes that reflect political fashion.

a. A brief overview of relevant policies and programmes

The background to policies and programmes that can reasonably be seen as pertaining to “activation” has been reviewed elsewhere (Barbier, 2004a). Here we will focus solely on essential milestones. Recently, the political notion of activation has been associated with policies requiring persons in receipt of unemployment or social assistance benefits to behave in a particular way, often accompanied by increased penalties. The debate has been strongly influenced by ideas emanating from international organisations such as the OECD and the European Union. Most of the material has come from English-speaking economists, with particular emphasis on programmes in the United States and the United Kingdom. Hence the success in the literature of the term “workfare”, which originated in the United States (Torfing, 1999). A superficial reading of international organisations’ publications might suggest that activation has its roots in English-speaking countries, and that it is solely concerned with measures to influence the labour supply. This is doubly incorrect: such programmes have diverse origins, and reforms under this heading go well beyond programmes that simply activate the unemployed. The older term “active employment and labour market policies” is also very unclearly defined.

Activation in a broad sense first emerged in Sweden and was closely related to the Scandinavian concept of a fully active society. This might be called traditional activation. Active employment policy is also Swedish in origin. In its original version, popularised by Rehn, activation was an overall economic and social policy objective.³ Rehn himself, as head of the Paris-based OECD Directorate for Manpower and Social Affairs, 1962-73, introduced this notion into their publications, though it took on a very different meaning in the 1980s. Much later, Denmark became the precursor of today’s activation policies, the term being borrowed from that country’s 1992-94 reforms. But activation had a different meaning there: it was the principle that benefit recipients must be activated, at least after a certain time and for a certain duration. This led to the *aktivering* programmes, well before the Clinton reform or the UK New Deal and Welfare-to-Work initiatives.

3. Rehn considered encouragement of labour market mobility to be one aspect of such active policies (Barbier, 2004d).

In France, the introduction of minimum integration income (*revenu minimum d'insertion* – RMI) in 1988 was an innovation (Barbier and Théret, 2004). The logic was that of the state as employer of last resort, which was re-emphasised in the reforms under way in 2005 (Barbier, 2004a), under the banner of *insertion*. Far from being punitive in intent, the original purpose of this approach was to integrate citizens into society through their participation in work and employment (Barbier, 2002c), in accordance with a tradition that can be traced back to the origins of the French revolution. Unlike the Scandinavian model, however, the French system has always shunned a really universalist approach (Barbier and Fargion, 2004).

These few historical references, however simplified, suffice to show the variety of sources of inspiration for programmes that seek not only to combine entitlement to benefits with assistance in entering or re-entering employment, but also, and more broadly, to “activate” social protection and, in the case of the Scandinavian countries, society as a whole.

The policies introduced after the arrival of the Labour government in 1997, based on the welfare-to-work policy, directly derived from the American model (Deacon, 1999; King, 1995; Peck, 2001),⁴ made the United Kingdom something of a latecomer to the activation process. Here again, the focus on programmes designed to change the behaviour of unemployed and other assisted persons was insufficient and the country, with strong impetus from the Chancellor of the Exchequer, Gordon Brown, entered into an in-depth reform of the social protection system, through the introduction – again based on the American model – of tax credits and in-work benefits, with the aim of “making work pay”, a slogan later to become common throughout Europe.

b. A concept of activation

Activation cannot be reduced to a system of punishments and incentives for unemployed and assisted persons. From an analytical standpoint, activation equates rather with the introduction (or strengthening, or reactivation) of an explicit link between social protection (including employment and labour market policies) and individuals’ participation in work. This link leads to a critical redefinition of social programmes, in the sense of systematically emphasising (or re-affirming) participation in the labour market. The main aspects of social protection affected are unemployment benefits, employment policy and social assistance. However,

4. Conservative governments had always opposed introducing this principle, specifically because of fears that it would transform the state into an employer of last resort.

retirement – in particular, early retirement – is also affected (Guillemard, 2002). Moreover, activation reforms should be considered in the wider context of the financing of social protection and reform of the tax and benefit systems. The link between labour markets and social protection has been a structural feature of social protection systems since their origin (Titmuss, 1974; Flora, 1986, Esping-Andersen, 1990; Merrien, 1997; Barbier and Gautié, 1998). It is hardly surprising therefore that, as they evolve, this central link – a part of what economists of the French school of *régulation* call the “wage–labour nexus” – is being increasingly questioned.

The process described reflects a common phenomenon throughout Europe, and more generally in all the rich countries. At this general level it is reasonable to speak of a convergent trend. However, according to Pierson, it is clear that at the more detailed level of the restructuring of various types of social protection there is little convergence. The common general trend is in fact much less significant than the country-to-country variations in the substance of reforms. Persistent variations are the key to understanding the options available for recasting social protection in Europe.⁵

In empirical terms, three main categories of policies are potentially activated. The first concerns benefits, including unemployment insurance and social assistance for persons of active age. In some countries this may include early retirement, or even retirement benefits. The second category concerns employment policies, and includes measures to assist the young unemployed, temporary jobs in the public or not-for-profit sectors, employment subsidies and vocational training (these are generally referred to as active labour market policies). The third category comprises an intermediate range of measures between fiscal and social policies. These are readily identifiable in liberal systems. In the United Kingdom, for example, a family benefit formerly known as Family Credit was transformed in 1998 into the Working Families Tax Credit. This category does pose a problem however in continental-type systems as in France, Italy or Germany. In France it also includes so-called incentives for benefit recipients who find work, as in the case of the *revenu minimum d'insertion* (RMI) or a tax credit introduced in 2001. Accordingly efforts are made in many countries to reduce the burden of social contributions for certain groups of employees and to reform the financing of social protection, as in France (Barbier and Théret, 2004).

5. There will be no direct discussion here of the EU's role in co-ordinating social and employment policies. It has been shown that this results in increased circulation of ideas, but that the European Employment Strategy (EES) and various open co-ordination methods have had little impact on the substance of policies (Barbier 2004a; see also Barbier, 2004f).

These composite elements define the scope of activation; in practice its boundaries are constantly changing in response to reforms. Although activation applies to social protection,⁶ labour law reform also plays a role as an instrument to flexibilise the market. However, the example of Italy, which has found it difficult to “activate” its social protection system even though it makes its labour market more flexible, tends to show that the two processes are distinct (Barbier and Fargion, 2004).

c. Two types of activation and an emerging third version

We have isolated two ideal-types to offer a stylised picture of current activation reforms. We consider their main features and then analyse these models, to draw certain normative conclusions.

The liberal regime is based on the relationship between individuals and the labour market, which is supposed to produce the best employment outcomes in terms of effectiveness and equity. Individuals who are not integrated into the market are in a temporary situation or are no longer employable and depend on assistance. To increase the incentive element of the system, benefits and taxes are integrated, through the development of in-work benefits. Active labour market policies play only a limited role in this approach, with a relatively small number of participants, the emphasis being on “work first”. Employment on the conventional labour market is intended to replace assistance. Workfare is just one – American – element of the liberal type of activation.

In contrast, the universalist social-democratic regime gives the market a somewhat reduced role. Social/employment policy retains its traditional aspect, orientated towards individuals’ well-being, which it combines with economic objectives. Replacement benefits for employment income are high and long-term. To make the system more coherent and sustainable, activation applies to all citizens, whatever their employment situation – employed, unemployed or on social assistance. It is based on a diversified and extensive range of social services, including long-term training, access to which is based on a contract negotiated between the individual and the social and employment services. They include incentives, all sorts of support services and sanctions.

Obviously, no country adheres strictly to any of the models. For example, Sweden and Denmark, which are close to the universalist type, differ significantly with regard to employment relations and labour law (flexibility of contracts). Neither has fully universalised the activation principle

6. Social protection in its broad sense includes education and training.

(Jørgensen *et al.*, 1998; Barbier, 2001). The activation approach in the United States, where only a marginal proportion of the population is covered by assistance, takes a very different form from that in the United Kingdom where, despite activation reforms, a very high percentage of today's potential active population is still considered to be dependent on welfare.

France combines aspects of both activation approaches, and is hesitating between a disciplinary and a negotiated strategy, which underlay the conflict over the 2000 unemployment insurance reform. It uses tools from each policy type, in a hybrid. This is clearly illustrated by the coexistence of several minimum incomes with no job-search obligation, a range of penalties specifically applicable to unemployment insurance recipients and a large number of temporary jobs in the non-market sector. Germany has similar features, with the implementation of the Hartz reforms and encouragement of mini-jobs (*geringfügige Arbeit*). As we have seen, Italy has so far been incapable of carrying out a major reform in this area (Barbier and Fargion, 2004). This is why, despite the fact that this "continental mixture" shows serious signs of the emergence of a third approach, we consider it premature at this stage to develop such a third ideal-type (Barbier, 2004c; 2004b; Serrano, 2004). It is now time to compare our existing ideal-types and the empirical data available, with reference to a number of analytical and normative criteria that relate to Council of Europe principles.

3. Assessing the forms of activation in the light of Council of Europe indicators

The Council of Europe has established an analytical grid for promoting social cohesion values. At the same time the transitional labour market (TLM) perspective is certainly among the most comprehensive frameworks for policies aiming to combine flexibility and security in the labour market: the analyses carried out in this respect have been remarkably convergent. In the recent past, it has been compared and contrasted with analyses of activation types and used in conjunction with an "analytical" notion of citizenship. Social cohesion values are obviously related to the qualitative substance of citizenship. The basic TLM framework considers four normative criteria (originally devised by Günther Schmid) to ensure that various types of transitions are considered as "good transitions" in a context of flexible markets. In this section, we shall attempt to show that by incorporating the ideas of good transitions and high-quality citizenship, we can significantly enhance the debate on social cohesion values.

a. *Activation and transitional labour markets*

In the TLM framework, the basic approach to activation is via five types of transitions in the course of an individual's life (from education/training to work; between forms of employment; between employment and household/civil activities; between employment and retirement/disability; between employment and unemployment). G. Schmid (2002b, p. 426) placed particular emphasis on the fact that this goal requires "a shift from an active to an *activating* labour market policy". Activating measures⁷ also feature in the four ideal-type forms of risk-management, according to whether risks arise from individual choices or circumstances and according to who is accountable (Schmid and Schöman, 2003, p. 20). Social cohesion implies that not all the risks are taken by individuals.

At normative level, the direction of reform suggested by the TLM approach has to abide by the general requirement underlying Schmid's proposals as to how to accommodate and adapt to the flexibility requirement of contemporary economic systems: How can labour market flexibility in the context of globalisation and individualisation be enhanced without adversely affecting the need for social security and justice? (Schmid, 2002a, p. 175). This normative perspective also ties in with the objective of the Council of Europe: social justice and social protection are an essential part of any consistent, normative social cohesion approach. The stress put on *soziale Gerechtigkeit* (social justice) on the same level as *soziale Sicherheit* (social security) is probably a distinctive feature of Schmid's normative approach, which has to be taken into account, and which is not to be found in all flexicurity approaches.

His four criteria are:

- freedom (or autonomy) of individuals;
- solidarity in risk sharing, which includes high-income groups via redistribution;
- effectiveness of co-ordination/co-operation including a public-private mix in implementation;
- efficiency, including decentralisation and objective-based management.

For all their normative content, these may be also used as analytical criteria to assess certain existing activation strategies against others.

7. See the German *Aktivierende Arbeitsmarktpolitik* (Schmid, 2002a), not to be confused with classic "active" measures.

Table 3: Activating social protection and transition criteria

G. Schmid's criteria	Activating social protection (ideal-types)	
	Liberal	Universalist
Freedom/ autonomy [<i>Entscheidungsautonomie (Freiheit)</i>] – empowering people and establishing entitlements not only to transfers but also to participation in employment decisions; in exchange, individuals accept greater risks, duties and obligations	Individualism, self-reliance Disciplinary approach Incentives primary Sanctions essential	Balance between demands of society/ individuals Reciprocal engagement strategy Incentives, sanctions, services and benefits Sanctions marginal
Solidarity [<i>Förderung der Solidarität</i>] – generality and inclusiveness in risk sharing; some ex-ante redistribution from high-income groups	Market provision primary Safety net assistance and welfare Welfare dependency [welfare to work] Unequal exposure to risks of 'poor jobs'/ working poor/ unemployment/ gender and age	State provision/ high socialisation of risks High commodification/ high de-commodification Universal provision of services and benefits [universal activation] High degree of equality (income/ access to employment, including state as employer of last resort)
Effectiveness [<i>Effektivität</i>] – improving effectiveness: specialisation, co-ordination and co-operation; public–private mix	Underemployment when quality is not achieved (collective and individual) Social partners not involved Public–private mix	Quality full employment Reciprocal engagement means individual success of contracts Social partners involved Public–private mix
Efficiency [<i>Effizienz</i>] – increasing efficiency via risk-management techniques; evaluation and self-regulation, decentralisation and management by objectives	NPM (re-commodification) Dominant: central state	NPM (cost containment, updating, re-commodification) Decentralisation

Schmid's four criteria are significantly more compatible with the universalist type of activation, fitting in with the liberal type only to a lesser degree. On the freedom/autonomy criterion, things are fairly clear. In the TLM approach, existing entitlements to rights (*Bürgerrechten*) are maintained, reformed or extended in many new areas, which is not the case in the liberal type of activation, where entitlements tend to be residual or only available as a last resort. Consequently, with respect to rights, benefits and (most importantly) services, where sanctions are prominent the liberal type of activation tends to deny the choice and freedom inherent in a "contract". The meaning of "accepting risks, duties and obligations" where generous entitlements are available is bound to be different from its meaning in a context, such as the liberal one, where only residual entitlements exist.

However, it is probably more relevant to use the first two criteria (freedom and solidarity) as a pairing: a comparison between the liberal and universalist types of activation shows that, because of poor collective (aggregate) outcomes – unequal access to income replacement and employment – and because of the great pressure exerted on individuals, inclusiveness in risk sharing (hence, social cohesion) is not easily achievable in the former type, while at the same time redistribution from the high-income groups is problematic (Korpi and Palme, 1998) and the targeted system constantly fails to gain sufficient support in society.

A comparison between the two types of activation tends to highlight the key question of the exact nature of the entitlements and their conditions, and of the forms and degree to which they imply risk sharing. Here we are faced with the difficult question of the distinction between active and passive benefits. Generally speaking, in the liberal type of activation, all benefits are seen as second-best to an absence of dependency, and consequently dismissed as passive, which is not the case in the TLM perspective. Yet, the difficult question is where the line should be drawn between active and passive, or, using the more precise term, "activating" as against "passive". For instance, Esping-Andersen and his colleagues (2002) have noted that, even in its present form, unemployment insurance can be very positively activating, because it offers a choice for good-quality employment.

It must be stressed here that the issue is not merely any form of income compensation, but a special type of compensation, organised through social insurance, which implies trust and solidarity across society (promoting

social cohesion), or even some form of social nexus, a very different way indeed of addressing what in the English-speaking world is termed “welfare” or “assistance”. Schmid has rightly insisted on this aspect, which can also be linked to the line taken by the French school of *régulation* (“the wage–labour nexus”, Boyer, 1986). In connection with the *Solidarität* condition, he explicitly states: Accordingly, social protection which is soundly solidarity-based and perceived as just is a second requirement of a modern labour market policy (2002a, p. 239), and he comments in a footnote: This is central, for example, in assessing whether social protection is guaranteed only (selectively) for those in need or for all citizens (or at least a qualified majority). On this depend the legitimacy and popular support for a solidarity-based unemployment insurance.

In relation to our two ideal-types, Schmid’s criterion of effectiveness needs to be interpreted with an additional dimension: “effectiveness”, we suggest, should also encompass the overall effectiveness of social and employment policy – linked to effective solidarity, including the capacity of policy to effectively deliver public goods which promote social cohesion. Only in the universalist type are citizens able to fully rely upon the contract with society, because when they abide by collective rules, their reciprocal commitment will be met by provision of some sort in a context of quality full employment.⁸

b. Activation and the Council of Europe’s perspective

The Council of Europe’s framework can be explored in the light of the previous discussion. Its four ‘dimensions of welfare’ can be related to the discussion about both citizenship and the substantial nature of activation policies (revisited here in the light of the TLM perspective). In the present section we shall attempt to provide a comparative presentation of all these approaches that, in our view, constitute similar endeavours to build a normative solidarity and social cohesion-oriented framework. Giving the notion of citizenship an operational dimension is useful here as a sort of bridge from the activation/TLM perspective to the Council of Europe project. The author has considered the relationship between activation ideal-types and citizenship (see Barbier, 2004e) in the light of Goul Andersen’s (2004) grid, shown in Table 4.

8. In this regard, the TLM approach probably still has to explore the distinctive substance of the full employment it envisages and promotes.

Table 4: Criteria for analysing the impact of activation reforms upon citizenship

Goul Andersen's analytical definition of citizenship	Our citizenship criteria from the point of view of activation
Rights (civil, political, social) actually implemented social rights: eligibility, level, adequacy, duration, conditionality, sanctions	<ol style="list-style-type: none"> 1. Freedom of choice and autonomy 2. Quality of services 3. Generosity and duration (benefits) 4. Sanctions and conditionality
Political and social participation	<ol style="list-style-type: none"> 5. Participation in the formulation and implementation of policies and programmes (role of stakeholders, social partners, democratic debate, demonstrations)
Identities	
	<ol style="list-style-type: none"> 6. Access to quality full employment
	<ol style="list-style-type: none"> 7. Inequality across genders and ages; differences acknowledged/assisted

Source: © Barbier (2004e) adapted from Goul Andersen (2004). Five dimensions are explored: (i) individual freedom of choice and autonomy (to what degree individual choices are taken into account by the administration); (ii) the availability of various associated quality services (counselling, support, social services, etc.); (iii) generosity (and duration) of benefits; (iv) conditionality and sanctions for non-compliance; (v) participation of the social partners and other stakeholders in policy formulation and implementation. We have added the impact of full employment and the question of equality: is there actual equality of opportunity across genders, ages and categories of welfare recipients?

Goul Andersen's analytical concept helps in comparing transformations across Europe, which have in effect occurred as consequences of the activation of social protection systems. Although the main aspect considered here pertains to social rights (benefits and services), their linkage to political and social participation cannot be overlooked.⁹

9. However, here, we have no corresponding criterion for his category of 'identities'.

The question of rights and obligations is central to our normative problem, to social cohesion as well as to secure transitions and flexibility. Yet, it needs to be contextualised, in order to avoid a simple extension of what is empirically observable in the English-speaking world (Barbier, 2002a). In other words, whilst developments in various countries show that entitlements to social benefits and services have been redefined across the board, it is erroneous to view the meaning of this change in terms of a universally downgraded social citizenship. Indeed, de-contextualised concepts of “rights” as against “obligations” fail to help us in grasping how the actual substance of social citizenship – and, more broadly, citizenship in general – has been affected. Social cohesion, accordingly, needs context.

This, we believe, is the reason why it is important to bring ample empirical material into the debate in the future. It is obviously much easier to identify the procedural amendment of rights and entitlements of persons eligible for programmes of the welfare-to-work type, than to take into account their actual implementation (Barbier and Ludwig-Mayerhofer, 2004). And it is even more difficult to assess the far-reaching consequences of the reforms of tax and benefit systems (including tax credits or the subsidising of labour costs). Moreover, as a determining factor for citizenship, full employment certainly does not belong to all contexts: empirically this is well documented.

Yet the impact of activation policies (like the UK welfare to work, the Danish *aktivering* or the French *insertion* programmes) upon “rights” is bound to be profoundly shaped by the overall economic circumstances of the country where the policies are implemented. When good-quality jobs are available and numerous, the quality of citizenship must be very differently affected by programmes to activate people, when compared with cases where jobs are lacking, or where only dead-end or precarious jobs are available.

The substantive nature of the obligation to take a job is different in both cases. Here again, in the present normative discussion, it is necessary to compare and contrast ideal-types of activation and focus more specifically on the universalist approach. Consequently, the successive steps in our assessment can be summed up in Table 5, which could provide input to the debate on activation strategies within the Council of Europe project.

Table 5: From good flexible transitions to social cohesion

TLM good transitions	The universalist ideal-type of activation	Citizenship (as affected by activation strategies for social protection)	Council of Europe Social cohesion criteria
Freedom, autonomy	Balance (society–individual) (rights–obligations) and reciprocal engagement	Freedom of choice + participation in the formulation and implementation + in the context of sanctions and conditions	Autonomy
↕	High socialisation of risks/ redistribution	Degree of equality/ solidarity across categories	Personal development/ dignity Participation
Solidarity			Dignity and recognition
Effectiveness	Macro – good-quality full employment Micro – good-quality services/ benefits	Effective access to employment	Equity of access
↕	Costs are contained Efficient public management	Quality of services, benefits; generosity, duration	Equity of access
Efficiency		Access to sustainable full employment and social protection	Equity of access

Conclusion: informing social cohesion policies

Firstly, universalist activation is consistent with criteria of good transitions in the labour market since it fits quite well with the paired criteria: freedom and solidarity, effectiveness and efficiency. At normative level, the universalist route is better for social cohesion than its counterpart.

Secondly, citizenship is bound to be affected by the reforms now taking place under the banner of activation. Yet while the activation of social protection conforms to the universalist features identified here, it is highly probable that citizenship dimensions should be better protected from substantive degradation (in comparison with traditional social protection before activation reforms).

Thirdly, the analytical dimensions of citizenship presented here may be related to the normative criteria proposed in the Council of Europe's social cohesion framework. A social cohesion perspective then appears as globally compatible with a universalist activation strategy, on the basis of freedom/autonomy (autonomy and personal integrity) and solidarity (equity of access), but also on the basis of actual implementation (actual equity).

The universalist activation ideal-type consequently seems to be the best template for developing strategies to encourage solidarity and social cohesion. True, it has not yet been tried out anywhere, but the Scandinavian systems of social protection are very close to it, despite real differences existing between Norway, Denmark, Sweden and Finland. Thus, the key challenge for the future is to learn from their systems, bearing in mind that genuine opportunities for policy transfer or imitation have always been limited and bounded by the constraints inherited from the legacy of welfare regimes. But the challenge is great, because these countries are the only ones that have been able so far to reconcile flexibility and security in the context of the flexibilisation drive in the economy: they have constantly been among the top of the class within the European Employment Strategy, combining orthodox monetary and fiscal policies with solidarity-based and generous social policies. They also rank better in social inclusion and social cohesion terms.

Bibliography

Barbier, J.-C. (2004a) "The European Employment Strategy, a channel for activating social protection?", in Zeitlin, J., and Pochet, P., with Magnusson, L. (eds), *The Open Method of Coordination in Action: The European Employment and Social Inclusion Strategies*. Brussels: PIE-Peter Lang.

Barbier, J.-C. (2004b) "Systems of social protection in Europe: two contrasted paths to activation and maybe a third", in J. Lind, H. Knudsen and H. Jørgensen (eds), *Labour and Employment Regulation in Europe*. Brussels: PIE-Peter Lang, pp. 233-254.

Barbier, J.-C. (2004c) "Activation policies: a comparative perspective", in A. Serrano Pascual (ed.), *Are Activation Policies Converging in Europe? The European Employment Strategy for Young People*. Brussels: ETUI, pp. 47-84.

Barbier, J.-C., with a contribution by N.S. Sylla (2004d), *La stratégie européenne pour l'emploi: genèse, coordination communautaire et diversité nationale*, rapport pour la DARES (Ministère du travail), January, http://www.cee-recherche.fr/fr/rapports/strategie_europeenne_emploi.pdf.

Barbier, J.-C. (2004e), "Citizenship and the activation of social protection: a comparative approach", in J.G. Andersen, A.M. Guillemard, P.H. Jensen and B. Pfau-Effinger (eds), *The New Face Of Welfare. Social Policy, Marginalisation and Citizenship*, COST A13 Series. Bristol: Policy Press.

Barbier, J.-C. (2004f), "Research on open methods of coordination and national social policies: what sociological theories and methods?", paper for the RC19 International conference, Paris, 2-4 September.

Barbier, J.-C. (2002a), "Marché du travail et systèmes de protection sociale, pour une comparaison internationale approfondie", *Sociétés contemporaines*, Nos. 45-46: 191-214.

Barbier, J.-C. (2002b), "Des modèles d'insertion en Europe?", in *Ruptures, segmentations et mutations du marché du travail*, Tremblay, D.-G., and Dagenais, L.F. (eds). Ste Foy: Presses de l'Université du Québec, pp. 27-46.

Barbier, J.-C. (2001), "Temporary subsidised employment in the public and non profit sector: a European comparative study", report for the Evaluation Committee, March. Noisy le Grand (http://www.cee-recherche.fr/fr/fiches_chercheurs/texte_pdf/Mesanom%20English%20Final.pdf).

- Barbier, J.-C. and Fargion, V. (2004), "Continental inconsistencies on the path to activation: consequences for social citizenship in Italy and France", *European Societies* (6) 4: 437-460.
- Barbier, J.-C. and Gautié, J. (1998) *Les politiques de l'emploi en Europe et aux Etats Unis*, Cahiers du CEE. Paris: PUF.
- Barbier, J.-C. and Ludwig-Mayerhofer, W. (2004), "The many worlds of activation", *European Societies*, Introduction to the special issue (6) 4: 423-436.
- Barbier, J.-C. and Nadel, H. (2000), *La flexibilité du travail et de l'emploi*, Domino. Paris: Flammarion [2002, *La flessibilità del lavoro et dell'occupazione*, introduction by L. Castelluci and E. Pugliese, Rome: Donzelli].
- Barbier, J.-C. and Théret, B. (2004), *Le nouveau système français de protection sociale*, Repères. Paris: La Découverte.
- Boyer, R. (1986), *La flexibilité du travail en Europe*, Paris: La Découverte.
- Deacon, A. (1999), "The influence of European and American ideas upon 'New Labour' thinking on welfare reform", paper presented to Conference on Global Trajectories: Ideas, Transitional Transfer and Models of Welfare Reform, Florence, 25-26 March.
- Esping-Andersen, G. (1990), *The three worlds of welfare capitalism*. Cambridge: Polity Press.
- Esping-Andersen, G., Gallie, D., Hemerijck, A. and Myles, J. (2002), *Why We Need a New Welfare State*. Oxford: Oxford University Press.
- Flora, P. (ed.) (1986), *Growth to Limits: the Western European Welfare State since World War II*. Berlin: de Gruyter.
- Goul Andersen, J. (2004), "Citizenship, unemployment and welfare policy" in J. Goul Andersen, A.M. Guillemard, P.H. Jensen and B. Pfau-Effinger (eds), *The New Face Of Welfare. Social Policy, Marginalisation and Citizenship*, COST A13 Series. Bristol: Policy Press.
- Goul Andersen, J., Clasen, J., van Oorschot, W. and Halvorsen, K. (2002), *Europe's New State of Welfare: Unemployment, employment policies and citizenship*. Bristol: Policy Press.
- Guillemard, A.-M. (2002), "L'Europe continentale face à la retraite anticipée, barrières institutionnelles et innovations en matière de réforme", *Revue française de sociologie*, No. 43(2), avril-juin: 333-368.

Jørgensen, H., Larsen, F., Lassen, M. and Stamhus, J. (1998), "La politique active du marché du travail au Danemark: réforme et décentralisation", in J.C. Barbier and J. Gautié (eds), *Les politiques de l'emploi en Europe et aux Etats Unis*. Paris: PUF, pp. 155-178.

Jørgensen, H. (2002), *Consensus, Cooperation and Conflict: the Policy Making Process in Denmark*. Cheltenham: Edward Elgar.

King, D. (1995), *Actively Seeking Work. The Politics of Unemployment and Welfare Policy in the United States and Great Britain*. Chicago: University of Chicago Press.

Korpi, W. and Palme, J. (1998), "The paradox of redistribution and strategies of equality: welfare state institutions, inequality, and poverty in the western countries", *American Sociological Review*, Vol. 63, No. 5, October, pp. 661-687.

Merrien, F.-X. (1997), *L'Etat-providence*. Paris: PUF.

Peck, J. (2001), *Workfare States*. New York: Guilford Press.

Pierson, P. (ed.) (2001), *The New Politics of the Welfare State*. Oxford: Oxford University Press.

Schmid, G. (2002a), *Wege in Eine Neue Vollbeschäftigung, Übergangsarbeitsmärkte und aktivierende Arbeitsmarktpolitik*. Frankfurt: Campus Verlag.

Schmid, G. (2002b), "Towards a new employment contract", in G. Schmid and B. Gazier (eds), *The Dynamics of Full Employment*. Cheltenham: Edward Elgar, pp. 392-435.

Schmid, G., and Schöman, K. (2003), "Managing social risks through transitional labour markets: towards a European social model", TLM paper, Berlin conference.

Serrano Pascual, A. (2004), "Conclusion: towards convergence of European activation policies?", in A. Serrano Pascual (ed.), *Are Activation Policies Converging in Europe? The European Employment Strategy for Young People*. Brussels: ETUI, pp. 497-518.

Titmuss, R.M. (1974), *Social Policy: An introduction*, London: Allen & Unwin.

Torring, J. (1999), "Workfare with welfare: recent reforms of the Danish welfare state", *Journal of European Social Policy*, 9 (1): 5-28.

Van Berkel, R., and Möller, I.H. (2002), *Active Social Policies in the EU: Inclusion through participation?* Bristol: Policy Press.

II – Changes in employment and labour law

by Luigi Mariucci

1. Foundations of traditional labour law

In order to understand the changes in the labour market and to pinpoint, as clearly as possible, the most effective way of dealing with the transformations taking place, being careful to avoid ambiguity and misunderstandings, it is important to identify the fundamental principles of what may now be called traditional labour law. Historically, traditional labour law was established during the second half of the twentieth century, particularly in west European countries, in a number of different forms and variants. “Traditional labour law” refers to a complex prescriptive model, the overall structure of which was developed during the 1950s and 1960s, then consolidated in the 1970s. The description below relates more specifically to the Italian model, which may be considered as representative of general trends.

This prescriptive model consists of a standard set of legal, regulatory and social principles that interact in a wide variety of specific ways. It hinges primarily on a series of constitutional labour rights: in other words, the rights of working citizens and more general social rights have been placed on a par with fundamental constitutional rights. This applies to a number of basic principles set out in the 1948 Italian Constitution. Firstly, the principle of substantive equality set out in Article 3, paragraph 2:

it is the responsibility of the Republic to remove all economic and social obstacles that, by limiting the freedom and equality of citizens, prevent full individual development and the participation of all workers in the political, economic and social organisation of the country

and the principle of the right to work set out in Article 4:

the Republic recognises the right of all citizens to work and promotes the conditions needed to make this right operational

were among the fundamental principles of the Constitution. Secondly, a series of more specific mandatory rules were introduced: the right to adequate, proportionate remuneration, freedom from discrimination on grounds of gender or age, social assistance, freedom to organise, the right to strike and workers’ right to collaborate in the management of companies (Articles 36, 37, 38, 39, 40 and 46).

Naturally, experience has shown that the constitutional declaration of labour rights is not sufficient to ensure that they are effective. In Italy, for instance, there were regular dismissals during the 1950s as a form of political reprisal, notwithstanding the Constitution's solemn declarations on civil and political rights. Likewise, many of the protection measures provided for under ordinary legislation and introduced in the 1950s and 1960s – covering apprenticeships, home working, fixed-term employment, subcontracting of labour and female labour – have never been applied. These laws were promulgated following a 1958 parliamentary inquiry into workers' conditions, which revealed the existence of a vast quantity of undeclared, unprotected and underpaid labour, despite the considerable flexibility allowed by the employment regulations then in force. At that time, an article of the Civil Code providing for freedom of dismissal still allowed dismissal *ad nutum* or "at a nod", with no reason nor even written notice. This demonstrates how unfounded is the idea that the protection given to workers in a strong position must be reduced in order to boost that afforded to those in a weak position, particularly given that, on the contrary, the level of protection afforded to marginal workers (such as home workers, or those on contract work or fixed-term contracts) increased when the protection afforded to key industrial workers was stepped up.

The entry into force of the so-called Workers' Statute in 1970 represented a crucial step for Italy, since it led to the introduction of specific instruments guaranteeing workers' individual rights and promoted trade union rights: on the one hand, it established and sanctioned the individual right to freedom of expression, human dignity, health, non-discrimination, professional status and protection against unjustified dismissal; on the other hand, it introduced the right to set up works union bodies and to hold meetings in the workplace, together with protection for union leaders and a special judicial procedure to punish anti-union behaviour. The combination of stronger individual guarantees and support for union activity brought about a significant improvement in working conditions, in both pay and regulatory aspects, which was assisted by the considerable increase in collective bargaining at national level and within companies. The interaction between the individual and collective aspects of protection techniques is consequently a key component of labour law.

In retrospect, traditional labour law may be described as follows. Firstly, it consists of a basic matrix of constitutional labour rights. Secondly, it centres on a series of ordinary laws governing various aspects of the

employment relationship (recruitment, pay, tasks, illness, occupational accidents, maternity, dismissal) on the basis of binding rules that can be modified only in the worker's favour, which can be incorporated by means of collective bargaining. Lastly, it involves support for union activity, that is, freedom of association, freedom to organise (setting up works union bodies, holding meetings, paid or unpaid time off for union leaders, and so on) and the promotion of collective bargaining.

The key point is this: traditional labour law can be said to be a cross between individual and collective rights, and between individual and collective aspects of the rules governing employment relationships. In this context, individual employment contracts have a specific role and function: for workers in a weak position, individual contracts incorporate statutory provisions and those established by collective agreements; for workers in a strong position, who can negotiate in the marketplace owing to their professional status and competence or other personal qualities, statutory requirements and those laid down in collective agreements serve as a point of reference, on the basis of which individual negotiation can be successfully undertaken. Accordingly, labour law, in its historical form, can be said to promote individual autonomy rather than stifling it. In other words, it enhances the bargaining power of individual workers.

It is a concept that also forms the basis of what is known as the European social model, with all its familiar national variants. This model is strengthened by the existence of a range of social protection measures (pensions, health care, income support for workers employed in struggling firms, measures in pursuance of active employment policies, unemployment benefits, and the like), which vary widely from one country to another in both quantity and quality, even among the most homogeneous nations of western Europe. Yet they all derive from a common inspiration that may be summarised as follows: alongside the rules governing employment relationships, aimed at balancing the employer's supreme authority with workers' individual and collective rights, a state welfare net was put in place, guaranteeing assistance in the event of employment problems (job placement, unemployment benefit), illness (health services, in particular, are a real cornerstone of social protection policies) and old age (pension schemes).

2. Diversity of twentieth-century labour law

It is wrong to describe traditional labour law as monolithic: its supposedly monolithic nature is, to a large extent, an intellectual construct. In reality,

labour law has been diverse, right from the outset, and became even more so once it was fully developed. For its origins, we need simply quote Ludovico Barassi, a legal expert considered to be the founder of labour law in Italy, to whom we owe, *inter alia*, the concept of the criterion of subordinate status as the deciding factor in the application of labour law in its true sense. In his book *Contratto di lavoro nell'ordinamento positivo*, published in 1905, he stated that the criterion of subordinate status, that is, economic and legal management of labour and the co-ordination of factors of production, makes it possible to place "the services of a company director, a singer hired by an impresario, a doctor employed in a hospital and even a snake-charmer working in a circus" within the same legal category. This means that, at the very time when a unified legal concept of salaried employment was being developed, there was a clear awareness that it had to contend with a range of types of employment and a vast array of occupations. This was the period when the new social conception of paid industrial employment was coming to embrace a vast, diffuse workforce, made up of craft workers, shopkeepers and farmers, into which a variety of ambiguous, marginal occupations merged. Within this proliferation of different forms of work, the new category of factory workers was emerging, but was not yet dominant. Fordism and the depersonalisation of working conditions in mass industrial manufacturing arrived at a much later stage.

As regards subsequent developments, it must be remembered that there were very significant legislative differences within the field of salaried employment. Firstly, a very clear distinction has always been made between medium-sized and large firms, on the one hand, and small firms, on the other: in the areas of individual dismissals, collective redundancies, use of the Redundancy Fund (*Cassa integrazione guadagni*) for workers laid off temporarily because a company was in difficulty, compulsory recruitment of invalids and people with disabilities, compulsory contributions and so on. Small industrial or craft enterprises with more than 35 (or 15) employees (depending on circumstances) – and nearly 90 per cent of Italian firms fell into one of these categories – were subject to special labour legislation, with less stringent requirements in terms of worker protection. In addition, extremely significant legislative and *de facto* distinctions were made between the various sectors of production (industry, agriculture, construction and tourism).

The classic ideal of Fordist industrial labour was likewise an intellectual construct, rather than a genuine prescriptive model. Moreover, the same was true of the other, more specifically political constructs associated

with definitions of terms such as “working class”, “mass workers” and the “proletariat”. However, there were also many differences within the employment models of medium-sized and large industrial firms: manual workers, office workers, managers and directors were all subject to extremely diverse legislative provisions. We need simply look, for instance, at the distinction between manual and white-collar workers, which was extremely significant until the 1970s, and is still relevant today: for a long time, pay scales, job classification systems, sick leave and severance pay were governed by very different legislative provisions, and those differences are still appreciable. In addition, there were many categories of atypical employment contracts: apprenticeships, in-service training contracts (*contratto di formazione-lavoro*), fixed-term contracts, home working contracts and so on. A huge range of special employment relationships has always existed, affecting sportspeople, maritime workers, domestic workers, civil servants and others.

These considerations also apply to the distinction between salaried employment and self-employment, and to the grey area in between (semi-salaried employment or semi-self-employment). The category of continuous freelance work co-ordinated by an employer (*collaborazione coordinata e continuativa – co.co.co*) was officially introduced in Italy in 1973 in order to extend the right to secure specific employment conditions to the holders of the contracts in question, on the same basis as other types of self-employment such as agency work and the work of sales representatives on contracts, in accordance with the following definition: “provision of a continuous, co-ordinated service, of an individual nature, even if it does not take the form of salaried employment”.¹ More recently, there has been a considerable increase in the number of co.co.co contracts, particularly as a result of the advantages they offer in terms of taxation and social security contributions (the cost of social security contributions is reduced), and there are now more than two million such contracts.

In addition to those mentioned above, there are other, even more significant differences, resulting *inter alia* from collective bargaining. Organised at different levels, collective bargaining plays a standardising role, but only in respect of industry-wide agreements; by contrast, it makes for diversity in the case of company-level or decentralised bargaining, which affects

1. The original wording is *altri rapporti di collaborazione che si concretino in una prestazione di opera continuativa e coordinata, prevalentemente personale anche se non a carattere subordinato* (Article 409 of the Code of Civil Procedure introduced by Act No. 533 of 1973).

about a third of Italian firms. Statutory and official differences arising from legislation or from collective bargaining also compound the practical differences arising from actual labour market dynamics. In Italy, differences between sectors of production and between small, medium-sized and large firms, along with geographical disparities, particularly between north and south, have a decisive influence. Moreover, the underground economy – undeclared and unlawful employment – has always been sizeable. According to the latest estimates, it accounts for about 25 per cent of GDP.

It may therefore be concluded that the old labour laws were also wide-ranging and diverse in nature. Describing traditional labour law as a kind of monolith is a caricature. An easy answer, this artificial description is essentially an intellectual construct intended to put across the idea that the old labour laws were monolithic because they were inspired by the values of equality and collectivism, whereas new labour laws should now be proposed, founded, for their part, on the values of diversity and individualism. In both cases, these are purely abstract ideas, and it is striking to note that some of the most fervent supporters of yesterday's egalitarian solutions have now become proud advocates of today's individualism.

The real issue is quite different. For a long time, the idea prevailed that, once a state of well-being had been attained, salaried employment, at least in west European countries, would give rise to a steady improvement in the distribution of advantages in terms of income and working conditions. Events did not, however, unfold in such a linear fashion as a purely illuminist view of the historical process would suggest. The first significant cracks began to appear in the 1970s. This was the start of the long path to legislation on flexibility.

3. Challenging traditional models: from flexibility to globalisation

All things considered, it can be said that the model outlined above, based on the idea of an unlimited succession of improvements in salaried employment, in terms of income and working conditions, was reversed in the wake of the most significant social victories in this field, in the 1960s and 1970s. This applies, to some degree, to the whole of the western capitalist world, and particularly to European countries, including Great Britain. Once again, the Italian example is representative.

The golden age of the rigid safeguarding of the rights of employed workers – starting with those employed by the key group of medium-sized

and large industrial firms – was short-lived. Following the industrial and economic recession which started in the mid-1970s after the first oil crisis, a long-term policy designed to make pay scales and employment contracts more flexible was put in place. In Italy, for instance, the pay indexation system – known as the “sliding-scale mechanism” and provided for in trade union agreements since the 1940s – was gradually abolished, through a complex combination of new laws and collective bargaining, and replaced by a system of regulations governing collective agreements at different levels. This restored considerable flexibility to mechanisms for setting pay levels. In various ways, this encouraged the development of a range of flexible employment contracts: fixed-term employment contracts, part-time contracts, various types of training and apprenticeship contracts, temporary contracts, temp agency contracts and staff-leasing contracts. The degree and widespread nature of these legislative changes prompted Massimo d’Antona, an authority in the field of labour law, to make the following statement in 1993:

The idea that more flexible types of employment relationship can increase productivity is clearly obsolete. The labour market in Italy is now more than flexible enough to satisfy firms’ real requirements, and there is no further scope for introducing recruitment concessions.

This did not stop flexibility policies from gaining ground over a long period, until they reached a new breaking point in the 1990s, resulting from a series of developments encapsulated, in the jargon, by the term “globalisation”. It is a word that encompasses several meanings. In a sense, globalisation has always existed. Indeed, the rationale of the market, within the scope of the competitive system, has always led to competition to reduce costs and optimise flexible use of labour. In early nineteenth-century England, the first labour law we can remember (the 1833 Factory Act) stipulated a maximum 48-hour working week and 9-hour working day for children aged 9 to 13, and a 69-hour week and 9-hour day for adolescents aged 13 to 18. The fact that this law set limits on work by minors that were so lenient that they now seem incredible means that, prior to its entry into force, they were made to work even longer hours, especially in the mines. This was not due to malice on the part of the mine owners, but rather to the requirements of competition, or even globalisation, to use the current term in the market context of the time: if the business community, under the constraint of statutory limits on the use of labour, had not exploited child labour in this way, thereby saving on both wages and production costs (using children in the mines meant they could build narrower excavation tunnels), they would have gone bankrupt. The difference is that this issue has now taken on a global

dimension: the spread of information technology, capital flows, the decentralisation of multinational companies and the liberalisation of access to markets have given rise to competition on a global scale, not least in respect of the cost of labour and conditions governing the employment of labour (social dumping).

An identical concept is steadily taking hold on a large scale, with serious consequences in west European countries. The real fracture, at least in Italy, is reflected in de-industrialisation, growth in the service sector, radical transformations in the Fordist factory (which has gone from a centralised production site to a decentralised network of production sites, by means of various outsourcing techniques) and the subsequent fragmentation of employment relationships (in the labour market and within firms themselves), and, lastly, increasing problems in relation to trade unionism and collective action. This is where the old labour laws are breaking down and challenges are being thrown up by the new labour laws.

4. Current employment policies: the European Union and the Italian model

The primary point of reference for European employment policies is the Lisbon Strategy (2000). The key features of that strategy are familiar: promoting the knowledge society (already mentioned in the White Paper by Delors), the famous four pillars (employability, entrepreneurship, adaptability and equal opportunities for women and men) and, lastly, “flexicurity”, a term intended to express the idea of reconciling the requirements of flexibility, job security and social cohesion. Over the years, this word has come to be widely used, and even the most disparate employment policies make systematic use of flexicurity with a view to social cohesion. In actual fact, the term “flexicurity” is a front for a wide variety of concepts; it is something of an oxymoron, a purely rhetorical synthesis of irreconcilable contradictions rather than a genuine employment policy trend.

Moreover, the Lisbon Strategy has to be given bad marks for implementation. None of the proposed objectives has been achieved, starting with that of reducing the unemployment rate across Europe. The operational techniques have been no more effective, starting with the replacement of “hard law”, by means of binding directives aimed at European Union harmonisation, with “soft law”, implemented by means of non-binding directives and guidelines as part of a co-ordination policy. In this regard, many European directives have proved somewhat vague, and even ambiguous, for instance in relation to part-time employment, fixed-term

contracts, working hours, takeovers and the Statute for a European Company. These ambiguities became abundantly clear from the different ways in which such directives were applied in different countries.

The Italian experience in this respect is particularly representative. The same European directives have in fact been interpreted very differently by the various centre-left and centre-right governments in power. This has been the case in respect of fixed-term contracts, part-time work, takeovers and working hours: on the one hand, the directives have been seen as a tool for increasing the level of protection afforded to workers and giving them more choice in relation to working hours; on the other hand, they have been interpreted as promoting flexibility as a useful mechanism in itself for raising the level of employment.

Since a centre-right majority came to power in 2001, in particular, the policy adopted – under the auspices of the Lisbon Strategy and beneath the semantic cloak of flexicurity – has in fact been one of indiscriminate glorification of flexible employment, inspired by the idea that increasing this will automatically promote employment growth and the regularisation of undeclared labour. Following the publication of the White Paper on labour by Silvio Berlusconi's government in October 2001, Act No. 30 and Legislative Decree No. 276 of 2003 have given rise to the unprecedented expansion of flexible employment policies. This legislation is generally associated with the name of Marco Biago, a labour law consultant murdered by the Red Brigades in March 2002 as a result of the same barbaric mind-set that had led to the murder of Massimo D'Antona in May 1999. Marco Biago was wrongly blamed, since only (part of) the drafting of the 2001 White Paper can be attributed to him, and not all the ensuing legislation. Moreover, the legislation implemented only those concepts set out in the White Paper that pertained to flexible employment, without giving due regard to those relating to social welfare measures, which are essential to offset the lower level of employment contract protection with better safeguards within the labour market – what are known as “social shock absorbers”. Moreover, the way the entire operation was carried out has been widely criticised from a technical standpoint, and its implementation has basically been a fiasco.

From the technical perspective, let it simply be said that the Labour Market Reform Act No. 30 of 14 February 2003 and Legislative Decree No. 276 of 10 September 2003, subsequently amended by Legislative Decree No. 251 of 6 October 2004 and accompanied by a myriad of decrees and ministerial circulars, introduce some impressive legislative

machinery. Legislative Decree No. 276 of 2003 alone contains 86 sections comprising dozens of paragraphs, many of which are difficult to interpret, if not downright unreadable. In terms of simplicity, there is every reason to lament the 41 articles of the 1970 Workers' Statute and the concise provisions of the 1942 Civil Code (Articles 2094-2134).

The introduction of this complex legislation was based on the assumption that the western world was on the threshold of a new period of growth. As Italy saw it, the solution was therefore obvious: to go along with this growth, *inter alia* by liberalising the labour market in two ways, namely reducing the level of protection afforded to employees, on the one hand, and increasing – to excess – the number of flexible forms of employment covered by atypical contracts, on the other. This operation was carried out in several stages. Firstly, job placement was liberalised and the number of types of flexible salaried employment contracts was increased. The employment in question ranged from flexible part-time work to on-call jobs and casual work, with the introduction of some 40 categories of flexible contracts. Secondly, the relationship between sources was made more flexible by means of a series of legislative references to collective agreements that were vague about the content of those contracts, which was to be decided in conjunction with “comparatively more representative unions”, with the various bargaining levels (country, region, company) generally considered to be interchangeable. In addition, measures liberalising transfers of subsidiary companies and various outsourcing techniques were put in place, particularly in respect of subcontracting. Lastly, salaried employment itself, which is central to labour law, was made more flexible through the introduction of the ambiguous concept of project work and insidious “certification” procedures. The entire operation was then to be supplemented by an amendment to Article 18 of the Workers' Statute concerning dismissals, with genuine protection (reinstatement of workers dismissed invalidly) replaced merely by mandatory protection (mere financial compensation for many categories of workers). This last measure was not implemented, owing to considerable opposition from unions and from a large segment of the public.

In fact, the legislation originally proposed was subsequently divided into two parts. The first section came into force with Act No. 30 and Legislative Decree No. 276 of 2003, while the second section, concerning the amendment to Article 18 and the reform of “social shock absorbers” (Legislative Decree No. 848 bis), is still before Parliament. Consequently, the regulations governing dismissals, the reform of which

had been called for – with a great deal of fuss – as an essential means of promoting new forms of employment, have not been amended, including those sections that ought to have been, such as that concerning the length of judicial proceedings. During a recent Senate hearing, the representatives of Confindustria (the Italian Employers' Confederation) stated that this issue was no longer of interest to them. A pointless battle then ensued, occupying the entire political and industrial scene for some two years: a bone of contention that, in the end, proved irrelevant. With the amendment to Article 18 of the Workers' Statute left in abeyance, the new rules on arbitration and, above all, on "social shock absorbers" – for which no resources are available – have remained on the drawing board, while extraordinary measures aimed at firms in crisis continue imperturbably, assisted by early retirement (or "long-term mobility"), modelled on the old legislation concerning the *Cassa integrazione*. As for union relations, a new phase has begun, which might be described as reflecting a united front – although it is a long way from the situation at the time of the Pact for Italy (*Patto per l'Italia*), a short-lived instrument with an unnecessarily pretentious title – symbolised by the announcement of a series of joint strikes, both general and industry-wide, in 2004 and 2005.

The plan outlined above proved ineffective because it was based on a mistaken assumption. It was not true that the Western capitalist world, at the dawn of the new millennium, had a phase of linear growth with peaceful, felicitous globalisation in prospect. Following the terrorist attacks of 11 September 2001 and the fighting in Afghanistan and Iraq, the world found itself drawn into a murderous spiral of war and terrorism. Western economies entered a depressed phase, fuelled by noisy financial scandals that revealed a full-scale "economy of fraud". In Italy, there was a general trend towards what a wide range of authoritative sources have defined in terms of a reduction in the system's competitiveness, a low level of technological innovation, a fall in the purchasing power of wages and salaries, an ensuing drop in consumption and a fresh public finance crisis. Yet no serious analysis of the factors contributing to the "Italian decline" mentions rigidity in the use of labour as being the source of the problem or more flexible employment measures as being the answer.

As regards the practical implementation of the legislation, the empirical data are disappointing, to say the least. There is no record of on-call jobs, and just one isolated case of the use of open-ended staff leasing has been recorded. The situation seems unclear with regard to the fields in which inter-mediation in the hiring of labour is allowed, while the designation

of joint bodies as being mainly responsible for labour market regulation, in accordance with Article 2h of Legislative Decree No. 276/2003, has not yielded any tangible results. The impact of turning employer coordinated continuous *co-co-co* (*collaborazione coordinata e continuativa*) contracts into project contracts or *co-co-pro* (*contratti di collaborazione a progetto*) has been limited and uncertain: some *co-co-co* contracts have remained in place, further to the broad exceptions provided for under Legislative Decree No. 276, others have been replaced by *co-co-pro* contracts, which are just as uncertain and insecure, and still others have been replaced by operations with VAT numbers and other moves designed to circumvent the law. Lastly, the certification of employment contracts has had no perceptible effect, aside from the decrees and circulars promulgated, which have simply increased paperwork without any real engagement with actual social processes.

In any case, the weakness of this legislation, apart from the shortcomings in its application, derives from a fundamental flaw. As we have seen, the proposed legislation did not engage in any way with the industrial and social crises of recent years. This is obvious from a brief analysis of the most significant industrial relations disputes during this period. A look at the Fiat and Alitalia crises, the Cirio and Parmalat collapses and the conflicts in the main government sectors clearly shows that neither employment rigidity nor the adoption of more flexible measures was mentioned as a key issue. The problem evidently lies elsewhere. In the case of Fiat, for instance, flexibility was never discussed as a possible solution to the structural crisis facing this historic national industry. In the case of the national airline Alitalia, the crisis was tackled by means of a concessionary agreement covering, on the one hand, procedures for cutting more than 3 000 jobs and, on the other hand, a revised pay scale and new job descriptions for the remaining posts. However, none of the instruments provided for by the complex arsenal of Act No. 30 seems to have been used, except for a marginal reference to the legislation on secondment. The same applies to the other trouble spots of industrial conflict: the strike by Milan's public transport drivers, who, in breach of the law, brought the entire city to a standstill; the campaign by Melfi workers; and unrest among civil servants and health and education employees. In the final analysis, Act No. 30 of 2003 has not engaged with any of the industrial disputes of recent years. All of this suffices to show that it is an Act that is out of step rather than one that is wrong, whose entry into force coincided with the widespread realisation that it was irrelevant.

The treatment proved ineffective, therefore, because the diagnosis was incorrect. The problem facing Italy cannot be solved by undermining the system of safeguards in respect of salaried employment through the implementation of policies designed to introduce excessive flexibility in the use of labour – in a belated, unrealistic attempt to copy the American model – or by embarking on an impossible race to cut costs and reduce job protection, to cope with global competition. On the contrary, the country must focus on upskilling its production workers and professionals. Europe faces the same problem. It is no accident that, in support of its strategy, the 2001 White Paper on labour invoked a totally selective interpretation of European employment policies. The text made it seem as though Europe were clamouring for Italy to repeal genuine protection against redundancy, to introduce flexible part-time work, on-call jobs and labour-only subcontracting, and to dismantle state intervention in the labour market. It is an academic, hyper-liberal vision, to the say the least. On the contrary, Europe, especially following enlargement, is now asking something else of itself: the updating of social protection and welfare models in a manner consistent with its traditions. Moreover, this is the only possible way in which Europe can be envisaged as a player capable of promoting new rules of competition on the world stage, especially in the wake of the challenge raised by enlargement and the signature, in Rome in October 2004, of the new treaty establishing a Constitution for Europe.

Let us now hazard a guess, albeit one as risky as any other prediction. The age of the ideology of flexibility – seen as an end in itself and a decisive criterion, a virtually essential theoretical element – is drawing to a close. A new approach must be found, without the nostalgic overtones of a *laudatio temporis acti*, involuntary though it may be. Purely remedial action will not be sufficient for this purpose. It will take more than that.

There is a need to develop a new understanding of the meaning and value of the rights/duties of salaried employees in contemporary society. Indeed, this is what it is all about: how legal and political culture and theory deal with the huge increase in salaried employment globally (no offence to papers reporting that subordinate status as a legal criterion for distinguishing between various forms of employment is dying out in favour of employment without any distinguishing adjectives), on the basis of an analysis focusing on a small, privileged part of the planet, that is, Western countries. It is no longer sufficient to proclaim the existence of human rights, fundamental rights, the right of citizenship and the right not to be discriminated against (rights that have been proclaimed

since the time of the great eighteenth-century revolutions, moreover) – at least in the case of the right to work, which can exist only in practice. There can be no scope here for rights that are as sacrosanct as they are abstract, since it is impossible to monitor their effectiveness. The rights in question must be established in contemporary society, which is a very different matter. Thus, more so than any other legal discipline, labour law has to be tangible. Exposed to the outer edge of the interface between economy, society and law, it is never in a state of stability or equilibrium. This is what makes it so fragile, yet also so fascinating.

5. What remains of the old labour laws and what is the outlook for the future?

If we look ahead at the dual challenge of an enlarged Europe and global competition, it is possible to sketch out a rational, credible framework for employment policies, which may be summarised as follows.

Firstly, the set of fundamental constitutional rights (the right to employment, the right not to be discriminated against, the right to protection against unjustified dismissal, the right to bargain collectively and the right to organise) must be reaffirmed in accordance with the list established by the Constitution for Europe (Part II). It is essential to reassert and consolidate the fundamental rights of working citizens, but we must not delude ourselves into thinking that this is enough. The whole of Western history teaches us that the path to individual rights is illusory unless the latter are reflected in practical regulations, effective instruments and interaction between the individual and collective levels, or, in short, unless we are able to shape economic development and influence the rationale of the market. Otherwise, it would have to be concluded that all Europeans are free and equal in the wake of the Declaration of the Rights of Man and of the Citizen adopted just after the French Revolution and that all Americans have been happy since the Philadelphia Constitution declared the right to “the pursuit of happiness” in 1787.

Accordingly, the idea of shifting the focus of labour law from an individual/collective approach to an individual/judicial approach does not seem credible. Judicial protection has always played an effective role because it has permeated a system of guarantees that was already operational. Apart from that, it can provide impetus and guidance. Let us be careful not to confuse good judgments with material processes: good lawyers, especially labour law experts, know that judicial fetishism must be avoided.

Secondly, it is important to retain the fundamental framework of labour legislation – generally based on binding rules – while bringing it up to date. This means establishing, by means of statutory requirements, a number of basic rules governing individual employment relationships, namely:

- open-ended recruitment as the general rule, save where otherwise provided for by law or by collective agreements;
- the obligation to provide safe, healthy workplaces;
- benefits in the event of occupational diseases or accidents;
- protection for working mothers and proactive measures to promote female employment;
- substantive rules on the right to remuneration;
- the right to information at individual, collective and union level in the event of restructuring, takeovers or collective redundancies; and
- protection against unjustified dismissal.

With regard to active employment policies, it is important not only to develop effective public employment services that are properly co-ordinated with private agencies, but also to identify specific atypical or special contracts aimed at ensuring access to the labour market. The various forms of flexible salaried employment contracts described here should be streamlined: on the one hand, flexible contracts designed to ensure access to the labour market, particularly training-based contracts, should be standardised, and, on the other hand, fixed-term, part-time and staff-leasing contracts should be regulated, so as to reconcile firms' needs for flexibility with workers' right to stable employment or to a free choice in respect of flexible employment conditions.

As far as the grey area between salaried employment and self-employment is concerned, a new concept of subordinate status must be defined with a view to the application of labour law: labour law must apply to those who work under somebody else's control, in other words, the product of their labour is intended for a productive set-up that belongs to others, irrespective of the constraint of subservience to managerial authority, in the sense of the specific power to determine the worker's practical obligations (working hours, compliance with staff regulations and the like). In Italian labour law, for instance, the former Article 2094 of the Civil Code should be reworded. This would make it possible to bring a number of situations – which at present are incorrectly classified as self-employment or semi-self-employment – back within the scope of labour law. In fact, many *co-co-co* workers (particularly call-centre operators,

administrative staff in department stores and computer consultants employed by firms on a virtually exclusive basis) are really dependent workers, hired on a self-employed basis primarily as a way of evading social security contributions and the overheads of salaried employment.

In other words, the boundary between salaried employment and self-employment must be redefined. As far as self-employment among those in a weak position is concerned, social protection and welfare measures must be introduced: income payments for periods without work, maternity benefits, health protection and pension contributions.

A crucial point to be considered is that the so-called flight from salaried employment is the result not only of the – real or presumed – excessive rigidity of labour law when it comes to the rules governing the provision of labour and the content of employment contracts, but also of the costs of lawful salaried employment. Tax deductions and social security contributions to fund the social protection system mean that lawful labour typically costs at least twice as much as illegal or undeclared labour. Specific measures must consequently be introduced in order to regularise unlawful, undeclared labour: monitoring operations by inspection bodies with effective powers to investigate and apply penalties must be stepped up, and instruments designed to encourage unlawful businesses to come out into the open, and to foster the gradual reintegration into the lawful labour market of the workers they employ, must be put in place.

Lastly, new legislation supporting trade union organisation and collective bargaining must be promoted. Support for unions must be guaranteed by granting workers specific union rights (rights to information, to organise in the workplace with paid time off, to hold meetings and so on), and collective bargaining must be promoted by making collective agreements generally binding and guaranteeing, by law, transparency in decision-making processes, the representative nature of unions negotiating collective agreements and the right of dissent. It is essential to support the collective dimension. Post-classical labour law can be applied in various forms, but, at the risk of seeing the very concept of labour law disappear, it is essential, in any event, to reaffirm one of its key features: the balance between the individual and collective components of the regulation of employment relationships.

Against this background, the issue of various forms of worker participation in companies, promoted by the directive on the Statute for a European Company, must be raised. The stability of individual employees, the company, its management, the unions and the company's workforce as a whole

is clearly a prerequisite for the introduction of various forms of participation, from participation in the organisational set-up, through the inclusion of workers' representatives in company bodies and other forms of union supervision of company policies, to mechanisms enabling workers to partake in company profits, by means of various employee profit-sharing schemes, including employee shareholding. It is impossible to envisage any kind of participation, including the various management techniques designed to encourage staff loyalty, in a volatile company based on outsourcing, which is broken up into a large number of disjointed production units and staffed by temporary employees who have little job security, to say the least.

Lastly, a policy such as the one outlined above clearly cannot be adopted in autarchy, that is, solely at national level: it must be at least Europe-wide. This is a challenge the new European Union must face, if the fine words of the Constitution currently being ratified are put into practice. The problem will then arise as to how to disseminate this policy internationally, within the framework of world trade regulations.

6. Some thoughts about future labour laws

The comments above may be summarised, more generally, in the following short statements.

a. National legislation and globalisation

Globalisation is here to stay, just as capitalism was, once it arrived. It is consequently pointless to oppose it; it would be like trying to stop a force of nature or wanting to swim across the ocean. On the other hand, efforts can be made to counter its most negative forms. A critique capable of focusing on credible options for reform is consequently needed. First and foremost, globalisation means competition in open markets, on the basis of legislation founded on mercantile principles. These principles deserve to attract criticism from the outset: a world in which competition is based solely on the value of commodities and which consequently identifies itself solely in terms of goods/consumption, held up as something to be valued, is not merely intolerable, but doomed to self-destruction. The idea that goods are the only thing to be valued, which reduces even work to a commodity, must be countered with another value, that of the supremacy of human rights over the constraints of mercantile principles. The first argument to be asserted here is therefore the following: globally speaking, the safeguarding of human rights and social cohesion mechanisms is a basic imperative.

b. National legislation and Europe

European integration is a complex process. At the time of European unification, Federico Mancini levelled a fundamental criticism at its purely economic approach, using a famous quotation from Madison: "Federalise their wallets, and their hearts and minds will follow". In particular, a Europe in which guaranteed social rights and protection are reduced to the lowest common denominator is unacceptable. This is particularly true of a Europe enlarged to 25 countries. This brings us to the second argument. The European social model is a key feature of the European Union blueprint. While complex, it is based on a fundamental principle that makes it uniquely different from the American model and, more generally, the Anglo-Saxon model: this principle is that guaranteed individual and collective labour rights and strategies for social inclusion are an inherent component of European systems. This model must be updated, not dismantled.

c. Trade union rights

Notwithstanding the changes in the labour market and the decline of the Fordist model, collective forms of representation of the interests of employees are still a crucial, irreplaceable part of the democratic process. Union rights and the system of collective representation by unions must therefore be backed up by effective legislation. Provisions governing representation, the representativeness of unions, the requirement that collective labour agreements be generally legally binding so as to ensure transparency in decision-making processes and safeguard the right to dissent, and the granting to unions of the right to be informed and consulted, and to participate in company policy-making, are the key aspects of this legislation.

d. Consultation: the relationship between the trade union system and the political system

Consultation between major representatives of different interests and the government in pursuit of a basic agreement on the main aspects of employment policies is of key importance and constitutes an essential tool. Such consultation must be promoted, since it is a cornerstone of Europe's identity and of social cohesion policies.

e. Broad outline of the reform of (individual) labour law

European labour law must undergo considerable reform, the idea being not to dismantle it under the banner of rootless Americanisation, but rather

to transform it in a manner in keeping with the foundations and framework of the historical tradition of European labour law. (Individual) European labour law must be reformed in a manner consistent with its founding principles and historical traditions, not undermined through indiscriminate, unprincipled innovation.

f. Labour market intervention mechanisms and protection of workers in the marketplace

While new forms of protection and assistance for workers in the marketplace are needed in order to help people find the right job by means of training measures, on no account must they be introduced to the detriment of guaranteed rights in respect of employment relationships. As far as labour market intervention mechanisms are concerned, there must be no indiscriminate privatisation. It is important to establish an effective relationship between mechanisms for state intervention and private agencies. “Social shock absorbers” must be designed to introduce support for job-seekers, in the form of training, and not to do away with contractual guarantees in favour of the labour market.

g. Flexible forms of work

The idea that Europe must now develop, and even promote, flexible forms of access to work is fundamentally flawed. It must do precisely the reverse. In fact, all the indicators show that the problem now facing the European labour market is not a lack of flexible forms of employment, but precisely the opposite. All the research highlights the need to seek good-quality employment with good training opportunities and stable prospects, at least as far as European citizens are concerned – this does not apply, of course, to non-EU workers, who experience the “rotten core” of flexibility in its most unregulated form.

The rhetoric of flexibility must therefore be inverted, and replaced by the celebration of stability. Flexibility is not an end in itself, except in those fairly rare cases where it is subject to the discretion of an individual. Stability, however, is something to be valued, since those who have stable jobs can plan their lives. It is important, therefore, to make flexible jobs more stable, by reducing such jobs to a few basic forms (fixed-term employment, part-time work, in-service training, temporary work), without altering the defining, normative core of traditional salaried employment, and by selectively protecting semi-self-employment and semi-subordinate (*parasubordinato*) employment relationships. A new workers’ statute must

be drafted, focusing on the key importance of individual concerns, rather than a jobs statute, in the sense of a formal description, in purely objective terms, of different forms of work along the lines of those drawn up by the old guilds. On no account must the reform of social protection be interpreted as detracting from the rights of the individual.

h. Rules governing dismissal: the core of individual employment relationships

The existence of effective protection against unjustified dismissal (in accordance with Article II-90 of the new treaty establishing a Constitution for Europe, now being ratified by member states) is crucial. Such protection may be based on different prescriptive techniques. What is essential is that:

- provision should be made for effective penalties for discriminatory dismissal, with reinstatement of the illegally dismissed worker;
- effective penalties should be put in place for unjustified dismissal, with reinstatement of the dismissed worker or a series of compensation measures, depending on the worker's preference;
- effective action should be ensured in the event of collective redundancies, by means of procedures for proper union supervision and, if staff cuts do prove necessary, through targeted retraining and redeployment measures for those workers made redundant, and, in any event, substantial social protection measures.

i. Relationship between the individual and collective dimensions

A reasonable balance between the individual and collective levels in the regulations governing employment relationships is a prerequisite for effective employment policies. Genuine individual autonomy for every worker can be promoted only if there is a healthy relationship between legislation, collective bargaining and individual employment contracts. The glorification of pure individualism is a rhetorical fiction that conceals the supremacy of the *lex mercatoria* – in other words, the dominance of market forces over human rights. It may therefore be concluded that even the new labour laws will have to be based on interaction between the individual and collective levels, and between techniques for the individual and collective regulation of employment relationships.

j. Labour law and values

Labour law is a discipline that originated in the marketplace, and indeed developed in response to the market, but it was also instituted in order to regulate the market and must thus sometimes counter unregulated

market forces. This is how labour law must now be viewed. This brings us to the final argument: ultimately, labour law serves to affirm workers' human rights, even where to do so is contrary to the requirements of a given economy. Indeed, labour law encompasses a process of inexorable liberation, which will last as long as human history.

Conclusion: old and new labour rights

The global stage is dominated by competition uninhibited by effective social constraints, in which there is a clash between two strong models: the North American model, based on employment at will and de-unionisation, and the Asian, particularly the Chinese model, based on a perverse combination of political despotism and economic hyper-liberalism. From the European perspective, the only possible solution is to tighten the constraints imposed by social rights, to set social limits on the market and to affirm a different view of competition, founded on the parameter of good social conditions as a tangible point of reference.

A critical appraisal of policies aimed at the indiscriminate expansion of flexible employment is needed here. Given the nature of the productive process and changes in the labour market, some degree of flexibility is necessary at present, but it must be made clear that flexibility is not an end in itself. Stability, on the other hand, is an aspiration for all workers, since it is only if they have decent, properly paid jobs can that they can organise their lives and work to live, rather than live to work. Flexibility must therefore be regulated by means of statutory requirements designed to prevent a lack of job security becoming a permanent state, on the one hand, and through collective agreements and contractual provisions, on the other. Accordingly, new rights must be introduced, and a new form of state intervention put in place. A genuine individual right to training and employment must be established, in the sense of the right to be assisted at various stages of one's working life, thanks to welfare measures designed to safeguard fundamental rights (health care, maternity benefits, pensions and so on), even in the event of labour market fluctuations and transitions to other employment situations (insecure salaried or semi-self-employment contracts or self-employment). At the same time, mechanisms for state intervention in the labour market must be strengthened, through the introduction of training, guidance and labour market placement measures, and through incentives and social measures designed to help people find the right job and to ensure stable employment relationships and regularisation of the underground or illegal economy.

A new generation of labour rights must therefore be promoted in the labour market: such rights must no longer be confined to employment contracts. However, these new rights must not be seen as a substitute for, or come into conflict with, the old rights applicable to employment relationships. On the contrary, the old and new laws must be incorporated into a new system that ensures that all workers can exercise their individual freedom as fully as possible, on an equal footing. Seeing the individualisation of employment relationships as an alternative to, or substitute for, the foundations of traditional labour law, which is based on a combination of binding rules and collective regulations – as explained above – is a dangerous illusion. Only in a very few cases – 5 to 10 per cent, at a generous estimate, across the whole labour market – does the individualisation of employment relationships foster the genuine exercise of each worker's individual freedom. In all other cases, individual contracts amount, at the very most, to what Otto Kahn-Freund described as "a legal mask of unfreedom".

In terms of a fundamental framework, the old rights are far from archaic: on the contrary, they are extremely modern. It suffices to recall their basic substance: the right to decent working conditions, the right to fair pay, the right not to be discriminated against, the right to organise, the right to strike, and so on. They are none other than the rights referred to in Part II of the Constitution for Europe, themselves taken from the Nice Treaty. They are rights that are naturally in a dialectic relationship with market freedom, and that is precisely what matters: there must be a dialectic relationship that is not one-way, between social rights and market freedom. This, at bottom, is the *ubi consistam* of Europe: it is not human beings who must serve the market, but the market that must serve human beings.

Bibliography

Biagi, M. (2001), *Competitività e risorse umane: modernizzare la regolazione dei rapporti di lavoro*, *Rivista italiana di diritto del lavoro*. 2001, p. 257 ff.

D'Antona, M. (1993), *Il protocollo sul costo del lavoro e l'autunno freddo dell'occupazione*, Opere. Milano: Giuffrè, Volume II, 2000, p. 359 ff.

Khan-Freund, O. (1979), *Labour Relations, Heritage and Adjustment*. Oxford: Oxford University Press.

Mariucci, L. (2004), *Le fonti del diritto del lavoro quindici anni dopo*, Turin: Giappichelli.

Sciarra, S. (2004), *The Evolution of Labour Law (1992-2003)*, General Report, May 2004.

Supiot, A. (1999), *Au-delà de l'emploi. Transformation du travail et devenir du droit du travail en Europe. Rapport pour la Commission de Communautés européennes*. Paris: Flammarion.

