

FLEXICURITY TOWARDS RESPONSIBILITY FOR THE LABOUR MARKET CHANGES

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ABSTRACT: The concept of flexicurity has been a key issue in the discussions and activities of institutions of the European Union in the field of employment and social policy for about two decades. The purpose of this article is to analyze the idea of flexicurity in the context of responsibility for development of the labour market. The responsibility is mostly transferred to the state and employees, while the employers are exempt from accountability for the social costs associated with the fluctuations in the economic cycle. The article contains the analysis of the labour market flexibilisation process and its compensation with the security system, critical approach to flexicurity models and challenges associated with the implementation of this concept.

KEYWORDS: flexicurity, social security, flexibility, labour market, responsibility

INTRODUCTION

In most definitions, flexicurity means shifting the focus from job security to maintaining the employment security. Instead of protecting specific job places, it contributes to the development of employability. The implementation of the idea leads to a greater emphasis on active labour market policies, lifelong learning and modern social security systems, supporting the job seekers, and to the promotion

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of equal opportunities for all. The aim is to create a win-win situation favourable for both employees and employers (Mandl et al. 2010: 47).

The concept of flexicurity appeared in the 1990s. Some researchers say that the term was first used by the Dutch sociologist Hans Adriaansen, in connection with the Dutch Flexibility and Security Act, while some argue that the origins of the concept is to be found in the reforms of labour market introduced by the Danish social-democratic government in the mid-1990s.

Flexicurity has also been a key issue in the discussions and activities of the European Union in the field of employment and social policy for about two decades. The concept of combining flexibility and security was noted at the level of EU policy in 1993 in the White Paper on *Growth, Competitiveness and Employment* (COM 1993) developed in the Delors Commission.

The purpose of this article is to analyze the idea of flexicurity in the context of responsibility for development of the labour market and the situation of the labour market participants. The hypothesis of the work is that the responsibility for the labour market situation, where the concept of flexicurity is being implemented, is transferred to the state and employees; the employers are exempt from responsibility for the social costs associated with the business cycle or erroneous decisions of the enterprises management. The issues that have been taken are related to the ratio of flexibility and security within flexicurity programmes, critical approach to flexicurity models and challenges associated with the implementation of this concept.

FLEXIBILITY AND SECURITY PROPORTIONS

Representatives of varied political, economic and social doctrines perceive flexicurity differently. The neo-liberal perspective emphasizes the need for greater flexibilisation and deregulation of the labour markets and questions whether the standard employment contract should remain a reference point within welfare state. It is the same way with the social partners: while employers see flexibility as a way of increasing their competitiveness, worker movements tend to see it as a new form of social risk (Auer 2010: 371–386).

In liberal approach to flexicurity, enhancing security is not the prime goal. It is rather a means to attain a deliberate compromise between employers, who seek for the deregulation of labour markets, and employees, who wish to protect their rights (Tangian 2009: 12). Transnational Labour Market theory refers to social

solidarity in the context of risk sharing as a way of facilitating the transition, instead of compensating the costs caused by the market dynamics through generous transfers. The TLM approach sees in the idea of flexicurity the empowerment of individuals by enabling them to transit from one work situation to another in case of economic or social change or shifting the individual preferences (Schmid 2014: 89–95).

The socially orientated researchers notice that the process of flexibilisation is inherently harmful, that is why it needs to be compensated with security. Thus, there are also other approaches to the concept, not only those perceiving the process as desired by both employers and employees, which guarantees better career chances and provides a new dimension of security (COM 2007a).

Flexibility and security have been divided into 14 subsections (Tangian 2009a: 14).

Flexibility:

1. external flexibility,
2. internal flexibility,
3. functional flexibility,
4. wage flexibility,
5. externalisation flexibility.

Security:

6. labour rights (equality of atypical workers with normally employed workers),
7. in-work income (salaries, overtime payments, etc.),
8. out-of-work income (disability insurance, pensions, etc.),
9. job security (adaptability of working conditions to aged persons, after a sickness, in reintegration),
10. employability (education, training, etc.),
11. employment security,
12. social security (provisions for child care, parental leave, etc.),
13. social dialogue (provisions for works councils),
14. work-life balance (combinatorial security).

Although the security aspect is in the proposed division composed of many issues, the analysis of the division leads to the conclusion that the degree of flexibility is not counterbalanced by the security resources, especially in the context of external flexicurity. Labour rights of atypical contract workers are not the same as the rights of normally employed workers, so it is not eligible to call them equal. The author of this article is not finding the justification for compensating

the cyclical decline in wages using social security tools. This is the responsibility of the employers to provide stable salaries including the phase of recession. It also seems that the aspect of social dialogue should be treated as separate in the relation to flexibility and security category, or it should appear as a component in both sections. In the process of social dialogue at the enterprise level, social partners are the trade unions and employers. Every social partner involved bears the responsibility for the decisions that are adopted as a result of social mediation and arbitration. The negotiations concern not only the sphere of security, but also the consent to a certain level of work flexibility. Thus, the classification of social dialogue only in the security section states incorrectly that trade unions are not responsible or have no influence on the process of increasing flexibility of the employment and the workers, but only have impact for the level of compensation of the negative consequences of this process.

The concept was meant to be a part of the process of the European Social Model implementation, which is based on such values like respect for the dignity of an individual, solidarity, social cohesion, equality and social justice (Jepsen, Serrano-Pascual 2006). These values were meant to be introduced into the special kind of contract between the government and citizens, as well as between one citizen and another, in which job security, progressive tax rates and large social transfer payments were guaranteed. “[...] the majority of Europeans took the view that poverty was caused by social circumstances and not individual inadequacy. They also showed a willingness to pay higher taxes if these were directed to alleviating poverty” (Begg 2011: 59). The idea is also connected with one of the trends in welfare – activating-welfare-states (Gilbert, Van Voorhis 2001).

It seems, however, that in the cohesive societies, there are more and less cohesive individuals and entities. The smallest tendency to social solidarity have got the for-profit entities. Social responsibility should be enforced on these entities by the state (solidarity, as this is a part of value systems that cannot be imposed). In the concept of flexicurity compensation range of negative changes in the labour market, which is largely perpetrated by the company, is insufficient. If modern states are not even able to enforce compensation of the costs caused by the operation of the economic system, they should abandon the fantasies of social responsibility. The exception is France. The rich French citizens were willing to take the social responsibility on and have allowed the government to do some essential fiscal system reform. So, the exceptional contribution to higher income earners has been introduced (Guardian Editorial 2011: 36). However, in the case of French society, we are dealing with a peculiar mentality of social

solidarity. If European societies ever deal with epidemics of such mentality, the law enforcement of compensation or responsibility will be no longer needed. So far it is.

FLEXICURITY MODELS RECONSIDERED

The Dutch and Danish approaches are said to represent two different notions of flexicurity (Viebrock, Clasen 2009: 7), however, for the author of the article, the level of security seems to be comparable.

Flexicurity in Denmark is composed of three elements: flexible labour market with low employment protection, generous unemployment support, and activation programmes. The high flexibility of the labour market, which means occupational and geographical mobility, is being balanced by the two left components. That is why the flexicurity system works. However, the main burden of the functioning of the system rests with the state, the state bears most of the social costs, which are a negative side effect of economic growth. The system causes that the entrepreneurs do not have to feel responsible for the employees or bother for compensation in case of downsize. High-priced responsibility of the state was revealed in the current recession, resulting in the crisis of public finances. In Denmark, current crisis has caused a right-wing turn in politics, which has led to a political neglect of the security-side of flexicurity (Jørgensen 2011: 1).

What distinguishes Dutch flexicurity system is the permission for non-standard employment (rapidly developing timework agencies) with social security rights which are said to be comparable to those guaranteed in standard employment. However, the differences are evident: while there is a high level of employment protection for workers employed under traditional, stable contracts, the flexible employment workers are facing a low level of employment security. Another characteristic of the Dutch system is that the employees are able to save a percentage of their wage in case of unemployment. This system sends the responsibility for employment and dealing with the unemployment situation to employees. It is said that the process of globalisation, which is blamed for deepening competition and erratic business cycles, introduces the need to shift the responsibility for demands of the changing market (Sultana 2013: 149). What is more, transnational corporations move from one country to another making permanent employment restrictive for efficient economic performance.

The global economy has imposed economic priorities over social ones (Tangian 2004: 9).

The Dutch miracle has already been falsified through detailed research in 2001. Although the registered unemployment was about 2.5%, the actual unemployment was much higher than the officially registered. It was revealed that the labour market situation of the most vulnerable groups, such as the long-term unemployed, older unemployed, disabled workers, ethnic minorities, and the under-skilled, was really difficult. The author suggested that the general condition of the Dutch labour market was satisfactory mostly due to the long prosperity phase of the business cycle. However, the prosperity has been already threatened in 2001 because of increasing price inflation. The results of the research allowed to predict that the negative economic situation would cause a significant increase of unemployment and influence the process of marginalisation of vulnerable groups and flex-workers. It was concluded that Dutch work and welfare policies were not as effective as it was propagated (Van Oorschot 2001). As it turned out, the cited study had a high prognostic value, as the unemployment in the Netherlands has grown steadily from 2010, during the ongoing recession, and in January 2014 it reached the level of 8.8% (Trading Economics 2014).

The research on negotiation model of Dutch flexibility conducted in 2009 revealed a growing predominance of flexibility at the price of security. What is more, the Dutch trade unions take care of numerous small security issues rather than focus on a few flexibilisation aspects of prime importance, which unfortunately outbalances all security advantages. So called “good practice example” as the Dutch experience, often referred to by the European Commission and OECD, turns out to be not as good as believed (Tangian 2009b).

The exemplary implementations of the concept of flexicurity exclude from the risk management process on the labour market the entities which have a significant impact on the profile and volume of employment – the enterprises – thus providing the companies a privileged position. The approval for such an action is also present in the literature: “Flexicurity is a degree of numerical [...], functional and wage flexibility that allows for labour markets’ (and individual companies’) timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity” (Wilthagen, Tros 2004: 170).

Both the Danish and the Dutch employment system are commonly considered as benchmarks, while the Japanese example has not, so far, been unambiguously interpreted as a form of flexicurity. In Japan, the practice of lifelong employment

is meant to cause that the employees are loyal to the employer, and the employer is willing to invest in human capital, which increases the functional flexibility. Alternatively, in the case of Denmark, a high level of income and employment security (employability) provided by the government can assist the employees in taking more risks on the external labour market, thus creating a higher level of labour mobility. However, the relationship between flexibility and security can turn out to be a disadvantage, for example, when hiring and firing policies lead to high uncertainty of employment or reduction of investment in human capital (Bredgaard, Larsen 2010).

The lifelong employment provides high (though informal) job security, where the stability of employment and low external flexibility is the opposite of high internal flexibility. Internal flexibility consists of mobility in-house positions and jobs, vocational training and retraining, wages dependent on seniority and working time flexibility. Traditionally, the Japanese employment system has created stability and employment maintenance in the enterprises. In 1979, the courts also agreed on strict rules on dismissals for economic reasons. The following conditions must be met before the dismissal of permanent staff:

1. The employer should indicate important and unavoidable reasons for the redundancies.
2. The employer should make every effort to avoid the redundancies (e.g. the employees' transfer to the subsidiaries, the expiration of the employment of temporary and part-time workers, facilitating early retirement, overtime work reducing).
3. The employer must consult their plans with trade union representatives.
4. The employer should establish an acceptable standard and apply it when choosing employees for dismissal. In the case of unjustified dismissal, employers are not only obliged to pay compensation for the entire period of the exemption, but even to restore the dismissed employee.

Internal flexibility is not a silver bullet. In the phase of recession it often results in a reduction of wages or reduction of working time, which is also associated with decreased quality of life. However, what fundamentally differs the internal flexibility from the external one is the desire to maintain the employee and the level of employment in general. The external flexibility system reacts firmly to fluctuations in the business cycle. This leads to reduction of employment, often mass reduction, or transfer of the investment to another country with lower production costs, which for the host society means the loss of job places.

FLEXICURITY CHALLENGES AND REFORM SUGGESTIONS

The revised Lisbon Strategy of 2005 emphasized the importance of increasing persistent economic growth, productivity, competitiveness, and the process of creating better jobs. In order to achieve these objectives, there must be an increase in labour market flexibility combined with greater social protection for employees. The balance between labour market flexibility and social security is described as flexicurity. However, as it turned out, it is not enough to create a lexical hybrid combining two social phenomena and to construct a top-down common standard of the concept implementation for all EU member states. Each EU member state has its own model of industrial relations based on particular historical, economic, political and social characteristics. The states in the process of socio-economic system transformation faced especially difficult situation. It has been pointed out that employment flexibility and lowering social protection were the sole alternative for transforming labour markets. In the situation of low administrative capacity of labour market institutions, weakness of trade unions and poor law enforcement, the employees experienced high labour market flexibility and increased job insecurity (Philips, Eamets 2007).

The Europe 2020 Strategy, which is a continuation of the Lisbon Strategy, gives the concept of flexicurity strategic dimension, describing it as a model solution to the labour market in the member states. In the strategy, there appears the aspect of increasing the social responsibility in the business sector, but without diving into the topic or giving any specific guidance (COM 2010: 21–22).

Despite the fact that the concept of flexicurity has become the basis for the management of national labour markets in the supranational organisation, there are differences in its understanding by the European institutions. The European Commission claims for further flexibilisation, while the Council is promoting strengthening the standard working relationships in accordance with national practice of the member states and limiting the atypical employment relationships (Keune 2008: 92–98).

As far as working relationships and work ethos are concerned, the imperative of flexible utilisation of labour power intensifies the trend to design work tasks in ways that deskill people, given that constant turnover and short-term contracting make intensive training unviable (Sennett 2006). Such a process can affect not only the quality of work, but also the attitude to work, the loss of perspective from which the work was traditionally seen – as a constitutive value in human life.

Challenges formulated in the European Commission Report in 2007 are still to be responded, *inter alia*:

1. dealing with contractual segmentation,
2. transition security (in case of redundancy),
3. tackling the segmentation between low paid (low skilled) and high paid workers,
4. situation of the countries in transition with high range of unemployment and few activation initiatives (COM 2007b).

At least some of the difficulties can be overcome by implementing the proposed, corresponding reforms, including: flexinsurance, basic minimum income and workplace tax. Flexinsurance is another lexical hybrid created to describe a model in which the contribution of an employer to social security of an employee should be proportional to the level of the contract flexibility. Such a solution stimulates employers to hire on more favourable conditions. The basic minimum income model presupposes a flat-rate income paid by the state to all citizens, regardless of their incomes and material status. The basic minimum income programme generates additional state's expenditure, however, this can be covered by the flexinsurance and progressive taxation. Workplace tax is meant to be a kind of punitive tax for the employers who offer bad working conditions. This kind of taxation is supposed to stimulate enterprises to reconsider the workplace environment they offer. A part of the tax can be transferred directly to the employee as a compensation for unacceptable working conditions. Nevertheless, it is emphasized that the major part of the tax should be charged by the state (Tangian 2008: 25–27).

The proposed model executes the compensation of social costs generated by unsustainable human resources management or its lack. It is also an attempt to divide the responsibility for the changes occurring in the labour market into reasonable proportions. In this model, the state must generally take over the role of the controlling authority. It should determine the quota categories for flexinsurance, the remuneration of the basic minimum income and the workplace tax. The alternative model management shall be introduced with social partners, the state however should make a decisive contribution. The flexinsurance is supposed to minimize the contractual segregation and the redundancy proceed, so the transition security system would not be that expensive.

The process of flexibilisation met a resistance in countries with old traditions of labour movement. Balancing flexibility and security got a very negative response from French and German trade unions, because “the idea of partnership

represents a threat to the independence of unions and a denial of the importance of worker's rights and positions, notably at the enterprise level" (Wilthagen, Tros 2004: 179). From the trade union perspective, the transformation of labour rights into security measures is disadvantageous, since it is doubtful whether social guarantees sufficiently compensate a higher risk of employment loss. The trade unions in the European Union do not reject the concept of flexicurity as a whole, they do not agree, however, with the understanding and interpretation of this idea by the Commission. In the unionists' perspective, labour market reform should better balance and take into account national traditions and the social partners opinions (Tangian 2008: 20–24). According to the trade union definition of flexicurity, it is a "deregulation-only policy but not at the price of relaxing employment protection of normally employed" (Klammer 2004: 283).

Flexicurity has also been reconsidered in terms of social dialogue and social power of the social partners. It is said that flexicurity loses its potential for clearly guiding the social partners: almost any possible topics of negotiation can be interpreted in the framework of flexicurity, from working time to wages or collective dismissals. The social dialogue concerning flexicurity should be intensified and aimed at improving the trade unions' position (Pedersini 2008: 23). However, it is the flexicurity which weakens the position of trade unions, since the dialogue can be conducted only within the top-down regulated system.

CONCLUSIONS

Flexicurity is meant to be a form of adjustment of capacities to the risks related to business cycle and life cycles. However, the risks associated with the life cycle have been already regulated by a system of social security. Eventual periods of unemployment cannot be regarded as a natural phases of life cycle. That is why the concept of flexicurity has been primarily designed as an antidote to the effects of fluctuations of the business cycle, dividing responsibility for fluctuations in the labour market between all of the social partners.

However, the reality of the labour markets management turns out to be different. The individual responsibility of employees for their skills, mobility and usefulness to employers seems to be preferred. The breaks in employment caused by the recession, sanctioned by the system of external flexibilisation, are beginning to be regarded as a natural stages in human life cycle. The employees share the responsibility for social security as compensating mechanism for unstable

labour market with the state. The enterprises, especially transnational corporations, are excluded from the process or are involved in a small extent.

The perspective of the researchers – members of the model flexicurity societies presented in the article – indicates that the concept promoted by the European Union should not be treated as a finite, complete solution that fits into the structure of each European society, regardless of the level of development. Deliberate implementation should mean taking into account the current capabilities of the citizens and the state in the context of social security, encouraging employers not only to participate in social dialogue, but also to take responsibility for the situation on the labour market. Fluctuations of the economic cycle and the associated risks do not justify the privileged position of the economic entities when it comes to the division of responsibility for the consequences of decisions that generate social costs. Suggested reforms involving the introduction of flexinsurance, basic minimum income and workplace tax should be treated as valuable, empirical verification worthy suggestions, as well as a contribution to further critical analysis of the assumptions and effects of different ways of implementing flexicurity concept.

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