

Globalization and deregulation: does flexicurity protect atypically employed?

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**Globalization and deregulation:
Does flexicurity protect atypically employed?¹**

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Abstract

Hitherto, discussion of flexicurity has focused on normal employment (permanent full-time), with atypical work receiving only cursory attention. Nevertheless, the most affected are just atypically employed (= other than normally employed). To monitor effects of flexicurity policies in Europe, flexicurity indices are constructed from: (a) scores of the strictness of employment protection legislation provided by the OECD, (b) qualitative juridical data on social security benefits (unemployment insurance, public pensions, etc.), and (c) data on the dynamics of employment types (permanent, temporary, full-time, part-time, self-employed, etc.).

The empirical investigation shows that, contrary to political promises and theoretical opinions, the deregulation of European labour markets absolutely predominates. Its moderate compensation by advantages in social security occurred only twice: in Denmark and Netherlands at the end of the 1990s. The flexibilization reduces the average employment status, i.e. employees are more often employed not permanently but temporarily, not full-time but part-time, and more frequently they involuntarily turn to self-employment. On the other hand, the eligibility to social benefits depends on the employment status. Thereby these trends disqualify employees from social benefits. The apparent compensation of the labour market deregulation by social advantages is therefore insufficient.

Keywords: flexicurity, labour market flexibility, atypical employment, social security, composite indicators.

JEL Classification:

- C43 Index Numbers and Aggregation
- C51 Model Construction and Estimation
- J21 Labor Force and Employment, Size, and Structure
- J26 Retirement; Retirement Policies
- J65 Unemployment Insurance; Severance Pay; Plant Closings
- J83 Workers' Rights
- J88 Public Policy

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Introduction

Under globalization and increasing power of multinational companies, investments are easily made worldwide, industries and services move from one country to another, making permanent employment restrictive for efficient economic performance. The growth of atypical employment (= other than permanent full-time and eligible to social security benefits) and intensive labour market transitions (Schmid and Gazier 2002) result in a new social situation. In most of the post-war Europe, employment relations were regulated by rather constraining employment protection legislation and by collective agreements between employers and trade unions. The actual contradiction between the flexibilization pursued by employers and strict labour market regulation defended by trade unions makes topical the discussion on flexibilization and employment protection legislation with regard to economic performance and unemployment.

In the debate on deregulation of labour markets, one of the main assumptions is that flexibilization will lead to more jobs (Bericht der Kommission 2002; Bundesrat 2003). In contrast, longer-term social security and employability issues have been somewhat overlooked. This imbalance in the emphasis placed on flexibility and social security is also evident in the first and second of the recent German “Hartz Laws” for “Modern Services on the Labour Market” that provide for an expansion in atypical forms of employment in the short term while failing to adopt measures to guard against the long-term risks implicit in this type of work.

The concept of *flexicurity* offers an alternative to this one-sided approach by attempting to attach equal importance to both aspects (for a summary, see Transfer 2004). In addition to taking into account the different interests of the various labour market players, a fair balance of flexibility and social security can in the long term contribute to improving labour market efficiency (OECD 2004). Wilthagen and Tros (2004) ascribe its conception to a member of the Dutch Scientific Council of Government Policy, Professor Hans Adriaansens, and the Dutch Minister of Social Affairs, Ad Melkert (Labour Party). In the autumn of 1995 Adriaansens launched this catchy word in speeches and interviews, having defined it as a shift from job security towards employment security. He suggested to compensate the decreasing job security due to fewer permanent jobs and easier dismissals by improving employment opportunities and social security.

For instance, a relaxation of the employment protection legislation was supposed to be counterbalanced by providing improvements to temporary and part-time workers, supporting life-long professional training which facilitates changes of jobs, more favorable regulation of working time, and additional social benefits. In December 1995 Ad Melkert presented a memorandum *Flexibility and Security*, on the relaxation of the employment protection legislation of permanent workers, provided that temporary workers got regular employment status, without however adopting the concept of flexicurity as such. By the end of 1997 the Dutch parliament accepted flexibility/security proposals and shaped them into laws which came in force in 1999.

The OECD (2004, p. 97–98) ascribes the flexicurity to Denmark with its traditionally weak employment protection, highly developed social security, and easiness to find a job, see also Madsen (2004). The Danish and Dutch flexicurities somewhat differ, but regardless of the priority in inventing the word *flexicurity*, both countries were recognized as „good-practice examples“ (Braun 2001, van Oorschot 2001) and inspired the international flexicurity debate. Although some authors still consider flexicurity a specific Dutch/Danish phenomenon (Gorter 2000), the idea spread all over Europe in a few years; for a selection of recent international contributions see Transfer (2004). At the Lisbon summit of 2000 the EU had already referred to this concept (Vielle and Walthery 2003, p. 2; Keller and Seifert 2004, p. 227). At the Informal Council on Employment and Social Affairs in Villach, Austria on 19-21

January, the key role of flexicurity in future EU competitiveness and labour relations was highlighted again (European Commission, 2006).

Since the concept is rather new, there is neither an established definition of flexicurity, nor means for its quantitative characterization. For instance, Wilthagen and Tros (2004, p. 169) suggest the following definition of flexicurity:

Definition 1. *[Flexicurity is] a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, work organization and labour relations on the one hand, and to enhance security — employment security and social security — notably for weak groups in and outside the labour market on the other hand.*

The relevance to atypical employment is emphasized by Keller and Seifert (2004, p. 226) and Klammer (2004, p. 283, 2005, p. 249):

Definition 2. *[Flexicurity is] social protection for flexible work forces, understood as ‘an alternative to pure flexibilization’ (Keller and Seifert), and ‘to a deregulation-only policy’ (Klammer).*

These definitions are not operational in the sense that they say nothing how to quantitatively represent flexicurity policies for empirical analysis, monitoring, targeting, and optimization. Therefore, among other things, the given study attempts to operationally define flexicurity, reflecting viewpoints of neoliberals and trade unions. The paper contains two parts. The theoretical part deals with the notion of flexicurity in general, and the empirical part focuses on analysis of its certain (most important) components. In particular, the flexicurity indices for 16 European countries for the years 1990–2003 are derived from

- scores of employment protection legislation provided by the OECD (1999, pp. 52–53 and 2004, pp. 61–125),
- qualitative juridical data on five social security benefits (unemployment insurance, public pensions, sick leave, maternity/parental leave, and paid holidays) available from the OECD (2002, p. 144–150) and European Commission (2004), and
- data on the dynamics of employment types (permanent, temporary, full-time, part-time, self-employed, etc.) available from EuroStat (2004).

The factual rather than purely legislative situation is reflected by taking into account the variable size of atypical employment groups with different eligibility to social security benefits. Hitherto, discussion of flexicurity has focused primarily on normal employment, with atypical work receiving only cursory attention. This paper will attempt to remedy this conceptual oversight by identifying strategies for reducing the social risks associated with flexible forms of employment. Regulation, either in the shape of legislation or collective agreements, is one such option.

The empirical results are not encouraging. Contrary to theoretical expectations and political promises, the current deregulation of European labour markets is not adequately compensated by improvements in social security. After the flexicurity advantages/disadvantages have been accounted proportionally to the size of the affected groups, the factual trends turn out to be negative even from the viewpoint of neoliberals, to say nothing of trade unions. The reciprocity between the advantages/disadvantages is illusory, because gains are smaller than losses and winners are fewer than losers. Thus the study warns against promoting flexicurity policies with no operational control and empirical feedback. To

surmount the negative trends, some improvements of flexicurity policies are suggested to meet the requirements of trade unions.

Part 1: Theoretical reflections

Types of flexibility

Flexibility is usually discussed quite generally, with no distinction between its different types. Since the OECD's typology for distinguishing between different forms of flexibilization (OECD 1986, 1989) was not developed for atypical forms of employment, we offer an additional classification. A first distinction can be made between internal and external flexibility (Table 1). In turn, the *internal flexibility* is subdivided into the following categories:

- *Internal numerical flexibility* tackles fluctuations in capacity utilisation principally by varying the number of hours worked, using working time accounts or reductions in working time introduced in order to secure jobs.
- *Internal functional flexibility* tackles changing output requirements mainly by re-organising work processes, relying on a correspondingly multi-skilled workforce. This option is limited where strict work rules are prevalent and multi-skilling is less common, such as in the Anglo-Saxon countries, for example (internal numerical flexibility often requires internal functional flexibility).
- One further form of internal flexibility (OECD 1989) is *wage flexibility*. This form is becoming increasingly popular as a result of "pacts for jobs" and opening clauses allowing companies to diverge from collective agreements (Massa-Wirth/Seifert 2004). It involves measures such as the abolition of higher rates of pay for overtime or special payments, and temporary reductions in hourly pay rates. Performance-related and results-oriented pay are also becoming more common (Bispinck/Schulten 2003).
- Part-time working and petty employment do not fit neatly into this classification, since both contain various elements of the different forms of internal flexibility. Consequently, we propose (internal) *temporal flexibility* as an additional category. This allows companies to be very precise in the way that they vary the number of hours worked in order to cover the higher workload that occurs for a limited time only during peak periods over the course of a day, week or year.

External flexibility can also be subdivided into three categories:

- *External numerical flexibility* is based on varying the headcount by hiring and firing or by using temporary agency workers and fixed-term contracts.
- *External functional flexibility* involves improving the ability of the workforce to adapt to the external labour market. This is necessary in order to avoid mismatch problems during periods of structural change, i.e. providing employees with job skills suited to the external labour market, e.g. via a training company that takes on workers who have been laid off and provides them with labour-market oriented training for a limited period of time.

- *External wage flexibility* involves varying labour costs and can be influenced by wage cost subsidies.

Table 1: Different forms of flexibility

	internal	external
numerical	Working time accounts Working time adjustments introduced to secure jobs	Hiring and firing Temporary agency workers Fixed-term employment
functional	further training Work organisation	'Transfergesellschaft'
temporal	Petty employment/ mini-jobs Part-time work	
wage	Clauses allowing divergence from collective agreements Alliances for jobs Petty employment/ mini-jobs Performance-related pay	Wage cost subsidies

The flexibilization of employment relations results in a growth of atypical forms of employment which occur separately or in various combinations:

- Part-time work
- Petty (or marginal part-time) employment in the shape of the new 'mini-jobs' and 'midi-jobs'
- Fixed-term employment
- Temporary and agency work including work for the recently created Personnel Service Agencies
- New forms of self-employment, including the 'Me, Inc.' programme.

The rapid growth of the atypical employment can be illustrated with German data in Table 2.

The extent to which atypical forms of employment are used depends on the relative costs of each individual form. In some cases, these forms are used as substitutes for each other and in other cases they are used to complement each other. This applies not only to the different forms of atypical employment (e.g. the relationship between part-time work/petty employment and agency work/short-term contracts) but also to the relationship between atypical work and forms of internal numerical flexibility geared towards employees on normal contracts.

If we begin by comparing the different forms of atypical employment against each other, it emerges that some forms are preferred to others. Current research indicates that companies view the use of temporary agency workers as a secondary strategy to be used mainly in order to cover unforeseen short-term workload fluctuations (Bellmann 2004: 137). The use of temporary agency workers instead of fixed-term contracts cuts recruitment costs (e.g. the costs associated with advertising the post, selecting the candidates and taking them on as employees of the company) and potentially also reduces costs of in-firm training. On the other hand, the additional cost of hiring the workers from the agency needs to be taken into account. Both options enable companies to avoid having to pay layoff costs, and also make it possible to reduce permanent staff numbers.

Table 2: Growth of atypical employment in Germany (Source: Statistisches Bundesamt 2003; Bundesagentur für Arbeit 2004; Rudolph 2004)

	Total employ-ees ¹⁾	Part-time work ²⁾		Fixed-term employees ³⁾		Temporary agency work ⁴⁾	
		Number of part-time workers in 1,000	Percentage of total employees	Number of fixed-term employees in 1,000	Percentage of total employees	Number of agency workers in 1,000	Percentage of total employees
1991	33,887	4,736	14.0	1,888.9	6.4		
1992	33,320	4,763	14.3	(EXA)	6.7		
1993	32,722	4,901	15.0	1,802.7	6.3	121.4	0.4
1994	32,300	5,122	15.9	1,946.9	6.8	138.5	0.4
1995	32,230	5,261	16.3	1,929.4	6.8	176.2	0.5
1996	32,189	5,340	16.6	1,956.5	6.9	177.9	0.6
1997	31,917	5,659	17.7	2,067.2	7.4	212.7	0.7
1998	31,878	5,884	18.5	2,149.3	7.7	252.9	0.8
1999	32,497	6,323	19.5	2,344.1	8.3	286.4	0.9
2000	32,638	6,478	19.8	2,282.8	8.0	339.0	1.0
2001	32,743	6,798	20.8	2,297.6	8.0	357.3	1.1
2002	32,469	6,934	21.4	2,149.9	7.5	336.3	1.0
2003	32,043	7,168	22.4	2,211.1	7.8	327.3	1.0
2004	31,405	7,168	22.8	2,249.2	8.1	399.8	1.3

1) excludes trainees

2) Figures for April

3) private sector blue- and white-collar workers

4) Figures for end June

Moving on to consider the relationship between internal numerical flexibility geared towards employees with normal contracts and atypical forms of employment, the first of these options appears to offer a number of advantages. In recent years, various new opportunities for internal flexibility have emerged on the German labour market as a result of collectively agreed regulations aimed at safeguarding jobs and more flexible working time arrangements (including working time accounts). The advantages vis-à-vis external forms of flexibility are obvious: there are no recruitment or subsequent layoff costs, and the company suffers no loss in its human capital and team productivity. Furthermore, these options have become cheaper for companies in recent years owing to the fact that many have done away with overtime premium (Überstundenzuschläge), for example. In addition to this, the German dual vocational training system means that employees often have a broad range of skills, making them able to perform different tasks within the company, thus ensuring internal functional flexibility (Seifert and Massa-Wirth 2005).

All of the above explains why external numerical flexibility (in the form of temporary agency workers and fixed-term employment) is on average less prevalent in Germany than in other countries (Storrie 2002; European Commission 2003).

Social security versus precariousness

So far we have only discussed flexibility from the companies' perspective. As far as employees are concerned, there is a price to be paid for the widely-favoured option of internal flexibility. While it does offer job security, this is achieved at the cost of financial concessions and to some extent also less favourable working hours. External flexibility measures, meanwhile, tend mostly to affect non-core workers (Randbelegschaften), with core workers (Stammebelegschaften) remaining protected against market fluctuations.

When it comes to the future of atypical forms of employment, it is necessary to establish the extent to which the characteristics of the individual forms deviate from those of the normal contracts that we are using as our yardstick. Our approach takes the long-term

perspective into account and, in addition to the usual consideration of employees' situation during their working lives, also considers their situation once they have retired. Thus, it adds elements of long-term social policy to the largely short-term perspective of labour market policy.

The following main criteria are used to evaluate the extent of social security:

- Income from employment should be sufficient to enable independent subsistence², and social insurance contributions should ensure entitlement to a pension and to the relevant benefits in case of unemployment.
- In an economy characterised by permanent structural change and changing job and skills requirements, employability (European Commission 2001; OECD 2004) is a key activator of sustained employment and income. In contrast to the kind of job security that used to be implicitly considered as the norm, the emphasis on employability means that job security is no longer dependent on an individual working for a single employer. Similarly, employability plays a key role for workers moving from dependent employment to self-employment and vice versa. Consequently, further training (Weiterbildung), preferably throughout the entire course of a person's working life, is a key requirement for maintaining and improving employability.
- Entitlement to social security benefits, i.e. unemployment benefit, health insurance and pensions, is acquired through the payment of compulsory social insurance contributions whilst in employment. Whereas unemployment benefit and pensions are based on the principle of equivalence (Äquivalenzprinzip) whereby benefits are theoretically calculated according to the level of contributions a person has paid into the system, health insurance entitlement is the same for everyone, irrespective of contributions paid, in line with the principle of solidarity (Solidaritätsprinzip). In the case of all the various forms of atypical employment, we need to ask whether and to what extent the different risks are covered. It is also important to note that we are referring to entitlements resulting from a person's own work and not from the employment of third parties.

These criteria are partially interdependent. Thus, employability is a key requirement for income security both during and after a person's working life, while a person's income level determines the likelihood of them investing in their own human capital and hence the chances of them maintaining and improving their employability.

Atypical forms of employment are not automatically precarious, as is sometimes assumed in the public debate. Nevertheless, they do involve varying degrees of precariousness when assessed on the basis of the above-mentioned criteria (income security, employability, entitlement to social security benefits)³. The degree of precariousness is dependent on the form and duration of the atypical employment. In general terms, it can be said that internal flexibility, while not without its risks particularly with regard to income, is relatively more secure than external flexibility (above all in the form of agency work and fixed-term employment). In the context of the flexicurity debate, it is thus necessary to identify the

² It should be noted that not all normal contracts guarantee an income that enables subsistence (Bispinck/Schäfer 2004).

³ The definition of precariousness used here relates specifically to the concept of flexicurity and is thus somewhat narrower than that of, for example, Dörre et al. (2004), which includes some work content aspects.

precarious elements of atypical forms of employment in order to make proposals as to how this precariousness can be reduced.

Part 2: Empirical findings

Our empirical model does not cover all aspects of flexibility and security. Instead, it focuses on their main components, the external numerical flexibility (easiness of hiring and firing which is determined by the employment protection legislation), and some selected security items like unemployment insurance. It should be however emphasized that such a restriction does not prevent from capturing the main trends. Indeed, flexibility components, as well as security components, are likely highly correlated. For instance, one can hardly imagine a flexible hiring and firing norms coexisting with rigid working time regulations, or an advanced unemployment insurance coexisting with a poor health insurance. Therefore, the indices derived for selected components of flexibility or security can be regarded as quite representative.

Empirical study I: Flexicurity for all employed

In the most simple form, flexicurity policies can be depicted in the plain with axes "Strictness of Employment protection legislation" (EPL) and "Social security"⁴. The first indicator reflects the labour flexibility in the given country. The degree of flexibility depends on laws, which strictness has been estimated by the OECD (1999, 2004). Besides, the degree of flexibility depends on the type of the contract, so that different groups of atypically employed have different indices of EPL. The country's index is correspondingly weighted proportionally to the size of employment groups (yearly data on their size are available from EuroStat 2004). The indicator varies due to institutional changes (laws) and due to mobility between employment groups.

The indicator "Social security" integrates the estimates of different aspects of social security as defined by the OECD (2002); see also European Commission (2004). It is understood as a compound of five social security benefits:

- unemployment insurance,
- public pensions,
- paid sick leave,
- paid maternity leave, and
- paid holidays⁵.

The eligibility to benefits depends on the country's laws and on the employment status (= adherence to employment groups). The eligibility to social security benefits differ for different employment groups, which should be taken into account. For example, normally employed can be strongly secured and the atypically employed can be weakly secured. If the

⁴ Strictly speaking, the flexibility should be represented by several axes, corresponding to its classification in Table 2. Similarly, security should be represented by several axes as well. The given simplified model considers the relaxation of EPL as the main flexibilization constituent, and social security as the most important security component. This reduction is in particular due to the lack of relevant data.

⁵ Entitlement to paid holidays is usually not considered within the flexicurity debate. It is not quite logical. Securities are aimed at compensating income losses and exceptional medical and family burdens, including vacations. Therefore, no entitlement to paid holidays discriminates those flexibly employed who work few hours, under short-time contracts, or self-employed, which should be taken into account.

first group is large and the second is small then the social security of the society is quite high. However, if the first group is small and the second is large then, under the same juridical regulation, the social security level should be considered low. Therefore, the factual rather than intended social security in a country should be described by the weighted average Social security of the groups with the weights being proportional to their size.

Within the flexicurity debate, Klammer and Tillmann (2001, p. 514) and Hoffmann and Walwei (2000) provide a classification of types of employment with respect to four dichotomic indicators:

- (a) permanent/fixed-term,
- (b) full-time/part-time,
- (c) employed/self-employed, and
- (d) in agriculture/not in agriculture

For self-employed the discrimination between 'permanent' and 'fixed-term' is not relevant, and from $2^4=16$ employment groups it remains the following eight:

1. Permanently full-time employed
2. Permanently part-time employed
3. Fixed-term full-time employed
4. Fixed-term part-time employed⁶
5. Full-time self-employed in agriculture
6. Full-time self-employed not in agriculture
7. Part-time self-employed in agriculture
8. Part-time self-employed not in agriculture

Thus we obtain 8 employment groups in each of 16 countries, totally 128 groups⁷.

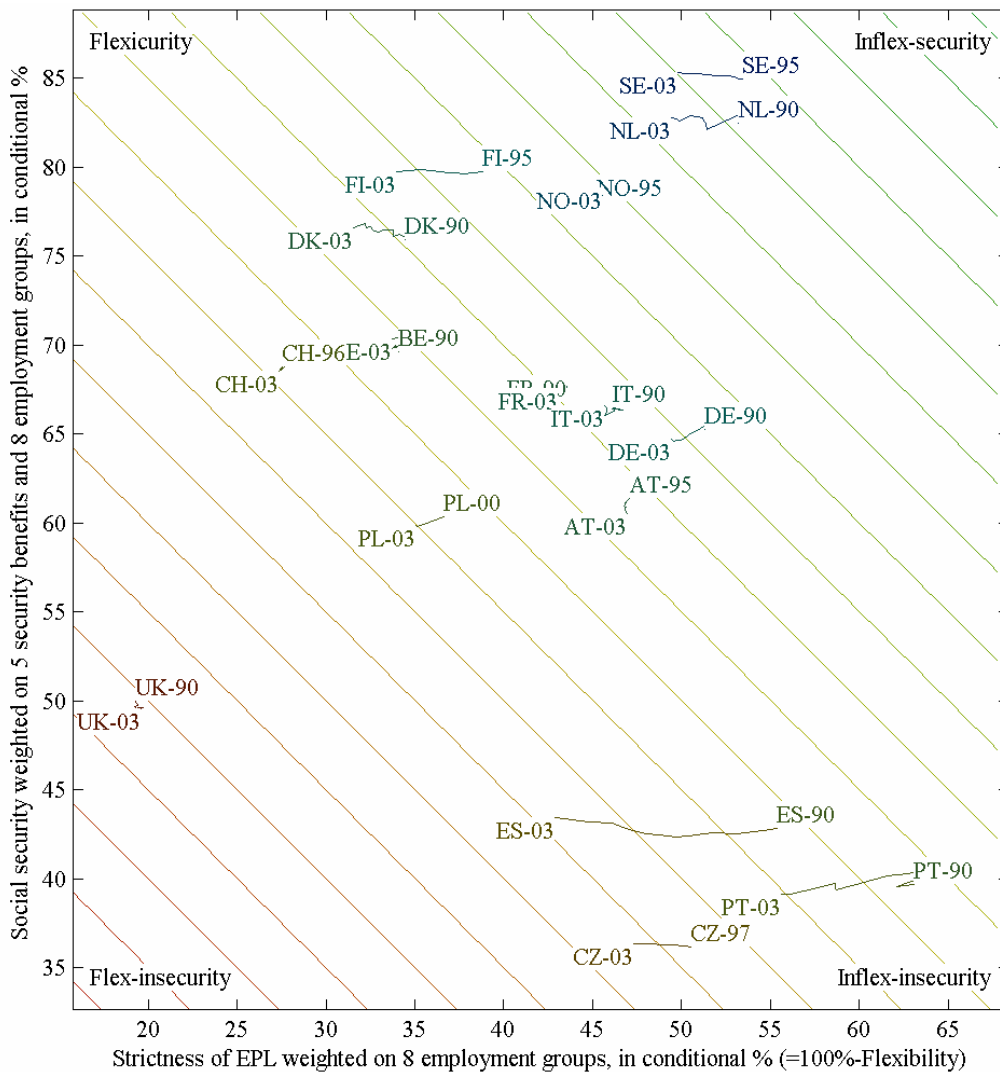
The country's composite indicator of social security is weighted proportionally to the size of employment groups. It also varies due to institutional changes (laws) and due to mobility between employment groups. For details see Tangian (2005a,b).

Figure 1 displays dynamical trajectories of European countries in the plane *Strictness of EPL–Security*. The simplest flexicurity trade-offs (equal compensation of increment in flexibility by an increment of security) are shown by diagonal isolines. The *flexicure* countries

⁶ Fixed-term part-timers with low income are sometimes singled out into the group of Mini-job-holders; see Keller and Seifert (2004, p. 240). We do not consider mini-jobs here, because they are ill-socially-secured, not sufficiently reflected in the available statistics, and because it is impossible to consider all minor forms of employment relations. The natural criterion of significant jobs is the tax liability which cuts mini-jobs off.

⁷ The authors cited consider no labour market outsiders as suggested by Wilthagen and Tros (2004). Respectively, we do not consider them here, also because flexicurity deals with the flexibility of *employment* relations.

Figure 1. Flexibility-Security trajectories in the background of diagonal flexicurity isolines



with a high flexibility and a high security are located in the top-left corner (Denmark and Finland). The *inflexicure* countries with a low flexibility (= high *Strictness of EPL*) and a high index of *Security* are located in the top-right corner of the chart (Sweden and the Netherlands). The only outlier in the left-bottom corner with high flexibility and low social security indicator is the *flex-insecure* United Kingdom. The bottom-right corner is occupied by *inflex-insecure* countries with a strict employment protection legislation and relatively little advanced social security (Spain, Portugal, and Czech Republic). Such a representation allows to introduce an operational definition of flexicurity (Tangian 2005a, p. 18).

Definition 3 (operational). *A flexicurity policy is a motion of the country's vector in the plane "Strictness of EPL" versus "Social security" in the direction of relaxing the strictness of EPL and increasing social security (in the 'North-West' direction) along an indifference curve of social utility.*

The social utility in the definition above induces the flexicurity trade-off between flexibilization and social security assumed by Visser and Hemerijck (1997, p. 44) and Wilthagen and Tros (2004, p. 171). Let us comment on it in some detail.

Recall that in a two-commodity space, a trade-off is an indifference curve along which a decrease in one commodity is compensated by an increase in another commodity. Our case

is shown in Figure 2. The frontal horizontal axis *Strictness of EPL* displays the strictness of employment protection legislation measured in some conditional %. The strictness grows from left to right, implying flexibility at the left hand and rigidity at the right hand:

$$\text{Flexibility} = 100\% - \text{Strictness of EPL}$$

The second axis *Security* shows the aggregated social security also measured in some conditional %. States of the society are depicted by points (vectors) in the two-dimensional plane *Strictness of EPL–Security*.

To speak of a trade-off, one has to assume a social preference. A preference is usually represented by a utility function which takes greater values at more preferable points and remains constant at equivalent points joined into *indifference curves* (= trade-offs). The indifference curves are but points of the same height on the utility hill. A flexicurity policy is imagined as a motion along one of such indifference curves towards a higher flexibility (= lower strictness of EPL), while the loss in the employment protection being compensated by a gain in the social security.

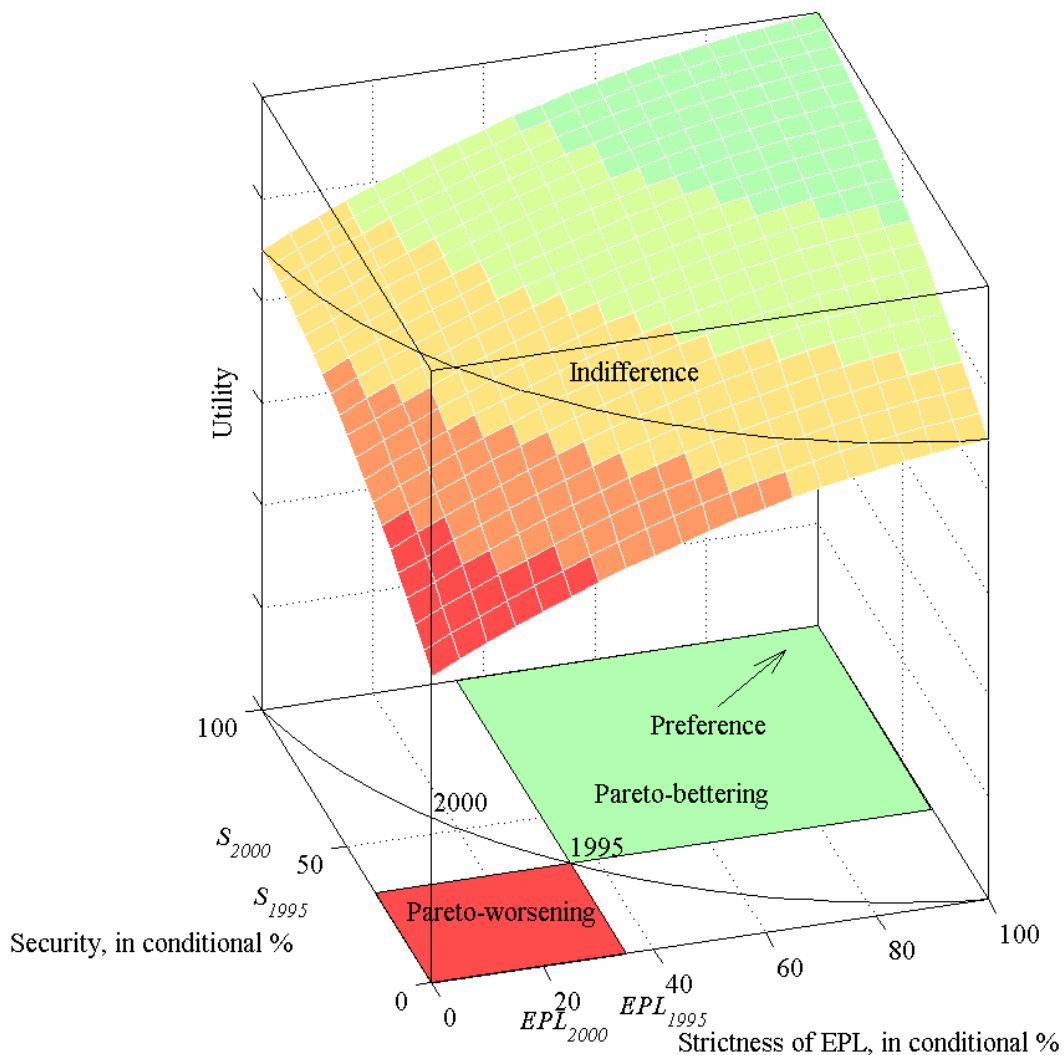
For, instance, suppose that a country in 1995 and in 2000 is characterized by vectors $1995=(EPL_{1995}, S_{1995})$ and $2000=(EPL_{2000}, S_{2000})$, respectively. If the flexicurity policy is implemented correctly then vector 2000 lies in the indifference curve through 1995 as in Figure 1. If vector 2000 lied in the red Pareto-worsening domain (more flexibility under no improvement in security) then it would mean that a deregulation-only policy takes place.

Now let us return to Figure 1. All directions between ‘West’ and ‘South’ in Figure 1 correspond to Pareto-worsening in Figure 2 (red domain, no improvement in both factors). Since, with the only short-time exceptions for Denmark and Netherlands, all trajectories are directed towards ‘South’, ‘South-West’, or ‘West’, **the deregulation-only policies are unambiguously prevailing, whereas the much promoted flexicurity is practically invisible**. Note that this conclusion is valid for **any** social utility function. Consequently, we even do not need to reveal it.

No increase in the *Security* index is observed in all the countries with the only exception for the Netherlands in the late 1990s. It does not necessarily imply that there are no improvements in national social security systems all over Europe. The explanation is that an increase in flexible employment disqualifies more workers from social benefits. Recall that the indices *Flexibility* and *Security* are weighted, reflecting the average factual situation in the country. Flexibilization lowers down the *average* employment status and, also *on the average*, disqualifies workers from social benefits, thereby lowering down the factual security. Consequently, even a developing social security system can fail in increasing the *Security* index if the flexibilization is followed with a delay and if eligibility conditions are fitted to outdated norms.

The impact of flexibilization on the factual state of security is observed in Germany, where a relaxation of EPL since 1991 caused a reduction of the share of normal employment from 71 to 62%. Since fewer employed got qualified for high security benefits, the factual security decreased by 1%. Thus an increase in *Flexibility* was aggravated by an implicit decrease in *Security*, by the principle ‘who does not swim drowns’. (A similar relaxation of EPL in Spain did not cause structural changes in employment as in Germany, because the share of normally employed in Spain was already as low as 50% and did not decrease further.) Some countries develop their social security systems but manage only to ‘run in place’ against the counter-flow of flexibilization. For instance, the share of flexibly employed in Portugal decreased since 1992 from 65% to 56%, but the *Security* index remained unchanged. Thus, security measures intended to compensate a growing flexibilization can suffice only to retain the existing security level but not to pursue a flexicurity policy. **To be a real counterbalance**

Figure 2. A flexicurity policy along a tradeoff 'Flexibility versus security'



to flexibilization, the security system must be itself flexible and double-generous with increasing compensatory capacities and relaxing eligibility conditions.

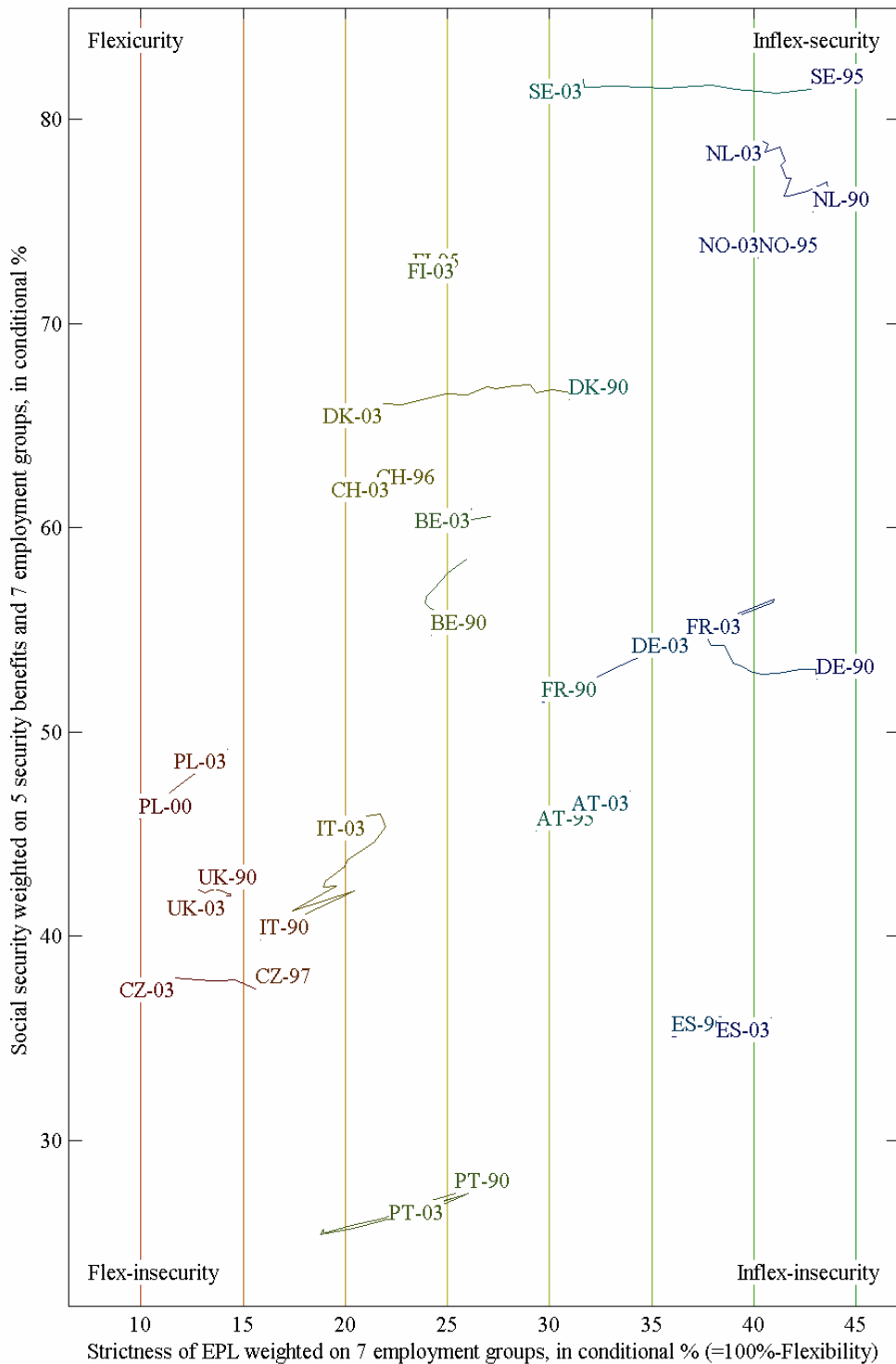
Empirical study II: Flexicurity for atypical employment

Consider atypical employment only. The indicators "Strictness of EPL" and "Social security" are calculated in the same way, omitting the group of "normally employed" (permanent full-time). The dynamical country trajectories are shown in Figure 3.

The vertical indifference isolines relate to the first-priority component (EPL) in the trade-unionist preference (giving labour rights for social benefits is not appropriate, hence the preference is lexicographic, showing that up-downward changes of security are not important). Any deviation of policy trajectory to the left is unfavorable for trade unions, and an upward increment is appreciated if only the horizontal increment is negligible.

There are clear manifestations of flexicurity policies during the control period 1990–2003. The decisive indicator *Strictness of EPL* increased in France (from 29.6 to 39.4%), Italy (from 15.9 to 21.0%), Spain (from 36.0 to 40.9%), Austria (from 29.3 to 34.0%), Poland (from 10.0 to 14.3%), and Belgium (from 24.2 to 26.2%). The general security of flexible employed has improved in some of these countries as well, like Italy (from 39.8 to 45.9%),

Figure 3. Flexibility-Security trajectories for flexibly employed in the background of vertical flexicurity isolines of first priority



Belgium (from 54.7 to 61.0%), France (from 51.5 to 55.7%), Poland (from 45.7 to 49.1%), and Austria (from 45.2 to 47.1%). The progress in Poland is especially remarkable, because it occurred within only four years 2000–2003 of availability of Poland’s statistical data to the EU.

However, in many cases this increase is not due to a better employment and social protection of flexibly employed. To a great extent it is due to the increasing share of permanently part-time employed. More and more young people and women sign part-time contracts, thereby reducing the share of normal employment (Austria, France, Belgium,

Poland). Another factor is the decreasing share of self-employed since they close their business and become employees (France, Austria, Belgium). Thereby the share of better employment/socially protected within flexibly employed increases and their average employment and social security status grows.

The greatest degeneration in social utility due to a decrease in the decisive indicator *Strictness of EPL* (again, we speak exclusively of flexibly employed!) is inherent in Sweden (from 42.8 to 31.6%), Denmark (from 31.0 to 21.9%), Germany (from 43.1 to 36.9%), Czech Republic (from 15.6 to 11.7%), the Netherlands (from 42.9 to 40.5%), and Portugal (from 25.4 to 24.9%). As for compensation of these degradations by security measures, there is no sense to discuss it as long as the trade-unionist lexicographic utility is considered.

The degenerations are also often caused by transitions between employment categories rather than by institutional changes. In Sweden the share of best-protected permanently part-time employed decreased from 18.3 to 14.1%, and in Denmark from 19.5 to 17.3%. In the Czech Republic the share of well-protected permanent part-timers decreased not much (from 3.1 to 2.3%) but the share of self-employed, who are not protected by labour laws, increased (from 10.7 to 15.3%). Thus the average employment status within flexibly employed decreased and the average employment protection of flexibly employed decreased respectively.

The changes in the indices for flexibly employed should not be misinterpreted. A great deal of changes are caused by transitions between employment categories. The indicators only reflect changes within flexibly employed, disregarding normally employed. Therefore, an eye should be kept on the dynamics of employment categories. If the strictness of EPL for flexibly employed increases but of all employed decreases then, most likely, the share of normally employed feeds the share of flexibly employed with a higher employment status. In actuality, however, the price of certain advantages for flexibly employed is non-comparable with disadvantages for regularly employed. The latter are so significant that the general average trend is essentially negative. This disproportion in flexicurity advantages/disadvantages is unambiguously illustrated in Figure 1 which reflects the factual situation of all workers in general. This means that **relatively few flexibly employed gain little from significant losses of much more numerous normally employed.**

Conclusions

The given study allows to conclude that the German development, with which the authors are most familiar, are more or less inherent in other European countries as well. The politically-motivated promotion of atypical forms of employment has given rise to a number of labour market and social security problems related to the degree of precariousness present in this type of study. Further training is increasingly important owing to structural change, and people in atypical forms of employment have less access to it than people in standard forms of employment. Meanwhile, this type of employment also means that people end up with inadequate pension entitlements. It is true that, as has been shown, these failings do not affect all atypical forms of employment to the same extent. However, overall it can be argued that the rise in flexible forms of employment has been accompanied by lower levels of social security protection, by lower level of wages and lower access to further training. In the long run, this could also have a negative impact on the efficiency of the labour market because of a shortage of qualified labour. The risks increase the longer persons remain in atypical forms of work.

The concept of flexicurity aims not to reduce flexibility but rather to diminish the precariousness associated with it. In the case of atypical forms of employment, there are two obvious strategic approaches to pursuing this goal. The first is to attempt to use forms of internal flexibility instead of external flexibility wherever possible (e.g. working time adjustments introduced to secure jobs or working time accounts instead of temporary agency

workers or fixed-term contracts). The second is to use flexicurity measures (e.g., minimum wage, basic pension, entitlements to further training etc.) to reduce the precariousness associated with atypical forms of employment (Keller/Seifert 2002).

Low incomes are already being supplemented by transfer payments in order to ensure that they attain subsistence levels. Furthermore, the right to return from part-time to full-time work as introduced in the Netherlands offers another way of tackling income security problems, although this is not provided for by the German Act on Part-time Work and Fixed-Term Employment. As far as fixed-term employment is concerned, income security is only a problem in certain specific circumstances, since short periods of unemployment can be covered by unemployment benefit entitlements. Meanwhile, the recent collective agreements, if properly implemented, promise to reduce the income disparity hitherto experienced by temporary agency workers.

Access to further training is key to maintaining an individual's employability. Possible approaches to tackling further training problems could include giving all the workers in a company the right to receive training, the promotion of publicly funded training, or organising training at a supra-company level. Organising their own training is problematic or simply not an option for many people who lack the resources to do so, either because of their low incomes or also because of their unstable employment situation which may be punctuated by lengthy periods of unemployment. The restricted access to further training experienced in practice, for example, by part-time workers could be tackled by introducing opportunities of universal access, particularly through collective agreements. Offering further training to people while they are out of work in the gaps between fixed-term contracts would help to create a workforce capable of meeting changing skills requirements. Further training for temporary agency workers would be best tackled by the creation of sectoral training funds (Branchenfonds) (Unabhängige Expertenkommission 2004, p. 241). These proposals as well as some of the following arguments mostly reflect a German perspective but they remain valid also for other European countries.

As far as social security is concerned, the forms of atypical employment enjoy different levels of protection, with temporary agency workers at the top and people in petty employment at the bottom of the scale. Solutions inherent to the system (e.g. regarding the danger of part-time workers suffering poverty during old age) could be based on flexible entitlements that would allow the acquisition of pension entitlements over a defined number of years for people in forms of employment in which they pay few contributions. This would mean that breaks in employment for whatever reason (e.g. having a family or further training) would no longer result in substantial reductions in pension entitlement (Langelüddeke et al. 1999; Rabe/Langelüddeke 1999). A more far-reaching option is provided by basic minimum income models as seen, for example, in Switzerland (Brombacher-Steiner 2000).

Little or no attention has been paid in the current debate to the question of which costs of atypical employment are externalised either through inadequate pension contributions (Steiner/Wrohlich 2005) or through the lack of contributions to unemployment insurance. Unless it succeeds in its ambition to create more jobs, the short-term promotion of these forms of employment will in the long term undermine pension funds. At the same time, it will reduce the ability of an increasing number of employees to make their own provision for retirement.

The answer to the externalisation question depends principally on the additional or net employment impact of atypical work. This is well quantified empirically. The substitution effects that arise as a result of the replacement of regular jobs by jobs with a lower employment status (Schupp/Birkner 2004; Steiner/Wrohlich 2005) or temporary agency work (Promberger 2005) lead to a loss of revenue for the social security system.

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