Flexicurity as a Policy Agenda

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A remarkable success, not without criticisms and scepticism

The numerous declarations, communications and decisions made by the EU Commission as well as the many reports and articles written by Europeans on flexicurity bear witness to the success of this concept, at least on paper. Even in the US the Danish model has been enthusiastically discussed by prominent commentators and economists, such as Robert Kuttner and Dani Rodrik. The concept is now well-known worldwide, and seminars on flexicurity have taken place in such diverse countries as Argentina, China, India and Vietnam. More importantly, flexicurity is now the overriding guideline for labour market reform in the EU. Research and policy action following the "common principles of flexicurity" that were adopted by the Lisbon ministerial council in late 2007 have been increasingly funded by EU sources.

Despite this increasing institutionalisation and support from many quarters, there are also critical voices, both from academia and from the unions. Recently the Swedish labour economist Lars Calmfors wrote a critical review of the concept and found that important trade-offs are "swept under the carpet", maintaining the illusion of a win-win situation. He underlines the danger "that the practice of trying to subsume a number of different policy approaches under the common heading of 'flexicurity' leads to less clarity regarding the policy options" (Calmfors 2007).

Numerous attempts have been made at clarifying the various interpretations, meanings and uses of the term (e.g., Jorgensen and Madsen 2007; Wilthagen et al. 2007; Schmid 2008). In this article flexicurity will be seen as one of several policy agendas currently being discussed and its place amongst these investigated. This departure point has two main advantages. First it directs the attention towards the very nature of the flexicurity approach, which is neither a fully integrated theory nor a set of independent policy prescriptions. Second, it reintegrates it into a wider policy debate, which has been dominated for a long time by the demand for more flexibility and reactions to that demand.

The nature and rise of policy agendas: a problem of "soft co-ordination"

Regional groupings comprising countries that are jealous of their prerogatives and room for manoeuvring, as is the case in the EU, presently rely on the subsidiarity principle and on "soft" laws. This is not true for all areas,[1] but in particular for social, employment and labour market policies and reforms. In this context "soft" steering devices like the "open method of co-ordination" and "bottom-up policy implementation" (with an active role played by national/local actors at every level of responsibility) are a politically feasible approach that enables countries to develop their own approaches. This also applies to international organisations that often have virtually no hold on their member countries other than peer pressure, except in areas were binding minimum rules and follow-up are agreed upon. Policy agendas and strategies are usually not binding, but it may be possible to achieve some convergence in policies by setting targets and by developing guidelines and recommendations. While the European Employment Strategy is the most developed of these strategies, there are similar strategies at work in other international arenas, such as the OECD Jobs Strategy (1994, reassessed in 2006) and the Decent Work Agenda of the ILO of 1999, which also has an employment strategy arm, the Global Employment Agenda.

These "strategies" and "agendas" go beyond a simple collection of proposed measures with a timetable (a "plan") and propose an organised set of reasons and measurements underlying several measures and "plans". They are not directly deduced from one precise and unique theoretical perspective, nor do they simply arise from practice and experience. Policy agendas may be considered an *intermediate* body of more or less strictly interrelated arguments that point to one broad policy direction and classify priorities accordingly in a more or less strict hierarchical order. A set of policy perspectives can become a policy agenda if three conditions are met:

i. It develops ends, means, targets and indicators;
ii. It integrates those four elements into a autonomous strategic approach;
iii. It imposes, through these elements and their justifications, evidence in favour of one particular, but broadly defined policy option.

Policy agendas may be seen as deliberate interventions aimed at transforming existing systems of references in a given field and pointing them in a new direction. They provide a form of cognitive evidence using concepts, values and evaluations. They are developed by experts and policymakers and are refined through debates; they appear in a pluralistic context because they are diverse and perhaps compete with each other.

Four policy agendas

In the field of labour market and social policies, flexicurity coexists with at least three other agendas: flexibility, capabilities and transitional labour markets.

Flexibility

Neo-liberalism is acknowledged by many to be a dominating[2] reform agenda that entails administering strong doses of flexibility as a cure. Since the 1980s, the claim has been that in a period where all other markets (goods, services and financial) are increasingly liberalised, the labour markets cannot remain regulated, as changes in the other three will spill over to them. According to this view, the markets (workers) have to adapt and the preferred adaptation channel, in the absence of total wage flexibility, is the (external numerical) mobility of workers and smooth worker reallocation, preferably unhindered by government intervention.

The US labour market still holds as a model for this approach. The *World Economic Outlook* (IMF 2003) predicted gains in growth and employment and decreases in unemployment if Europe chose to adopt US type low labour market level regulations. A low level of regulation is also a condition for being well ranked on the World Bank's doing business indicators (World Bank, 2004–08). Of concern here in particular is the Employing Workers Indicator (EWI), a set of regulations concerning flexibility/rigidity in terms of working hours and hiring and firing. These indicators (and the ranking) very strongly suggest that labour market regulations are a pure cost of doing business. As a result of the EWI ranking, the old American flexibility/European sclerosis debate has resurfaced. For example Germany and France are ranked 137 and 144, while the US is number 1.[3]

The flexibility reform agenda treats the exchange of goods on the labour market just as any other good. As a result this agenda is not concerned with worker's employment security or (wage) distribution policies as they would distort the market. The proponents of the flexibility agenda might not be particularly anti-worker (but anti-union, certainly) because in their equations more flexibility equals increased workers' welfare: benefits will simply trickle down as a result of improved economic and labour market performance ensuing from the enhanced adjustment capacities of labour markets. In short: "Easier firing brings about easier hiring". The market will bring the best of all worlds, whereas interventions to correct market failures will not work, leaving little space for polity, policy and ethics. Surely this picture is a caricature of the complexities of thoughts and methods that the proponents of flexibility have developed, but at the core, such thinking prevails.

Capabilities

The flexibility agenda ignores the particular "good or service" that is exchanged on labour markets, which cannot be isolated from the individuals that offer their services for money. They and their families' livelihood as well as their psychological, social and economic well- being are in fact dependent on what they earn.[4] This leads us to the second reform agenda, which is based on something quite different, namely on capabilities. This approach is oriented towards developing countries, although the concept claims universal application as can be seen in the

Human Development Indicators, which are also relevant for developed countries. It appears to be based less on labour market and employment issues, but more on basic needs and social justice.

It sets a list of priorities established independently from how the labour market functions: health (life expectancy), wealth (per capita income in PPPs) and education (enrolment and literacy rates). These three main issues comprise many additional criteria, such as housing, literacy, access to water and schooling, active participation in political and social life, also with respect to gender, etc. All these factors may be seen as preconditions for a sustainable social and economic life, and are, of course, developed independently by specialised agencies and government departments of each individual country. The objectives set up for various actors, such as social workers, are based on them. One can speak of an agenda when these elements are combined in an integrated way. Although oriented more towards the world-of-work, the Decent Work Agenda of the ILO (ILO 1999) often refers to this approach.

The theoretical reference is the "basic need" concept established by the ILO, which has given way to a "capabilities" theory. It focuses on a specific kind of equality that draws on the use of both resources and capacities provided by both physical and cultural conditions. The capability of using "substantive freedoms" to achieve well-being (welfare) is at the core of this doctrine (Sen 1985 and Nussbaum 2000). Martha Nussbaum (2000) has shown what kind of capabilities are at stake (e.g., life, health, affiliation, control over one's environment, etc.). The human development indicators that were developed following the ideas of Armatya Sen (Sen 1982) are based on the three main areas cited above (wealth, health and education).

Flexicurity

Flexicurity was originally developed as an alternative concept to the "flexibility only" mantra of many stakeholders together with other concepts such as Transitional Labour Markets. Dating back to the Dutch debates about temporary work (1997), it developed out of a concern that flexibility could undermine security if institutions are not made compatible with changes in the labour market. Changes towards more flexibility, which are either deliberately sought[5] or already existing,[6] should be compensated or accompanied by better (new or reformed) security devices inside and outside firms. The concrete forms of the institutions outside firms' internal labour markets are subject to debate, but there is some agreement that unemployment benefit schemes, education and training, work and training schemes, job counselling and worker's accompaniment and placement, workers reallocation in restructuring situations, etc., are the core providers of this external form of security. The concept also emphasises negotiations between the social partners as the main avenue to manage change.

There are more or less encompassing concepts of flexicurity (Gazier 2008). Sometimes the concept is in a "reduced form", comprising a "golden triangle" of external adjustment between (loose) employment protection, generous unemployment benefits and active labour market policies negotiated by the social partners (e.g., the Danish model as in Madsen 2003). Sometimes it includes a whole array of institutions and social rights as in the recently developed concept of the "common principles of flexicurity" of the EU Commission (EU Commission 2007). The common principles comprise new contractual arrangements, active labour market policies, life-long learning and a modern social protection system (which in itself is composed of an array of policies). Emphasis is also placed on the negotiation of policy combinations through dialogue between the social partners. It includes internal and external flexibility, insiders and outsiders, and should be gender sensitive and cost effective.

Economically and ethically, flexicurity is interpreted, allowing for some adjustment, as a win-win game because it also provides security to workers. An important ethical dimension of this approach involves the rights and duties of the social partners, and therefore individual responsibility. Economics needs politics for equitable outcomes, and there is a belief that it is possible to correct or at least accompany the market.

Transitional labour markets

First formulated in 1995, Transitional Labour Markets (TLM) refers to the development of a systematic and negotiated management of "transitions" in and around the labour market. "Transitions" are understood as any sequence in a personal and professional career (Schmid and Gazier 2002).

While the "flexicurity" roots are dominantly economic and sociological with a strong connection to labour law[7] and an ethical dimension in the form of rights and duties, the TLM roots are more diverse and integrated. It is based, as is the flexicurity approach, on the economics of institutions and human resource development, political science and on Schmid's (and also Auer's) former work, which dealt primarily with policy congruence and complementarities. Ethics, especially questions of equality, equity and justice, play a large role in the TLM approach as well.

The research conducted on labour market policies, both active and passive, has had considerable impact on both flexicurity and TLM. The perception of "transitions" in and around the labour market as a system, typical of TLM, emphasises the interdependency between broad activity spheres, such as education, job searching, domestic and benevolent tasks, and retirement. This view has recently been based on a more micro approach: social risk management (Schmid 2006), which focuses on the different "framing" of risk perception by actors.

The TLM approach takes into account the domestic sphere as a major component of the system of interdependent transitions. The connection to the sociological approach referred to as "life course" (Anxo and Erhel 2008) is obvious. All this leads to a stronger emphasis on equality, especially on gender equality, as a central goal and on the long-term consequences of transitions. The relevant indicators include many of the preceding indicators assessing workers' security as well as the labour market adaptability, but also transition indicators such as transition matrixes, showing whether individuals are trapped into dominated and precarious positions or whether they benefit from opportunities to find better jobs and perform chosen activities.

In regional terms "flexibility" is closely linked with the US labour market and how it compares to European labour markets. "Flexicurity" and TLM have their regional origin in the analysis of the labour markets of "old" member countries of the EU, and a critical assessment of their success and failures (Auer and Gazier 2006). This analysis has been extended to include transition economies, most of which are now member countries of the EU (Cazes and Nesporova 2007).

Overlapping, external position and internal consistency

This short content analysis shows that many elements (ends, means, indicators and targets) are common to our four agendas. Even if they have reached very different stages of development, there appears to be a kind of continuum. If we start with flexibility, flexicurity can be seen as an agenda that accepts some of the priorities of the former while relying on negotiations between social partners for enriching, implementing and compensating them. The concerns of flexicurity are largely shared by the TLM agenda, which, however, insists on the deliberate management of non-paid work and of all the interdependent spheres of activity. This leads to the "capability" agenda, which focuses on the deliberate management of the preconditions and consequences of work, either salaried or not.

Besides competition between the agendas, there is also some degree of overlapping, evident in the common use of several theoretical references. Sen's approach is important for TLM, and the analyses in terms of "matching" or labour market segmentation provide resources for the flexibility approach as well as for flexicurity and even TLM.

Key differences are to be found in the emphasis and the ranking of causalities or priorities. While a more precise assessment requires additional research, it is possible to identify two main sources of diversity in these political agendas: the first is their external connection to more global agendas; the second is their internal consistency and degree of homogeneity.

As regards the external connection, let us consider the importance placed on flexicurity in two wider policy approaches developed by the European Union and the ILO. In fact, flexicurity includes all four objectives of the Decent Work Agenda (worker's rights, employment, social protection and the social dialogue) and is part of the Global Employment Agenda of the organisation. Indeed, decent work is the overall ILO strategy for improving worker's rights, employment and working conditions in the world. The overall strategy of the European Union is the EU's Lisbon Agenda, a broad strategy with the ambitious objective of transforming Europe into "the most productive knowledge economy in the world by 2010". It includes all economic and social policies that might contribute to this aim. The Lisbon Agenda also has some sub-strategies, such as the European Employment Strategy, which encompasses flexicurity.

The main part of the Lisbon Agenda includes a macroeconomic strategy for its 27 member states that aims at some economic (and social) convergence. It has specific economic targets and to ensure their achievement, a variety of sanctions. It has some convergence instruments at its disposal, such as Structural Funds. This economic dimension is missing from the ILO agenda. The overall integration of economic and social policies that the ILO supports at the country level is achieved at the multilateral level by all agencies (and their co-ordination) in the multilateral system. As a consequence, flexicurity is in both cases a partial and a dominated agenda, a means rather than an end.

As regards internal heterogeneity, we have already observed that policy agendas are not unified theories but more or less complex sets of arguments, most often based on several theories. They may appear to be at quite different levels of sophistication and exhibit more or less internal consistency. If we consider flexibility, the emphasis is initially put on prices and wage adjustments because they represent the core market process. But as reality proves "sticky", external numerical flexibility emerges as a second-best priority, and this leads to a more complex and less stable agenda. In the capabilities approach, the way labour markets are understood and managed is something like a black box, even though Sen's concepts are easily applied to salaried work and take into account the need to focus on such basics as health and livelihood in a global context.

How flexibility and security can be efficiently combined is a question that remains unanswered, even though flexicurity deals with this issue in a case-by-case approach and TLM analyses can provide useful insights. In the end we face the tricky question of causality: if good performance is observed, either in the labour market or with respect to incomes and the health of the workers, is it caused by the policy proposals derived and implemented from a given agenda or is the reverse true, i.e., that some countries with good results can afford complex or socially demanding policies? As regards flexicurity and the success of the Nordic European countries, was it the particular policy of negotiated flexibility and security that made adjustments and developments possible or was it the income and income distribution derived from sound economic policies that made it possible to develop flexibility/security policies that finally interacted positively with economic development in this phase of globalisation?

Is the success of flexicurity sustainable?

The success of flexicurity as a buzzword and a policy agenda seems related to its intermediate stance between adaptation to market pressures while maintaining employment, income and employability security and capabilities. A contributing factor to its success is also that flexicurity is not a model of labour market organisation that is shaped by market forces alone, but that it is a negotiated trade-off and thus tries to transform a trade-off into a complementarity. Even if firms need security (and workers some forms of flexibility), the main point is to negotiate more flexibility for firms and an increase in security for workers.

In terms of labour market success, countries that are said to have been able to organise their labour market in a way that allow for adjustment and security are usually top performers. Countries like Denmark, the Netherlands but also Sweden, Finland and Austria appear to perform better, when both economic and social indicators are measured. Countries that are usually ranked as "flexibility pure"[8] perform well economically but do not perform as well in terms of poverty and income equality. Flexicurity and TLM seem therefore to be more in line with the goals of the capabilities approach.

In analogy to the financial systems, which today obviously need more regulation to avoid capital depreciation, a pure flexibility policy for workers may likewise lead to the depreciation of human capital. However, too much regulation would bear – in the financial sector – the danger of overtightening credit access for firms and consumers, perpetuating the crisis rather than solving it. Smart regulation would be the answer and smartness would imply taking into consideration flexibility and security needs of the financial system.

However, even if labour markets are not comparable to financial markets,[9] the re-regulation of the labour market is also seen by many as the solution to end the turmoil. Again, while it might be time to focus more on employment security, adjustment flexibility is also needed in the labour market. If it is not negotiated, the markets will create it, probably in a negative way. So this is also the time for the social partners to bargaining for win-win solutions on the labour markets that consider both the real need for economic adaptation and for income, employment and employability security for workers. Rather than scrapping flexicurity, solutions should be found that are compatible with the ups and downs of economic life but that reduce the resulting ups and downs in social life.

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[1] Especially the Stability and Growth Pact criteria are stricter, as is European legislation in many areas, also in the social and labour market field.

[2] The dominance of a "doctrine" is difficult to establish. For example, one of the proponents of what many would call the leading doctrine, economic liberalism, Nobel prize winner James Heckman, criticizes the "prevailing view" in "institutionalists" like Freeman or Abraham and Houseman, who contend that labour market regulations do not cause high unemployment (Heckman and Pagés 2000). It seems that both sides make the claim that one doctrine (market vs. institutions) is dominant.

[3] The unweighted ranking of all 15 European countries is 96, the average rank being pushed up by the high marks given to Denmark and the UK.

[4] The ILO's constitution from 1919 asserts that "labour is not a commodity".

[5] As seen in Wilthagen (2005), and partially also in the TLM and the capabilities approach.

[6] This rather "fatalist" view is implicit in Auer (since 2003) and others, although scepticism towards the changes in the labour market due to globalisation remains, because stability in employment relations is also a fact of economic life (Auer and Cazes 2003).

[7] Labour law, in particular laws regulating hiring and firing, is, of course, important for all approaches.

[8] This is, of course, an exaggeration. The US and to a greater extent the UK and Ireland also have social policies, albeit not as developed as in the Scandinavian countries.

[9] Cf. again the ILO constitution of 1919.