

Between innovation and ambiguity The role of flexicurity in labour market analysis and policy making

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1. Introduction

Over the last few years, ‘flexicurity’ has become a core concept in the European labour market debate. Both in the academic literature and in the political arena flexicurity has been widely discussed as a possible new approach to improving labour market performance and combining economic and social objectives. In this paper we shall argue that flexicurity has indeed added a number of positive elements to this debate, in particular by promoting a more holistic approach, providing a useful analytical tool and turning some neoclassical assumptions on their head. At the same time, we shall argue that flexicurity appears ill-defined and highly ambiguous concerning its role in informing policy. Often, flexicurity proponents explicitly argue that this is a deliberate choice that strengthens the holistic and inclusive character of the flexicurity approach, as well as its applicability to diverse empirical situations. Nevertheless, it will be shown that in the European political arena this ill-defined concept has so far failed to create consensus on political choices, leading to its instrumentalisation by traditional views and interests.

The structure of the paper is as follows. In the next section we shall discuss the contribution of flexicurity to the broadening of the labour market debate. In Section 3 we shall examine the extent to which the flexicurity concept effectively manages to inform and guide policy makers and politicians. Section 4 discusses the European-level flexicurity debate and shows that there is conflict rather than consensus concerning the shape flexicurity strategies should take. Section 5 concludes.

2. Flexicurity: broadening the labour market debate

2.1 The bankruptcy of the neoclassical view and the emergence of the EES

In the 1980s and 1990s, the labour market debate was to a large extent dominated by deregulation. Spearheaded by the ‘Chicago Boys’ and the OECD, and basing itself on theorising rather than empirics, it was argued that labour markets should function as much as possible as neoclassical markets. The OECD Jobs Studies (OECD 1994), the dominant policy paper of those days, argued for extensive deregulation and flexibilisation of the labour market. It was based on the assumption that, by and large, all forms of employee protection and social security interfere with the proper functioning of the labour market and so, in the end, negatively affect economic growth and employment creation.

Similarly, the project of European integration had been based largely on ‘negative integration’, that is, on market creation through the elimination of national-level obstacles to the ‘four freedoms’ (free movement of capital, goods, services and people) and the fostering of competition (Scharpf 1996, 2002). ‘Positive integration’ – that is, the development of common European policies to shape the conditions under which markets operate – had been much more limited (*ibid.*). In addition, in spite of widespread unemployment, the labour market was very low on the EU’s priority list until the mid-1990s.

Empirical reality refused to conform to neoclassical theoretical reasoning, however, and deregulation did not deliver the promised results in terms of employment. The countries that managed to improve their labour markets in the second half of the 1990s were small countries such as Austria, the Netherlands, Denmark and Ireland, hardly examples of

extensive deregulation and rather characterised by a balance between economic and social goals and by a strong social dialogue (Auer 2000). Indeed, it increasingly became clear that in fact very little robust knowledge existed on the relation between labour market institutions and labour market performance (Freeman 2005). The neoclassical view of the labour market was increasingly exposed as a fallacy and even the OECD itself started to retreat from many of its traditional positions. For example, by the end of the 1990s, the OECD started to admit that there is no clear relation between the level of employment protection (dismissal protection) in a country and its level of unemployment (OECD 1999, 2006).

At the same time, the lack of European attention to social issues in general, and the unemployment problems many countries faced in particular, came into contrast more and more with the EU's drive for further economic integration. As a result, the Delors Commission introduced the notion of the European Social Model (ESM) and argued that one of Europe's particularities is the equal importance it gives to economic and to social objectives, as well as the belief that employment and social policies are an integral part of economic policy and an important factor of production (Jepsen and Serrano 2005; Rogowski 2008). Where employment policy is concerned, a European advocacy coalition pushing for a more active role for the EU in employment policy consolidated, leading finally to the inclusion of an employment chapter in the 1997 Amsterdam Treaty and the emergence of the European Employment Strategy (EES) (Zeitlin 2007; Mailand 2006).

The EES, as a new, soft type of governance, does not impose specific rules and regulations at national level. Basing itself on the Open Method of Coordination (OMC), it aims to strike a balance between European integration and national diversity by encouraging convergence of objectives, performance and broad policy approaches, but not of specific programmes, rules or institutions (Zeitlin 2005: 448). At the European level, common objectives, guidelines and indicators for monitoring are set and specific recommendations towards individual Member States can be made, but actual policy decisions are left to national actors. The OMC also promotes learning and benchmarking, as well as the incorporation of a broad range of actors in its processes, so increasing their legitimacy and effectiveness. Moreover, the Commission regards the EES as a means of framing and structuring the debate on employment policies in Europe by disseminating cognitive models and concepts, comparing performances in the different Member States and identifying 'best practices' (Keune and Jepsen 2007).

2.2 Flexicurity: an innovative contribution

Flexicurity entered the European debate in the early 2000s. The concept of flexicurity, first used in the Netherlands in the mid-1990s, represents two major departures from the European labour market debate of the 1990s. One is that it promotes a holistic approach to labour market analysis. Instead of the one-dimensional orthodox approach that limits itself to discussing the need for labour market deregulation and the obstacles to such deregulation, it presents a view of the labour market as the interplay of a number of different types of flexibility and security (Table 1) (Wilthagen and Tros 2004).¹ The flexicurity approach argues that it is the combined effect of these different types of

¹ The types of flexibility and security presented in Table 1 are those generally used in the flexicurity literature. They are not exhaustive, however.

flexibility and security that determines the functioning and performance of the labour market. In this sense, the flexicurity approach offers a useful holistic tool for analysing and comparing the governance and institutional dynamics of labour markets.

Table 1: Combining flexibility and security

Flexibility/security	Job security	Employment security	Income security	Combination security
External-numerical flexibility				
Internal-numerical flexibility				
Functional flexibility				
Wage flexibility				

Note: see Annex Table 1 for a definition of the various types of flexibility and security.

Source: Wilthagen and Tros (2004: 171).

Closely related to this, the flexicurity approach aims to overcome the traditional contraposition of labour market flexibility and security. Rather, it is argued that instead of being contradictory the latter can also be mutually reinforcing (see, for example, Wilthagen and Tros 2004; Wilthagen 2005). Inherent in the term is that more labour market flexibility does not necessarily mean less security and that more security does not necessarily limit flexibility.

This is not a new idea, of course. For example, a similar logic was already present in the work of Gösta Rehn (1988). The Rehn model claims that high flexibility and mobility of workers, combined with full employment, ensures flexibility to enterprises and high levels of security to workers. He further argued that those who become unemployed should be provided with active and passive labour market policies to stabilise their income situation and enable them to find new employment. The model thus combined extensive external (dismissal) flexibility and geographical mobility to the benefit of employers, with the security for employees provided by full employment, unemployment benefits and active labour market policies.

Another, totally opposite example would be the traditional German model of diversified quality production (DQP), which, where labour market institutions are concerned, builds on strong job security, continuous skills upgrading and high internal and functional flexibility (Sorge and Streeck 1988; Streeck 1991). Here, high job security acts as a ‘beneficial constraint’ (Streeck 1997, 2004), as an incentive for employers to invest more in the knowledge and skill of their workforce and to develop strategies of internal flexibility. This would be a way of achieving competitiveness based on the full use of human resources. In addition, DQP underlines the importance of codetermination and collective bargaining as means of reconciling workers’ and employers’ interests.

Both the Rehn model and the DQP model, totally opposite in their institutional characteristics, fit the flexicurity logic. They are both based on the assertion that certain types of security actually help to increase levels of flexibility, and vice versa. The

contribution of the flexicurity approach here is that it provides a more general framework in which such positive combinations can be sought.

With its holistic approach and alternative perspective on the relationship between flexibility and security, the flexicurity approach opens up space for more attention to issues such as life-course and transitional labour market analysis, work–life balance, worker-friendly types of flexibility and the positive aspects of various forms of security for competitiveness. It also allows for more attention to the quality of employment instead of the mere quantity.

The above also shows that flexicurity does not promote a specific labour market model but rather an analytical perspective within which, in principle, many different labour market models can fit. This point is further underlined by the fact that the two countries that are seen as the ‘original’ flexicurity examples, namely the Netherlands and Denmark, implement the flexicurity philosophy in quite different ways.² This raises questions concerning how the flexicurity approach can inform policy, an issue that will be taken up in the next section.

3. Ambiguity, policy and politics

Flexicurity is not only used in the analytical sense discussed above, but also firmly presented as a strategy to solve labour market problems, by both academics and political actors. Among academics, Wilthagen and Tros argue that flexicurity is ‘a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, work organisation and labour relations on the one hand, and to enhance security – employment and social security – notably for weaker groups in and outside the labour market, on the other hand’ (Wilthagen and Tros, 2004: 169). Rogowski claims that flexicurity ‘gives guidance to welfare reform processes at the level of the member states who have to balance existing systems of welfare and employment rights and institutions with demands for new forms of employment’ (Rogowski 2008: 91).

Among political actors, the flexicurity debate is most vivid for the moment at the European level. The European Commission, the main political promoter of flexicurity, more or less adopted the Wilthagen and Tros definition in its flexicurity Communication of June 2007 (CEC 2007a). Also, the Common Principles of Flexicurity endorsed by the European Council in December 2007 state that flexicurity is a ‘means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion’ (Council of the European Union 2007: 5). Moreover, in their joint analysis of the labour market, ‘European Social Partners recognise that in today’s labour market it is necessary to improve policy

² The Dutch flexicurity model promotes the use of atypical, flexible types of employment; at the same time, it provides such flexible types of employment with similar rights as regards working conditions and social security as standard employment (Wilthagen and Tros 2004). The Danish flexicurity model rather builds on (i) flexible standard employment, resulting from low employment protection; (ii) extensive unemployment benefits providing income security to the unemployed; and (iii) active labour market policies aimed at skills upgrading and activation of the unemployed (Madsen 2006). What the models share is that, in both cases, they emphasise the importance of social dialogue as a means of devising and legitimising flexicurity policies.

measures which address both the flexibility and security dimensions for workers and employers alike. Applied in the right way, the flexicurity approach can create a win-win situation and be equally beneficial for employers and employees' (ETUC et al. 2007: 53). Although the wording may differ, all see flexicurity approaches as having five possible components: flexible and reliable contractual arrangements; comprehensive lifelong learning strategies; effective active labour market policies; modern, adequate and sustainable social security systems; and dialogue between governments, social partners and other stakeholders. Finally, all argue that there is not one single flexicurity model available for copying, but that flexicurity has to be designed and implemented according to the problem load and historically developed institutional configurations of national models.

Up to this point most contributions to the flexicurity debate seem to coincide on the importance and broad contours of the flexicurity approach.³ But if there is no single flexicurity model, and very different models and strategies can be subsumed under the term 'flexicurity', the crucial step is the next one, that is, defining more concrete policy goals and strategies. Here the concept gives little guidance and leaves ample scope for interpretation. For example, it does not prioritise different types of flexibility over others or specify how much flexibility or security is adequate. Nor does it specify what, for example, a modern social security system is, what a comprehensive lifelong learning strategy looks like or what the relative weight of the various components should be.

A number of commentators claim that this lack of specification of the flexicurity approach is an advantage and maybe even a must. For example, Rogowski argues that flexicurity needs to remain an aspiration rather than being identified with a concrete policy, and that 'for the success of flexicurity policies it seems crucial that the definition of the term flexicurity remain vague so that it can be used to address a range of sometimes contradictory policy goals' (Rogowski 2008: 86). In this conception, flexicurity takes on the role of a beacon that guides policy makers in the right direction by inspiring them to take a holistic approach, to explore interlinkages between policy fields and to aim for balanced strategies and outcomes.

This philosophy very well fits the balance the EES aspires to achieve between broad joint European objectives and policy approaches, and specifically national programmes, rules and institutions. At the same time, it begs the question of whether any clear guidance is given. The broad acceptance of flexicurity, combined with the concept's vagueness and ambiguity, mean that it runs the danger of turning into a 'catch-all' concept and becoming vulnerable to instrumentalisation. Indeed, one can imagine as a thought experiment that within one and the same empirical context one political actor forwards a reform programme that aspires to institutionalise the Rehn model while another promotes a DQP type of programme. Both can claim that their proposal is based on the flexicurity philosophy, even though they have radically different policy implications. Or, to phrase the problem otherwise, political actors with different ideologies and/or interests may have totally opposite views on, for example, what the right mix of the various types of flexibility and security is, what regulations are needed to ensure that contracts are flexible and reliable, or what level, duration and coverage of

³ Some actors, including the GUE/NGL fraction of the European Parliament (see Wurtz et al. 2007) and a number of national trade unions, have explicitly distanced themselves from the flexicurity trend.

social benefits is required to make social security systems adequate. Their analysis of the major problems faced by the labour market may itself differ radically, for example with one claiming that a lack of flexibility is the key concern, and the other claiming that too much flexibility is the main obstacle to the effective functioning of that same labour market. But both may refer to flexicurity as the justification for their proposals.

Indeed, it is hard to recognise a ‘true’ flexicurity programme since we lack the parameters to make the relevant judgement effectively. Instead of flexicurity guiding political actors, this poses the danger that the interpretation of what is flexicurity and what is not will become the focus of political struggle, with political actors trying to impose their views, using the flexicurity concept as a means of justifying traditional political positions. It is still too early to determine whether this is what will happen at the level of the Member States. However, as will be discussed in the next section, recent developments at the European level show that flexicurity has become a contested concept.

4. Conflict instead of consensus: the European flexicurity debate⁴

The main reason why flexicurity has become such a key concept within the European labour market debate is its adoption by the European Commission. The Commission has amply used its agenda-setting power to put flexicurity at the top of the European agenda.⁵ As already mentioned, it proposes a quite broad definition of flexicurity that has the intention of being inclusive and holistic, and of leaving specific policy choices to national actors.

This does not mean, however, that the Commission does not have a more specific labour market model in mind. Already in its definition of flexicurity it makes a choice in favour of employment security and income security over, in particular, job security. It argues that, to deal with the pressures stemming from global competition, companies ‘need to be able to adapt their workforce to changes in economic conditions. They should be able to recruit staff with a better skills match, who will be more productive and adaptable, leading to greater innovation and competitiveness’ (CEC 2007a: 4). For individuals, it is argued that they ‘increasingly need employment security rather than job security, as fewer have the same job for life’ (*ibid.*), where employment security is defined as the possibility of finding a job at every stage of active life in a quickly changing economic environment.

⁴ This section is largely based on Keune (2008a).

⁵ In the past two years, the Commission has organised a large number of summits, conferences and seminars on flexicurity. Furthermore, the Commission’s 2006 and 2007 Employment in Europe Reports devote an important part of their analysis to flexicurity (CEC 2006a and 2007b). Flexicurity is also at the heart of the Commission’s Green Paper on labour law, which ‘looks at the role labour law might play in advancing a “flexicurity” agenda’ (CEC 2006b: 4). Moreover, in June 2007 the Commission published its flexicurity communication (CEC 2007a), representing its most comprehensive effort to outline its view, including a set of ‘common flexicurity principles’ that were proposed to the Council for adoption. Finally, flexicurity has become the core concept in the employment guidelines of the European Employment Strategy (EES) proposed by the Commission for 2008–2010 (CEC 2007c).

Indeed, although it underlines the fact that flexicurity is not confined to a single model but should be shaped according to particular national situations, the Commission is not neutral concerning the more detailed content of the five components of its flexicurity approach.⁶ Detailed examination of recent Commission documents and employment policy recommendations shows that the Commission argues for increased flexibility through limited dismissal protection, as well as the normalisation of non-standard contracts, while security is largely limited to employment security, to be fostered through lifelong learning and active labour market policies (for a detailed analysis, see Keune 2008b; Keune and Jepsen 2007). Where modern social security systems are concerned, the Commission remains vague and ambiguous, arguing that good unemployment benefit systems are necessary to offset negative income consequences during job transfers, but also that unemployment benefits may have a negative effect on the intensity of job search activities and may reduce financial incentives to accept work.

This picture is further confirmed by the Commission's proposal for recommendations to Member States on economic and employment policies (CEC 2007d). Concerning dismissal protection and flexible contracts, the Commission advises a number of countries to review employment protection legislation with a view to reducing labour market segmentation (that is, to reduce employment protection) and increasing the use of flexible contracts. But in no country does it recommend an increase in employment protection, suggesting that even in the countries where it is lowest its level remains adequate. Even in, for example, Estonia, known for its very flexible labour market, the Commission recommends reducing labour market rigidities by means of urgent progress towards labour law modernisation and by promoting flexible forms of work (CEC 2007d).

In most countries the document recommends a strengthening of activation policies, active labour market policies and lifelong learning. This clearly underscores the focus on employment security. The case of unemployment benefits is different. Although in its more general statements, such as the Communication, the Commission calls for adequate unemployment benefits, in its country recommendations there is not one case in which it calls for the improvement of such benefits, even though in a number of countries they are clearly very minimal in terms of replacement rates, coverage or duration. In some cases it does call for a review of benefits to improve incentives to work (for example, Poland), or for a tightening of the conditions for early retirement (for example, Austria).

Hence, although flexicurity is presented as an open approach without a specific labour market model behind it, careful scrutiny of the Commission's position shows that it is not neutral in terms of more specific policy content. Also, although the Commission presents flexicurity as a balanced approach designed to create the flexibility needed by employers while at the same time providing security to workers, it sets flexibility above security, economic goals above social ones and employers' interests above those of workers.

⁶ According to the Commission (2007a) the flexicurity approach has four main components: (i) flexible and reliable contractual arrangements through modern labour laws, collective agreements and work organisation; (ii) comprehensive lifelong learning strategies; (iii) effective active labour market policies that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs; and (iv) modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility. In addition, the Commission argues that the involvement of the social partners in designing flexicurity policies is crucial for their success.

It comes as no surprise that not all European actors share this view. Even though the Commission has been successful in getting flexicurity high on the agenda, the inherent ambiguity of the concept, as well as the policy content the Commission gives to it, have also made it a contested concept. Indeed, the ways the concept is used and translated into policy by different European actors differ substantially.

As far as the European Council is concerned, it adopted a document with eight flexicurity principles, aimed at framing national reforms (Council of the European Union 2007). The Council's principles, apart from not including concrete commitments, are fairly similar but not identical to those proposed by the Commission. The major difference is that the Council included a statement that contradicts the Commission's drive for flexibility, in particular in terms of contracts and employment protection: 'The inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into *stable and legally secure* employment' (*ibid.*: 5, emphasis added). This represents a clear departure from the Commission's view on the need for limited dismissal protection and from its normalisation of flexible contracts. This is further underlined by the emphasis the Member States placed earlier on standard instead of atypical employment relationships: 'The Member States are called upon to strengthen standard working relationships in accordance with their national practice and to limit their circumvention by atypical employment relationships'.⁷

Also, the European Parliament, in its opinion on the Commission's Communication, takes a number of positions that contradict the Commission (European Parliament 2007). The Parliament states strongly that the view of the Commission is one-sided and too focused on flexibility. It rather argues for simultaneously improving employment security and job security and for maintaining the traditional model of open-ended contracts. One of the reasons it gives for this view, in line with the regulated capitalism approach, is the fact that job protection and longer-term employment relationships act as incentives for firms to invest in human resources, which in turn is good for productivity and innovation (European Parliament 2007). Flexibility, then, should be achieved through improving education, expanding training and apprenticeship programmes, policies against discrimination, removing obstacles to mobility, and policies supporting transitions (*ibid.*). Finally, the European Parliament argues that flexicurity requires a macroeconomic framework that supports job creation.

The position of BusinessEurope, the largest European employers' organisation, is close to that of the Commission. BusinessEurope argues that 'In today's labour market, security is not so much a matter of preserving a job for life. Instead, it is about making sure that workers are empowered to grasp new employment opportunities. Flexicurity is the key instrument to support companies' and workers' efforts to adapt to change and to move from a job preservation mindset to a job creation mindset, which is in turn crucial to achieve lower levels of social exclusion in Europe' (BusinessEurope 2008). In its view, flexicurity should consist of flexible labour law and a variety of contracts; active

⁷ Chair's conclusions from the Informal Meeting of Ministers for Employment and Social Affairs, Berlin, 18–20 January 2007: http://www.eu2007.de/en/News/Press_Releases/January/0119BMAS1.html

labour market policies and lifelong learning; and unemployment benefit systems that reduce unemployment periods to a minimum.⁸

The European Trade Union Confederation (ETUC) reasons differently. It argues that business in Europe already enjoys high adaptability, that the European economy is already flexible and that job creation has the upper hand over job destruction (ETUC 2007). Rather the ETUC identifies the prevalence of precarious employment and excessive flexibility as key problems and puts forward the improvement of the quality of jobs as a key objective. Like the European Parliament, it argues for employment security as a complement rather than an alternative to job security, for open-ended contracts as the general rule and for upgrading the rights of atypical workers. Where labour market policies are concerned, the ETUC argues for a high level of benefits, combined with active labour market policies, as well as for including groups presently not covered in social security schemes (*ibid.*). High benefits and active labour market policies, it maintains, provide security as well as being positively associated with labour market participation. Finally, the ETUC argues for the integration of flexicurity policy with growth and employment creation-oriented macroeconomic policy, given that flexicurity by itself does not have employment-creating capacities.

All the above discussed actors have accepted the importance of flexicurity. At the same time, their interpretations of what flexicurity should be about differ strongly. The ambiguous nature of the flexicurity concept makes it possible for all to underwrite its importance but to disagree on the problems that should be addressed by flexicurity strategies and on the respective policy implications. Indeed, the concept is wide open to interpretation, and different actors put forward quite different versions of flexicurity, using it as a banner to promote their traditional views on labour market reforms.

5. Conclusions

Flexicurity is today at the heart of the European labour market debate. It has contributed a number of innovative elements to this debate by promoting a holistic approach to labour market analysis, providing a useful tool for such analysis and turning some neoclassical assumptions on their head. At the same time, flexicurity appears ill-defined and highly ambiguous concerning its role in informing policy. For example, it does not prioritise different types of flexibility over others or specify how much flexibility or security is adequate. Often, flexicurity proponents explicitly argue that this strengthens the holistic and inclusive character of the flexicurity approach, as well as its applicability to diverse empirical situations.

But as we argue in this paper, flexicurity also runs the risk of turning into a ‘catch-all’ concept and becoming vulnerable to instrumentalisation in the political arena. The ambiguity of the concept makes it possible to argue for a wide variety of labour market models and strategies, with very different and even opposing institutional characteristics that fit the flexicurity philosophy. As a result, political actors with diametrically opposed ideologies, interests and views on labour market problems and solutions can

⁸ Intervention by Mr Philippe De Buck, BusinessEurope Secretary General at the Commission Stakeholder Conference on Flexicurity, 20 April 2007:
http://www.ec.europa.eu/employment_social/employment_strategy/pdf/flex_debuck_en.pdf

comfortably endorse the importance of flexicurity. Indeed, few oppose the flexicurity concept as long as it is discussed at the abstract level, since all can fit their favourite policy approach within its abstract framework.

This changes when the effective translation of flexicurity into more concrete strategies and policy choices is discussed. Here traditional political conflict takes over from abstract consensus. We have illustrated this point by showing that among European actors there are major differences of opinion concerning what flexicurity strategies should look like, even though they all claim to embrace the concept as such and that their position is based on the flexicurity logic.

It remains to be seen whether in the future an empirical flexicurity model, with clearly identified institutional characteristics, will achieve hegemonic status. Many already argue that flexicurity is equal to the Danish model. An empirical definition of flexicurity would surely make the political debate more transparent since it would force the participants in the debate to take sides in favour of or against the model as such or to accept or reject its applicability in other empirical contexts. At the same time, such a definition would probably strip flexicurity of many of the positive features that have enriched labour market analysis in recent years.

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