‘Old wine in a new bottle’ or ‘something new under the sun’? 
A Comparative Assessment of the European Commission’s Flexicurity-concept

By Mads Peter Klindt

Abstract: The European Commission’s adoption of Flexicurity-policies, as part of the revitalization of the European Employment Strategy, has triggered rather intense debate. Trade unionists and researchers are sceptic and see the Flexicurity-agenda as a change of visual attraction rather than a real policy revision of the Commission’s employment policy. Subsequently they also claim that the Commission’s style of Flexicurity is unbalanced and not living up to the intentions originally embedded in the concept. This paper test these accusations by analysing the policy-recommendations put forward by the Commission under the Flexicurity heading in comparison with former guidelines on employment and social policy. Furthermore, the Commission’s version of Flexicurity is compared to those of Denmark and the Netherlands that have been known as the real-life examples of Flexicurity. The analyses suggest that Flexicurity has brought about substantial changes, especially in regard to the roles envisaged for unemployment benefits and active labour market policies as constituent parts of the broader policy-mix. It is also argued that the Commission’s style of Flexicurity is better balanced and more appropriate than both the Dutch and Danish examples.

Introduction

In the last couple of years, one of the more interesting developments in European employment politics has been the European Commission’s engagement in the debate on Flexicurity. At first the Commission used the concept to draw-up a series of analysis identifying correlations between different institutional arrangements and labour market outcomes (European Commission, 2006a; 2007c) and had as such an instrumental relationship to the concept. More recent documents, however, have confirmed that Flexicurity has become a core part of the Commission’s employment policy, and therefore the relationship can no longer be seen as instrumental. Flexicurity is policy, just as it was when it was applied for the first time in the Netherlands back in the mid-1990s. Most evidently this is demonstrated in the communication Towards Common Principles of Flexicurity (European Commission, 2007a) that outlines a concrete proposal regarding which policy components that should be subsumed future labour market reform programmes in the Member States, including a series of pathways to Flexicurity that specify policy-recommendations in relation to different socio-economic challenges. On a more general level, a series of

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principles (as indicated by the communication title) furthermore outline the values by which labour market reforms should be guided and implemented.

In line with the pioneers in the academic Flexicurity-debate, the European Commission has presented Flexicurity as a novel approach to labour market regulation that emphasises the balance between employers’ need for more labour market flexibility and workers’ need for various measures of security. The fundamental idea, that flexibility and security not necessarily are contradictory but in many cases actually maybe each others requisites, is also shared. Among the former, the latter’s adoption and elaboration of the concept has, however, not been without controversy. On the one side there is a series of actors who have a rather enthusiastic interpretation of the situation. First and foremost they see the development as a sign of revival for social democratic values such as workers’ rights, tripartite dialogue and measures of social security. On the other side there is a group of people which see the process as the prolonging of a well-known deregulation agenda aiming first of all at dismantling employment protection laws. In their eyes, Flexicurity reflects a change of visual attraction rather than a substantial policy revision; it is not new and hardly balanced (Keune & Jepsen, 2007; Viebrock and Clasen, 2007).

The sceptics’ first argument point to the observation, that the policy-components put forward under the Flexicurity-heading all have been part of the European Employment Strategy (EES) for several years. The EES, launched in 1997 and in 2000 subordinated the Lisbon Process, has is in many ways, however, not been a very successful strategy. The employment goals, which were set up in 2000 and elaborated in 2003, have long seemed unachievable, and the strategy’s impact on the Member States’ national reform programmes have not been particularly distinct – in recent years even declining (Mailand, 2006). Because Flexicurity was a relatively open and ill-defined concept, yet still associated with much enthusiasm and only little critique, applying it on top of the strategy has therefore been a smart way for the Commission to revamp the EES and gain new attention without coming up with any proper innovations.

Secondly, they argue that the Commission’s style of Flexicurity, rather than increasing security synchronically with flexibility, imply a shift from ‘old’ to ‘new’ types of security, that is, a degrading of tangible and enforceable forms of protection like job guarantees and income security, for more intangible forms of security like education and training. Thus;

“... instead of creating a win-win situation, it favours flexibility over security and employers’ interests over workers’ interests (...) The Commission’s Flexicurity position also confirms its emphasis on economic instead of social goals and its reconceptualisation of security from protection against risk to the capacity to adapt to change, and of solidarity from redistributive solidarity to competitive solidarity” (Keune and Jepsen, 2007 p. 206).

This article does not contest the opinion, that the Commission’s take-up of Flexicurity policies might be related to a strategic practice of reinforcing the image of the EES. A neglected point, however, is that the many analysis conducted by both Commission and more independent researchers may have resulted in policy-learning, and as a result hereof given rise to policy readjustments. In practise, the policy-components pursued under the Flexicurity-heading could therefore very well be similar to those promoted in earlier
guidelines under the EES, but at same time, the meaning and interpretation of these com-
ponents could have changed in accordance with newly procured knowledge. And the 
adoption of Flexicurity-policies may thus be a combined change of both style and content. 
In order to the test whether the Commission’s version of Flexicurity is like ‘old wine in a 
new bottle’ or there actually is ‘something new under the sun’, the article therefore will 
apply a more narrow text-related analysis than previous contributions have presented, and 
the task will be to compare the discourse of the newly proposed guidelines for the 2008-
2010 cycle of the Lisbon strategy with earlier guidelines. 

Moreover, the article will confront the argument that the Commission’s style of 
Flexicurity is unbalanced and favouring employer’s interests over workers’. Without refer-
ence points, such an exercise could however easily end up as an arbitrary theoretical 
discussion. To make the discussion make sense, the Commission’s Flexicurity policies 
will therefore be compared to the two typically referred real-life examples of Flexicurity, 
namely the Dutch and Danish examples, as proxies for balanced versions of the concept. 

But before turning to the comparative analyses, an introduction to the Flexicurity-
policies proposed by the Commission appears appropriate.

The Policy Components and Pathways to Flexicurity 
As mentioned above, the policy components subsumed the Commission’s Flexicurity-
concept were outlined in the communication *Towards common principles of Flexicurity*. 
This document is a typical policy-paper in the way that is uses various linguistic ploys 
such as issue framing and problem representation to make the policies suggested seem 
absolutely reasonable. The basic problems identified are globalisation, technology, ageing 
and segmented labour markets. All of these indicate that the European welfare states are 
under pressure, that companies should be more adaptive and innovate faster, and that 
workers should be more mobile a better prepared for changes. At the same time though, 
there is also a strong commitment to the notion of the European Social Model (ESM) as a 
leading value that should underpin the reforms aiming at making Europe more adaptive to 
changes. By putting emphasis on the ESM, the Commission marks a distance to other 
capitalist models such as the American or the Chinese models. European capitalism is 
capitalism with a human face, so to speak. 

According to the Commission, a Flexicurity strategy should therefore be composed 
of the following components:

- Flexible and reliable contractual arrangements
- Comprehensive lifelong learning (LLL)
- Modern social security systems
- Effective active labour market policies (ALMP)

*Flexible and Reliable Contractual Arrangements*

The scepticism and anxiety some labour representatives have put forward in the Flexicu-
urity debate regards primarily the first of these components, as it is here the contours of
actual deregulations are outlined. The formulation “Flexible and reliable contractual arrangements” does first of all cover the wish that employment protection legislation (EPL) should be eased to make companies better geared for swift readjustments. Aware that this is the sore spot, the Commission has done a lot to highlight the indirect negative effects restrictive labour laws entail for certain groups on the labour market. This is done both in its Flexicurity-documents but also in its Green Paper on the modernisation of labour law (European Commission, 2006b).

The basic claim is that strict EPL combined with a development towards more contractual diversity, have led to severe segmentation problems in many countries. Labour forces being divided into casts – an insider caste with open contracts and good jobs, and an outsider caste with atypical contracts, low wages, and poor prospects of career stability. Consequently, many outsiders will choose early retirement, informal work or jobs in the shadow economy. Not only does such a development result in many unfulfilled dreams among people in the working age; it is also associated with huge socio-economic losses such as lower tax yields and dwindling fertility rates.

The positive things mentioned in connection with EPL are that it encourages enterprises to invest in training while promoting loyalty to the firm among the employees. Consequently, the Commission does not propose a total abolishing of EPL but it suggests a ‘tenure track approach’ where protection, such as notice periods and severance pay, increases with seniority, while administrative permission procedures regarding redundancies should be shortened. On the other hand, the opinion is also that the position of atypical workers should be improved, for instance through the introduction of minimum standards on pay and working hours (European Commission, 2007a, p. 12 and 28).

**Comprehensive Lifelong Learning**

This second component, lifelong learning (LLL), addresses the technological challenges which both companies and workers are facing. The argument goes, that because of the increasing speed and irreversible nature of the information technology, companies will be under continuous pressure to adapt and innovate, and continuous education and further training of most employees will thus be necessary. From the perspective of the employees, LLL is therefore not only a prerequisite for staying employed, it is also a necessary condition for the ability of finding new employment in case of dismissal.

An obvious problem, which also is identified by the Commission, is, however, that most companies only will focus on their core employees when investing in human resources. This will result in so-called Matthew effects, where the opportunities of continuous vocational training (CVT) often are granted those already well-educated. To overcome this negative incentives structure, a proposal is therefore to introduce cost sharing at branch level and to give tax credits to companies that invest in CVT for their low or unskilled workforce. The idea of giving a tax credit is also mentioned in relation with the organisation of individual training accounts aimed at giving workers some freedom to re-educate themselves while maintaining their job. Another proposal is to setup compulsory training funds and introduce voucher systems so that everybody, despite type of work contract, is entitled to CVT. Such funds should be financed by employers and government money respectively (European Commission, 2007a, pp. 12-13, 29-30, 32 and 35).
Modern Social Security Systems

According to the Commission, social security systems should be modernised for the purpose of reintegration in an economy where job turnover is high and more rapid than in the past. At the same time, though, they should also help improve participation rates, and therefore benefits should be at such levels that informal work or moonlighting is unnecessary during a period of unemployment. In the wake of this argumentation the Commission acknowledges that some Member States need to raise their benefit levels. At the same time, though, it is important that income insurance systems work as stepping stones - not as transfer systems that permanently pull people out of the labour market. And accordingly, allowances need to be time-limited and the monitoring of the conditionality of benefits need to be improved to ensure that benefit recipients are active job searchers.

A second point aims at making benefit systems accessible for all types of workers, especially atypical workers that often have a greater risk of experiencing spells of unemployment than people with permanent contracts. Benefit systems should therefore ensure the possibility for all types of workers to continuously accumulate rights, while portability of entitlements across branches also should be facilitated.

Finally, to address the problem that many low skilled benefit recipients only face small gains by taking up work, an in-work supplementary benefit could be introduced, thereby the heightening the wage gain and the incentive to take a job. An in-work tax credit could also do this job (European Commission, 2007a, pp. 13-14, 29, 31, 33 and 35).

Effective Active Labour Market Policies

The objective of ALMPs is twofold. First of all, activation, such as compulsory participation in job training or job search classes, is a way to offset the disincentives more generous unemployment benefits can have on job search intensity and the willingness to accept work. Secondly, it should however also be seen as a helping hand, assisting unemployed people in their search for a new job.

The implementation of ALMPs should have its starting point and be monitored at the public employment services, but in order to insure policy-effectiveness, stakeholders, such as trade unions, employer organisations, private employment agencies, and other organisations with detailed knowledge about the needs of the labour market, would also need to be involved.

An elaboration is that activation measures should distinguish clearly between different categories of jobseekers. For people with sufficient skills, emphasis should be on job search. But for those with insufficient skills, activation should rather focus on training to increase chances of upward mobility and sustainable reintegration (Ibid.).

Roads to Flexicurity

As Commission analyses of different indicators of Flexicurity have revealed, huge differences exist among the members states in regard to the balance between flexibility and security. Elaborating the policy components into different packages taking into account the heterogeneity of the Union has therefore been a necessary task. This effort has resulted in the formulation of four pathways suited for four different types of socio-economic challenges. As such, the pathways do not reflect different clusters of countries, and some
countries are likely to find solutions within more than one of the pathways. Yet, reading the scenarios developed for each pathway, it is relatively easy to match some of the countries with the different pathways. An example is pathway 4 which “…is of interest to those countries which have experienced substantive restructuring in the recent past, resulting in high numbers of people on long-term benefits …” (European Commission, 2007a, p. 34). Here, the Commission clearly aims at the former socialist countries and Soviet republics. A country like France, on the other hand, could be placed in accordance with both pathway 1 and 2. Pathway 1 “is of interest to countries where the key challenge is segmented labour markets…” (European Commission, 2007a, p. 28) while pathway 2 is directed at those countries “…where there is a higher proportion of big companies and low level of job mobility” (European Commission, 2007a, p. 31).

In accordance with the different scenarios, the pathways accentuate the policy-components in different ways. For example, whereas pathway 1 has a diversified approach to altering EPL (insiders should be less protected while more job security should be provided to outsiders), pathway 2 aims more clear-cut at relaxing EPL. Both stress the need for better, i.e. higher, benefits, while these seem to be adequate for those countries matching pathway 3. Pathway 3, on the other hand, has its main focus on enhancing the employment possibilities for low skilled, single mothers, and immigrants – groups that risk falling behind in otherwise well functioning labour markets. Emphasis in pathway 3 therefore lie on the LLL-component as well as the ALMP-component and entails a more differentiated effort considering that more vulnerable groups have special needs. Pathway 4 puts equal emphasis on all components.

Table 1 gives an overview of the content of the different pathways in relation to the four components and an estimation of which countries that are likely to fall within the scope of each pathway. The indicator for component 1 is the level of EPL. Indicators for component 2 are regulation and public spending in relation to LLL. Indicator for component 3 is spending on social security, while indicators for component 4 include both spending on ALMP as well as recommendations concerning a more diversified set of programmes in accordance with the needs of different groups of job seekers.

<table>
<thead>
<tr>
<th>Pathway</th>
<th>EPL</th>
<th>LLL</th>
<th>UB</th>
<th>ALMP</th>
<th>Typical target countries</th>
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<tbody>
<tr>
<td>Pathway 1</td>
<td>+/-</td>
<td>+</td>
<td>+</td>
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<td>Spain, Italy, France</td>
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<tr>
<td>Pathway 2</td>
<td>-</td>
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<td>~</td>
<td>Germany, France</td>
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<tr>
<td>Pathway 3</td>
<td>+</td>
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<td>UK, Netherlands, (Denmark)</td>
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3 ++ much higher spending /much more regulation
+ higher spending /more regulation
- lower spending /less restrictive regulation
~ More diversified solutions needed to accommodate the specific needs of different segments of the workforce
The Employment Strategy Before and Beyond Flexicurity – Change or Continuity?

To be able to assess whether the Commission’s Flexicurity-agenda bring about changes to the EES or not, one must of course trace back the path which former Employment Guidelines and policy recommendations have followed. At first, however, a short note on the history of the EES.

As observers of the European politics will know, social and employment policies were issues retained at the member state level throughout the 1970’s and 1980’s. In this period, the European integration processes first of all revolved around market integration, fiscal and monetary policies. Persistent unemployment problems, which by the early 1990’s had reached unprecedented heights, did however stimulate the revival of the idea of a common employment agenda. A series of key objectives, initially outlined in the Delors White Paper on Growth, Competitiveness, and Employment (1993), where agreed upon at the European Council in Essen in December 1994, but it was only following the Luxembourg Summit in 1997, and the ratification of the Amsterdam Treaty, that the employment strategy was launched.

At this early stage, there was, however, quite widespread reluctance among the Member States to commit the Community to strict employment targets. Consequently, the Commission’s proposed targets of an increase in employment from 60.4 to 65 per cent within four years, and a maximum unemployment rate of 7 per cent, were rejected. Instead, the parties agreed on the blurred objective of a “significant increase in employment (...) on a lasting basis” (Council of the European Union, 1997, para 22). To assist the Member States in this endeavour, four pillars; employability, entrepreneurship, adaptability, and equal opportunities, and 19 appertaining guidelines where outlined. Their purpose was first of all to inspire the Member States to a more structured employment effort, but also to facilitate convergence as to how to measure, assess and monitor progress on employment matters. In response, the Member States were obliged to submit national action plans (NAPs) accounting for their actions and results in accordance with the guidelines, on the basis of which the Commission then would be able to compare and benchmark the different countries. Altogether, the process constituted a new type of governance, which later was to become known and fully crystallize as the Open Method of Coordination (OMC) (Kluve et al., 2006).

After the prosperous years of the late 1990’s, the EES where subsumed the Lisbon Strategy launched at the Lisbon Council in 2000. In light of the optimistic spirit, the objective of combating unemployment was changed to the notably more ambitious mission “...to enable the Union to regain the conditions for full employment ...” (Council of the European Union, 2000, para 6) and concrete employment targets finally set up: By 2010 the average employment rate should have increased to 70 per cent, while female employment should have increased to 60 per cent (Ibid., para 30).
In 2003, after a 5 year review of the strategy’s impact on Member States’ employment policies and some difficult negotiations between different Member State coalitions, the strategy was simplified and the four pillars where replaced by three overarching objectives with a reduced number of guidelines:

- Full employment
- Quality and productivity at work
- Cohesion and an inclusive labour market

(Mailand, 2006)

However, by the mid-term review of the Lisbon Strategy in 2005 it became obvious that the ambitious targets where unachievable. The global recession following the September attack on the World Trade Centre in New York in 2001 had affected the European economies worse than the Japanese and American economies. Growth in employment had stagnated and compared to the US, hourly productivity had fallen almost 10 per cent (from 97 to 88 per cent) between 1995 and 2005. To respond to the negative development, the European Council decided to re-launch the Lisbon strategy. There was consensus that the focus on employment needed to be sharper, and that the interplay between economic and employment policies needed more attention, and consequently the policy-cycle was lengthened from one to three year stages, and the Employment Guidelines where merged with the broad economic policy guidelines (BEPGs). Not only did this underscore that Member States should view economic, employment and social policies as elements of the same policy package, it also send the signal that systems of social protection and EPL should be perceived as contributors to growth and employment, rather than the classic comprehension of safeguards protecting workers from market failures (Ashiagbor, 2006, pp. 127-139, 159, 208-215).

The Political Content of the Employment Strategy

Despite the many procedural changes, and the general revisions in 2003 and 2005, many observers have pointed, that the political content of the employment strategy have remained remarkably consistent throughout the first 10 years of the strategy’s life. Already in 1997, in the run-up to the Jobs Summit in Luxembourg, the Commission charted the course towards enhanced flexibility and a re-conceptualization of labour market security; from specific job security provided by EPL to the more intangible concept of ‘employability’ understood as workers’ ability to be mobile and adaptable on the labour market, as the two main preconditions for boosting employment. According to the Commission, such transformations would contribute to solving the two major structural problems, which at that time where identified as the low level of job creation and lack of skills among the work force. First of all it was assumed, that revised employment regulation would lead to lower non-wage labour costs and thereby positively alter employers’ hiring behaviour. Secondly, by adopting a new strategy focusing more on learning and incentives, labour supply would be better matched to labour demand and productivity would increase markedly (European Commission, 1997).
As is obvious from the pillar names, flexibility and employability also became the key concepts shaping several of the Commission’s guidelines applied from 1998 onwards. An example is the emphasis on the importance of activation policies and the need for a better interplay between tax, benefit, and training systems for the purpose of encouraging job search and giving incentives to unemployed people, which constituted two of the main points under the employability pillar in the 2002 guidelines (Council of the European Union, 2002, p. 64-65). Both elements are also recurring in later guidelines, although accompanied by somewhat different formulations. In the 2005-2008 guidelines a key notion in guideline 19 is to ‘make-work-pay’ through;

“... continual review of the incentives and disincentives resulting from the tax and benefit systems, including the management and conditionality of benefits and a significant reduction of high marginal effective tax rates ...” (Council of the European Union, 2005, p. 25).

In 2002 under the entrepreneurship and adaptability pillar we also find the precursors to the 2005-2008 guideline 21, aiming at promoting more labour market flexibility and employment security, but again the differences lie in the concrete wording. In 2002 the Member States are called on to;

“... reduce significantly the overhead costs and administrative burdens for businesses, in particular when an enterprise is being set up and when hiring additional workers...”, while the social partners are urged to;

“...negotiate and implement at all appropriate levels agreements to modernize the organization of work, including flexible working arrangements (...) achieving the required balance between flexibility and security, and increasing the quality of jobs. Subjects to be covered may, for example, include the introduction of new technologies, new forms of work and working time issues such as the expression of working time as an annual figure, the reduction of working hours, the reduction of overtime, the development of part-time working, access to career breaks, and associated job security issues ...” (Council of the European Union, 2002, p. 67).

In 2005, it is the more general notion of ‘adaptation of employment legislation’ which is being applied, but here we also find the recommendations to more internal flexibility such as working time flexibility and smarter work organizations. The newish elements in 2005 seem to be a more clear attention to the problems faced by a-typical and non-standard workers and the role of adapted wage setting mechanisms, while the gender issue seems to fall behind a bit. The equal opportunities pillar, which first of all was dedicated to the problems of gender inequalities, is in 2005 replaced by the so-called ‘life-cycle approach’ addressing in particular the need to provide institutions that increase the possibilities of reconciling work and family life (Council of the European Union, 2005, pp. 26-27; Ashiagbor, 2006, p. 151).

So, between 1997 and 2007 the employment strategy has maintained its focus on labour market flexibility and worker employability as the road to more jobs. Yet, what is striking is that the Commission, when describing the more controversial issues such as how to reform social security systems and how make systems of employment legislation more ‘employment-friendly’, consequently has abstained from giving more concrete recommendations. On the other hand, when addressing issues with less contentiousness, such as flexible working time or how to better bridge the skills’ gap, concrete proposals have
been manifold. Therefore, analyses on the Commission’s employment strategy have predominantly been occupied with discursive interpretations, often ranking it alongside the OECD’s Jobs Strategy and more neoliberal or neo-corporatist strategies, and conclusions have tended to foresee the Commission failing in its attempt to present a third way alternative between social democratic and neo-liberal strategies (e.g. Deakin & Reed, 2000). Phrases such as ‘modernizing benefit systems’ and ‘new incentives structures’ have almost exclusively been interpreted as envisions of lower and decreasing replacement rates, stricter eligibility criteria, etc., while urges of ‘more employment friendly regulations’ often haven given rise to conceptions of relaxed EPL and downward wage flexibility.

Ashiagbor’s detailed analysis also incline towards the view that the balancing of competitiveness and social protection is biased heavily in favor of the former, and she insinuates that the many words praising the European Social Model in reality have been embellishing an agenda of deregulation and workfare (2006, p. 149-190) – much in line with Keune and Jepsen whom I referred to in the introduction.

The 2008-2010 Guidelines and Flexicurity

As the Commission’s publication on the Common Principles of Flexicurity to a certain extent deny these interpretations, especially in regard to what it means with its imperative to modernize social security systems, it brought along a certain level of expectancy as to how the Flexicurity principles and components were to be embedded into or shape the new guidelines.

The result is not totally unambiguous. Neither are we dealing with a completely re-organised document. Flexicurity is mentioned eight times in the publication, yet most of the guidelines maintain the same wording and vagueness characterizing earlier guidelines, and the majority of the concrete policy proposals presented through the ‘pathways to Flexicurity’ does not appear. The visible differences between the new guidelines and those from 2005 lie, however, in the clarifying text accompanying the guidelines which is more elaborated in the new version. This is especially the case regarding the second objective of improved adaptability of workers and enterprises. Compared to the 2005 version, one quarter page of text has grown to three quarters, and the description of the challenges workers’ must adapt to is accompanied by a much more thorough review of how modernised institutions can assist them in doing so. Hence, when reading the two documents end to end, the aggregate impression is actually quite diverging. In 2005 emphasis is put solely on workers’ individual responsibilities – what they must do or be capable of;

“For workers, working life is becoming more complex as working patterns become more diverse and irregular and an increasing number of transitions need to be managed successfully throughout the lifecycle (...) they must cope with new ways of working, including enhanced exploitation of Information and Communication Technologies (ICT) and changes in their working status, and be prepared for lifelong learning. Geographical mobility is also needed to access job opportunities more widely and in the EU at large” (European Commission, 2005, p. 29).

In the new document there is an otherwise clear recognition that workers need to be equipped by appropriate institutions to be able to meet these challenges. It is also explic-
ity acknowledged that transitions in modern working life possibly entail spells of unem-
ployment. Emphasis is thus no longer unilaterally placed on what people must be capable of, but also on what needs to be provided to them for that purpose;

“Workers must be prepared for and furnished with lifelong learning opportuni-
ties, in order to cope with new ways of working, including enhanced exploita-
tion of Information and Communication Technologies (ICT), and changes in their working status with associated risks of having to face temporary losses of income better accommodated through the provision of appropriate modernised social protection” (European Commission, 2007b, p. 30)

The role of modernised social security systems is even further elaborated;

“Flexicurity involves (...) modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility (this includes broad coverage of social protection provisions, unemployment benefits, pensions and healthcare, that help people combine work with private and family responsibilities such as childcare)” (Ibid.).

In light of these extractions, I would argue that we have witnessed a significant change of policy in the employment strategy, especially regarding the role envisaged for social security as element of the broader policy mix. The suggestion that benefit systems should be reviewed with regard to their influence on job search behaviour and work incentives, which left the impression that Member States should reduce replacement rates, has been replaced by a new comprehension, which reckons the role these transfers have on peoples ability to cope with changes in family and working life. And in the description of the Flexicurity pathways we actually find explicit recommendations that some Member States raise their benefit levels. This completely contradicts hitherto analysis of the Commis-

Another al though less significant deve lopment regards the component of ALMP. Throughout the Luxembourg-process, active policies have had top priority, yet the Com-
mision have been reluctant to recommend specific measures rather than other. ‘Activa-
tion’ or ‘active measures’ have been articulated in general terms as means to improve em-
ployability. With the Flexicurity-concept, however, the role of ALMP has been specified.

Today it is clear that ALMP is thought of as a double-edged sword that serves the pur-
poses of motivating as well as assisting unemployed. The Commission points specifically at measures such as retraining, job training and work practice, but it also it emphasizes the role of early intervention to identify personal needs, give job search assistance and guid-
ance as part of personalized action plans. The idea is to promote a differentiated approach,
to ensure that those sufficiently skilled actually are making an effort to find new employ-
ment, while those poorly skilled rather should have their competencies upgraded than their availability questioned.

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nomic changes, while non-standard work would be less attractive to apply. And as such I think it is evident, that Flexicurity has brought change to the content of the employment strategy. Before Flexicurity, the incorporated modernization imperatives implied a shift from “... extensive employment protection and social benefits, towards investments in human capital” (Ashiagbor, 2006, p. 189), whereas today, the strategy rests on a compromise where better social security systems and higher replacement rates are to be traded off for less EPL.

The Dutch and Danish Examples

The last section of the article will address the second research task, which is to compare the Commission’s Flexicurity-concept to the Dutch and Danish examples. Methodologically it can of course seem as a somewhat unorthodox approach to compare a proposed policy strategy to an already implemented reform and a longstanding labour market model. Therefore I will remind that the purpose not is to evaluate the different systems or policies. The aim is to view the three as delimited policy packages and thereby illustrate which policy areas and components that have been affiliated to Flexicurity throughout the concept’s lifespan, and how the balance between flexibility and security have been emphasized through them.

The Dutch Flexicurity-reform

The Flexicurity-reform in the Netherlands was aiming on the one side to flexibilize employment relationships, while providing more security for a-typical workers on the other. The background for action was the emergence of a segmented labour market. Prior to the Flexicurity-reform, Dutch employment relations were strongly regulated by labour laws protecting workers from dismissal. If Employers wanted to lay-off personnel, they would need to obtain public acceptance and to pay sizeable amounts of money in severance pay. Challenged with increasing international competition up through the 1990’s, employers saw a way to circumvent these long-winded and costly procedures through hiring people on short turn contracts or through temporary work agencies, consequently leading to a growing segment of employees with no judicial security measures. The Netherlands was facing a labour market divided in two. The new legislation that came into force on January 1st 1999 consisted of the following main elements, characterized as a trade-off combination of numerical flexibility and job security but also with a degree of employment security:

Flexibility:

- The maximum number of fixed-term contracts before prompting an open-ended contract was increased from one to three.
- Public authorization prior to establishing a temporary work agency (TWA) was abolished, and so was the six-month time limit for individual employment through a TWA.
• The general notice period was shortened from six months to between four and one month.
• Dismissal notification procedures at the public employment services were made less bureaucratic.

Security:

• The existence of an employment contract was made easier presumed in cases of atypical work
• On-call workers were given the entitlement of a minimum of three hours pay for each on-call shift.
• A six-month time limit, as the maximum time span employers can employ on-call workers without payments, was introduced.
• On-call workers, having worked more than 20 hours a month for three consecutive months, were automatically presumed to have a normal employment contract, entitling the worker to a monthly number of hours corresponding to the monthly average of the last three months.
• After a 26-weeks trial period, a worker’s contract with a TWA was to be considered as a regular employment contract, entitling the worker to pension contributions and further training at the expense of the TWA.
• More restrictive dismissal rules were introduced for trade union members.
• In dismissal cases at the lower court, judges were made obliged to check for rules prohibiting dismissal of workers on sick leave, eventually imposing the employer to make a re-integration plan concerning the employee (Wiltigen & Tros, 2004).

Evaluations of the Dutch Flexibility and Security Act point in different directions as to the concrete development in numbers regarding the level of fixed time contracts, whereas they seem to agree that the number of workers employed through TWA’s and on-call contracts decreased in the aftermath of the reform. Eurostat data show that the incidence of fixed-term employment increased from below 14 percent in 2000 to above 15.5 percent in 2005. This is backed by the Dutch Bureau of Statistics (CBS4) but contradicted by panel data produced by the Institute for Labour Studies (OSA5) at Tilburg University that show a somewhat flat curve around 13 percent.

Notwithstanding these differences, there is consensus in research circles that the Dutch Flexicurity reform was more flexible than secure, so to speak. Employers gained more flexibility both in regard to core employees and in relation to applying fixed term employment. And as security measures where build into temp-working and on-call contracts, the employers naturally were induced to rely more on fixed term contracts at the expense of the former two. Many on-call workers had their contracts changed to part-time work, and many temp-workers got fixed term contracts at establishments they had been

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4 Centraal Bureau voor de Statistiek
5 Organisatie voor Strategisch Arbeidsmarktonderzoek
temping for. This could be seen a positive development, however, because of the employers new right to hire employees on a fixed term for up to three times in a row without having to offer a permanent contract, the number of employees moving from the a-typical sector to a permanent job fell dramatically. Furthermore, many employees standing next in line to move from a fixed-term contract to a permanent job experienced that they where dismissed for the same reason (Houwing et al, 2007). Other studies have demonstrated that the reform by no means increased the probability for a-typical workers to find a permanent job. Rather, entering the a-typical segment of the labour is associated with a negative wage differential (Graaf-Zijl, 2005).

Another important aspect, where more have been said than done, regards the social security coverage of atypical workers. Despite the fact that atypical workers have a higher risk of becoming unemployment, there are still major problems of non-coverage and non-take-up; problems to which no solutions have been implemented (Oorschot, 2004).

Consequently, the Dutch Flexicurity reform could be criticised for leaving too many loop holes for employers to exploit while creating new blind alleys at the rim of the labour market, and thereby actually institutionalizing the dual labour market rather than dismantling the mechanisms leading towards it. The core problem in the Dutch context seems to have been the unevenness of the reform and the fact that it thereby maintained two tracks of employment instead of merging them. The element of flexibility was all-encompassing but not fairly distributed, while the security measures only addressed certain groups of employees and certain types of employment contracts.

Another objection is the fact that the Dutch Flexicurity-reform did not deal with the strong gender bias on the labour market. Close to 80 per cent of the female population work part time or have a-typical employment, but no measures were introduced to break this pattern. The huge part time segment was a result of the so-called Wassenaar Agreement of 1982 that introduced flexible reductions in working time to reduce unemployment. But for many families the part time provision offered them a chance to better reconcile family obligations with work that have evolved into a fundament institution on the Dutch labour market. The disadvantage is however the strongly economic distortion between men and women (Ibid.).

Denmark’s ‘Golden Triangle of Flexicurity’

Contrary to these traits, the Danish example of Flexicurity has been credited for its universalistic principles resulting in a more inclusive system with a less unequal distribution of risks and rights. The Golden Triangle consists first of all, of a nexus between a flexible labour market with little EPL and a generous system of income support for the unemployed. The third pillar of the model consists of ALMPs that help shorten unemployment spells due to different activation and re-education programmes. In the Flexicurity-language the Danish model is a synergetic combination of numerical flexibility, income and employment security.

An important point when applying the Danish model in comparative research is the fact that it cannot be attributed to a single reform or political program, but rather must be described as a system of institutions that has emerged from more than 100 years of class-compromises between capital and labour, bourgeois and social democratic political actors.
The flexible labour market stem from the 1899 September-agreement that ended a four month industrial conflict involving some 40,000 workers and 5,000 employers within construction and ironing. On the one hand, the newly founded trade union federation (LO) was acknowledged as the formal representative for workers in the industrial sector and thereby the practice of collective bargaining and the right to take strike action was consolidated. On the other hand, the employers’ undisputed right to adjust quantities was determined. The September-agreement still stands as the constitution of the Danish industrial relations system (Jørgensen, 2000).

Although the September-agreement was the first of its kind in European history, Denmark was not the only country to develop a right-to-manage model encased in a system of collective bargaining with clear procedural rules defined. The remarkable aspect is the fact that the model prevailed, and that an accumulation of a safeguard against lay-offs never occurred. One explanation is likely to be the development of the system of unemployment insurance funds that followed shortly after the September-agreement. Established in 1907 and organized in line with the so-called Ghent principles, the insurance system guaranteed a high degree of union membership and strong occupational commitment. It introduced a proper balance of rights and duties that immediately brought relief inducing a more peaceful socio-political atmosphere in the country.

Figure 1: The Golden Triangle

But more importantly the system strengthened the role of the labour movement as it averted downwards pressure on wages and partly gave unions control over the employment allocation function across the different industries, which was very unlike what happened in most of the other countries that also developed social security systems at this
early stage. On the other hand, as the system primarily was financed by government taxes and membership payments leaving companies almost without obligations, supporting the Ghent-model was an easy admission also from the employers’ perspective. And it is this combination of embedding power to the unions while exempting employers from pecuniary burdens that gave the system its strength, and probably averted the pressure for job protection that sprung up in many other countries (Jensen, 2007).

Consequently, the labour movement gradually pushed for improvements of the insurance system up through the first half of the century leading to the peak in the late 1960’s where the hitherto most encompassing reform was undertaken. The income replacement rate (IRR) was raised from 80 to 90 per cent while a more beneficial method to mete out the allowances was introduced. Furthermore, the government took over the marginal costs of rising unemployment, which in practice meant that insurance premiums would remain low during economic down turns. In return for acceptance, the employers demanded that the allocation function was transferred from the unions and the insurance funds to a more effective (and neutral) institution, which lead to the founding of the national public employment service (AF6).

The founding of the AF at the same time marked the starting point for labour market policy as an independent public policy-issue on national level in Denmark, and accordingly some scholars date the three-legged Flexicurity-model to this period. The AF was a political response to the bottlenecks and wage inflation that occurred during the upturn of the 1960’s. Its main objective was therefore to fasten matching processes and enhance labour mobility through exchange of information. However, shortly after the birth of the AF-system, labour supply shortages disappeared and unemployment became the problem, as the long-lasting slump of the 1970’s, triggered and exacerbated by two oil crises, made its entry. In the late 1970’s, still without a view to better times, the prospect that people might lose their basic means due to expiring benefits made the government introduce different relief programmes including the early retirement scheme, the cash benefit scheme, and the job offer scheme. The latter had the purpose of giving people a chance to re-obtain the right to unemployment benefits, but is has also been pointed to as the starting point for the new ‘active-line’ that was to become the main track in the labour market policy some years later (Pedersen, 2007).

The breakthrough came with the labour market reform in 1994, which can be attributed to a number of factors. Unemployment figures had reached new heights and especially the number of long term unemployed had increased, leading to social exclusion and an emerging depression culture in the big cities, exposing clearly the weaknesses of the 1970’s relief programmes. At the same time some employers were having a hard time filling their vacant positions, indicating the existence of structural problems. Moreover, the social partners had committed themselves to a new regime of collective bargaining aiming at job-creation and wage reticence and thereby they had nourished the expectation that better times was just around the corner. Finally, a new government under Social Democratic leadership with stronger willingness to intervene against unemployment came into power (Madsen, 2005).

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6 Arbejdsformidlingen.
The ALMPs of the 1990’s indicated a policy change which often has been characterized as a shift from welfare to workfare, but it has also been described as a return to the classic Social Democratic virtues of balancing rights and duties that characterised the labour market in the early 20th century. On the one side, the objective was to give a new chance to those unemployed who wished to re-enter the labour market but were lacking sufficient skills. This was pursued through different kinds of activating measures such as job training or re-training programmes. On the other side, the objective also was to break with the dependency (or underclass) culture that had evolved among those who had been living from public assistance all their adult life. Accordingly, a tightening of the eligibility criteria was implemented alongside a shortening of the over all duration of unemployment benefits (from 9 to 7 years), and special measures were targeted people below 25 to encourage education. All in all the reform imposed a mix of new opportunity measures and new economic incentives (Jørgensen, 2007). As a supplement to the reform, a series of provisional leave schemes was introduced. The purpose of these was first of all to reduce labour supply and thereby creating new job openings, but leave for educational purposes was also seen as an instrument part of a broader qualification strategy that also encompassed re-training programmes for the unemployed (Larsen, 2005). Consequently, Danish ALMP of the 1990’s has been labelled as a ‘human capital’ approach explicitly contrasting the ‘work first’ principle of other activation strategies uncoiled for instance in the US, the UK, and elsewhere (Torfing, 2004).

New Reforms and Dissociation from the ‘Human Capital’-approach
As the recession in the mid 1990’s finally seemed to come to an end, and the effects of an expansive fiscal policy started to show, the government chose to revise the course to stop the continued resignation from the labour market. Thus, the leave arrangements were made less attractive, some where totally abolished, and the unemployment benefit duration was further shortened. The government did however not opt for a new overall strategy, and the focus on education and re-training was maintained throughout the rest of the Social Democratic period, also due to the strong corporative involvement in the regional and municipal implementation of the ALMPs (Larsen et al., 2001).

The turning point came at the election in 2001 where a liberal-conservative coalition took over and soon pushed through a series of reforms of the system. Of biggest importance were the so-called ‘More-people-to-work’-reform in 2003, the ‘Structure Reform’ implemented in 2007 and the ‘Job Plan’ adopted in 2008. ‘More-people-to-work’ included both substantial changes of the activation strategy and a new focus on pecuniary means. The latter, first of all targeted the people at the margin of labour market, included the 300-hour rule and the cash benefit ceiling that enables local authorities to cut down benefits for couples where both rely on social security. Both examples constitute clear path breaks in Danish social policy. Furthermore, an in-work tax allowance was introduced to reduce the marginal effective tax rate in low income jobs, thereby also adding a positive incentive to the negative rules mentioned above.

Regarding the substantial elements of the ALMP, ‘More-people-to-work’ first of all portended the closure of the ‘activation-factory’. In fact this meant the ending of public work programmes designed purely for activating purposes, while the focus on different
forms of subsidized employment in private companies was increased. The maximum share of educational activities was lowered to 50 per cent. More importantly, however, was the introduction of continued contact procedures that starts off at day one of unemployment. The contact procedures include personal interviews at the employment service office, requirements to upload a personal CV to the nationwide job portal, requirements to participate in job application courses, and control measures to ensure that benefit recipients are actually searching to find a job (Jørgensen, 2007). Empirical investigations suggest that the strict supervision of unemployed persons has an independent and notable effect on job seeking behaviour, and as such must be considered as an independent substantial element of ALMPs next to the different job-training, education and apprenticeship programmes, but also, though, as an important step in line with the ‘work first’ philosophy (Kluve, 2006). Finally, a smaller number of activation sequences were outsourced to private bureaus, which also constituted a clear innovation (Bredgaard & Larsen, 2006). The following table shows the staggering of numbers from educational arrangements to subsidized employment, and how the introduction of a strict supervision regime contributed to a large increase in the total number of people subjected to ALMP. Considering the latter, it must also be taken into account that the number of unemployed fell significantly between 2003 and 2006:

**Table 2: Participants in ALMP Measures in Denmark**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision and Skill Development</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>31.471</td>
</tr>
<tr>
<td>Hereof Ordinary Education</td>
<td>12.330</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidized Employment</td>
<td>46.483</td>
<td>33.389</td>
<td>29.743</td>
<td>75.311</td>
</tr>
<tr>
<td>Leave</td>
<td>44.884</td>
<td>26.207</td>
<td>3.209</td>
<td>-</td>
</tr>
<tr>
<td>Hereof Education Leave</td>
<td>25.538</td>
<td>7.774</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Education and Training</td>
<td>23.189</td>
<td>34.575</td>
<td>26.869</td>
<td>-</td>
</tr>
<tr>
<td>Other Activation Programmes</td>
<td>4.176</td>
<td>8.233</td>
<td>18.733</td>
<td>1.114</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.631</td>
</tr>
<tr>
<td>Total</td>
<td>118732</td>
<td>102.404</td>
<td>78.554</td>
<td>110.627</td>
</tr>
</tbody>
</table>

Source: Denmark’s Statistics

Besides a reduction of the number of regions and municipalities and certain adjustments of the division of tasks between the central, regional and local levels of government, the ‘Structure Reform’ involved a thorough revision of the institutional organisation of the ALMP. Regarding the formal organisation, the traditional two-tier system based on the AF for insured people and municipal social services for uninsured was merged in new job centres now handling the activation of both groups. Of more substantial character, the role
of the corporative committees in the local implementation of the ALMP was limited and the administrative control of the system strengthened. This was accompanied by the introduction of benchmarking procedures for the purpose of disseminating best practices and encouraging social workers at the job centres to take on a more heavy-handed attitude (Jørgensen, 2006).

Of recent developments, the ‘Job Plan’ is necessary to mention as it enforces a harmonization of the rules regarding supplementary unemployment benefits that constitute a kind of ‘in-work’-benefit for insured people that take on a part time job. For most people the new rules involves a shortening of the maximum duration from 52 to 30 weeks equaling approximately 50,000 DKR per year. Consequently, part-time work will become less attractive from an employee perspective in the future. On the other hand, the Job Plan earmarked an amount of money for the reopening of the adult apprenticeship scheme, which can be seen as reinforcement, all though a tiny one, of the educational track in the ALMP7.

The model below takes into account the most recent developments in Danish ALMP and suggests a new illustration of the Danish employment system.

Figure 2: Supervision and Work-First Principles in the new Employment Policy

Compared to the ‘Golden Triangle’, AMLP in this model is not seen as a single institution but three different schemes and therefore divided into three circles. Unemployed persons meet ‘the system’ at the job centre where the supervision and counselling procedures begin. Depending on status (insured or uninsured) and an estimation of the individual’s pro-

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7 www.fm.dk → nyheder → aftale om en jobplan (28.02.2008)
Professional and social competencies, an action plan is composed ultimately leading to the enrolment into an activation programme, be it either job training or subsidized employment, or actual education (adult apprenticeship or continuous vocational training (CVT)). The arrows between the labour market and the education system likewise indicate that many employees receive CVT as part of their employment contract. CVT has been high on the agenda the latest 3 - 4 years and tripartite negotiations both in the public sector as well as on the private labour market have increased spending on CVT. The dotted line marks the boundary for which groups that count in the official unemployment statistics.

Comparing the Three Packages – Which is most carefully Balanced?

First of all, it can be said that the Dutch package stand out due to the fact that it has a much narrower scope than both the Danish and the Commission’s packages. It has fewer policy components and it aims unilaterally at the problem of labour market segmentation. On the contrary, the Danish and the Commission’s packages have a plurality of objectives while they also rest on certain modes of governance as preconditions for effective policy implementation. The Danish ‘Golden Triangle’ and the Commission’s four components both have their focal point around the trade-off between flexible employment rules and good unemployment benefits supported by activation and LLL measures. Hence, it would not be an exaggeration to conclude that the Danish model actually has been canonised by the Commission. Yet, when looking at the details of the four policy components, not least the ways, in which they have been revised or rearticulated over time, it appears that the Danish government and the Commission are following two different paths. The Danish model is moving away from learn-fare towards workfare with a stronger focus on negative incentives all the while the Commission is going in opposite direction. Using the theoretical terminology of the Flexicurity-debate, the three packages can be characterised in the following way:
### Table 3: The Adaptation of Flexibility and Security in the Three Models

<table>
<thead>
<tr>
<th>Model</th>
<th>Flexibility</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Dutch Flexucurity-reform</td>
<td>Increased numerical flexibility for standard work contracts</td>
<td>Increased job security for certain types of non-standard work</td>
</tr>
<tr>
<td></td>
<td>Intermediate numerical flexibility in the private sector</td>
<td>Good income security for the majority of the citizens</td>
</tr>
<tr>
<td>The revised ‘Golden Triangle’</td>
<td>Employment security for unemployed through surveillance and guidance, rights and duties</td>
<td>Employment security through CVT for all employees</td>
</tr>
<tr>
<td>The Commission’s Flexicurity-concept</td>
<td>Increased numerical flexibility for standard work contracts</td>
<td>Increased job security for atypical workers</td>
</tr>
<tr>
<td></td>
<td>Better income security for all citizens</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employment security through LLL for all citizens</td>
<td>Employment security for unemployed through needs tests succeeded by appropriate job search assistance, job training or education</td>
</tr>
</tbody>
</table>

### Concluding Remarks

The research questions asked in this paper were motivated by the academic Flexicurity-debate, especially a contribution by Keune and Jepsen from the ETUI which is very critical as regards the Commission’s adoption and reformulation of the concept. According to Keune and Jepsen, Flexicurity has brought no innovation to the European Employment Strategy, and can thus be characterized as ‘old wine in a new bottle’. Secondly, the two researchers argue that the Commission’s position on Flexicurity is unbalanced; favouring flexibility over security and employer’s interests over workers’, thereby implicitly accusing the Commission of having hollowed out the original intentional meaning of the concept.

This article argues otherwise. It finds that the Flexicurity-agenda has brought substantial change, not only to the various policy-recommendations, but also to the notion of
how Member States should implement labour market reforms. Flexicurity entails that a certain set of policies should be implemented as a policy-mix to ensure that an appropriate balance between flexibility and security on the labour market is maintained. This is different from earlier Guidelines, where the different policy-components were listed in an unsorted way. Substantially, the focal point of Flexicurity is to improve competitiveness and job creation through deregulated dismissal laws. However, to make such a transformation process successful, workers must be better furnished for labour market transitions, hence reforms also require improved standards of social security and better suited ALMPs. This trade-off between lowered job security and improved income security is a clear innovation and exemplifies a remarkable political path break. The explicit recommendation to differentiate the effort vis-à-vis job seekers, that is, to focus on education instead of reintegration for those with insufficient skills, is also an innovation compared to the former more or less unspecified focus on activation. And it is a sign in opposition to the work-first philosophy and of clear commitment to the Lisbon-strategy target of more and better jobs.

Finally, in comparison with the Dutch and Danish cases, that have constituted the main empirical reference points in the debate so far, I would argue that the Commission’s approach to Flexicurity is very well-balanced. It is more comprehensive than the Dutch example and more dedicated to education and learning than the Danish model. And although the Commission has been heavily inspired by the Danish it should be stressed, however, that the policies promoted look more similar to those of Danish employment policy in the 1990’s than of today.
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