



Sheffield
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Work, Organisation & Employment
Relations Research Centre

Austerity, flexicurity and models of employment in the EU

Jason Heyes and Thomas Hastings

Work, Organisation and Employment Relations Research Centre

University of Sheffield

@WOERRCsheffield

Outline

How has the economic crisis and subsequent imposition of austerity affected labour market policies across the EU?

What are the implications for the EU's flexicurity agenda?

What are the implications for international comparative analysis?

A brief overview of flexicurity

- An 'integrated strategy to enhance, at the same time, flexibility and security in the labour market' (European Commission 2007).
- The concept of flexicurity was developed in the 1990s and early 2000s in the context of.....
 - (i) Calls for the deregulation of European labour markets (e.g. OECD Jobs Report 1994) and reform of welfare provision (as championed by Tony Blair et al.)
 - (ii) The search for consensus in relation to EU social policy.
 - (iii) The apparent success of Denmark and the Netherlands in creating jobs without sacrificing protections and social solidarity.
 - (iv) The search for a coherent narrative and strategy for how Europe should meet economic challenges stemming from 'globalisation' and 'new technology'.

Flexicurity pillars

- (i) flexible and reliable contractual arrangement from the perspective of the employer and employee, of 'insiders' and 'outsiders'
- (ii) comprehensive lifelong learning strategic to ensure the continual adaptability and employability of workers
- (iii) effective active labour market policies that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs
- (iv) modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility

Flexicurity pathways and VoC

Prior to the crisis, the Commission recognised that countries would embark on their journeys to flexicurity from different starting points and that there would be many flexicurity 'pathways'

Progress encouraged through the Open Method of Coordination

This implied ongoing diversity rather than convergence towards a single model

Influential contributions to comparative institutional analysis – notably the 'varieties of capitalism' approach (Hall and Soskice 2001) also predicted continuing diversity

Flexicurity after 2008

The Commission encouraged EU countries to develop crisis responses in ways that were consistent with flexicurity. *Employment security v. job security.*

But support for key pillars was affected by the imposition of austerity and search for ways of restarting growth

EPL has been weakened; welfare reforms have been enacted

Particularly evident in countries that experienced financial difficulties and that received assistance from the Troika

More generally, the influence of the EC over social policy issues has increased (European Semester, 'six pack', Euro-Plus pact)

Research Methods

Principal Components Analysis (PCA) and Cluster Analysis

Indicator composites of the main 'pillars' of flexicurity.

Analytic focus on emerging clusters, patterns of change and continuity.

Qualitative appraisal of:

Key legislative change and its intention/impact.

National political rhetoric (e.g. National Reform Programmes).

Degrees of supranational agency influence (e.g. EC, troika, OECD).

Principal Components Analysis

3 components = 74.59% variance.

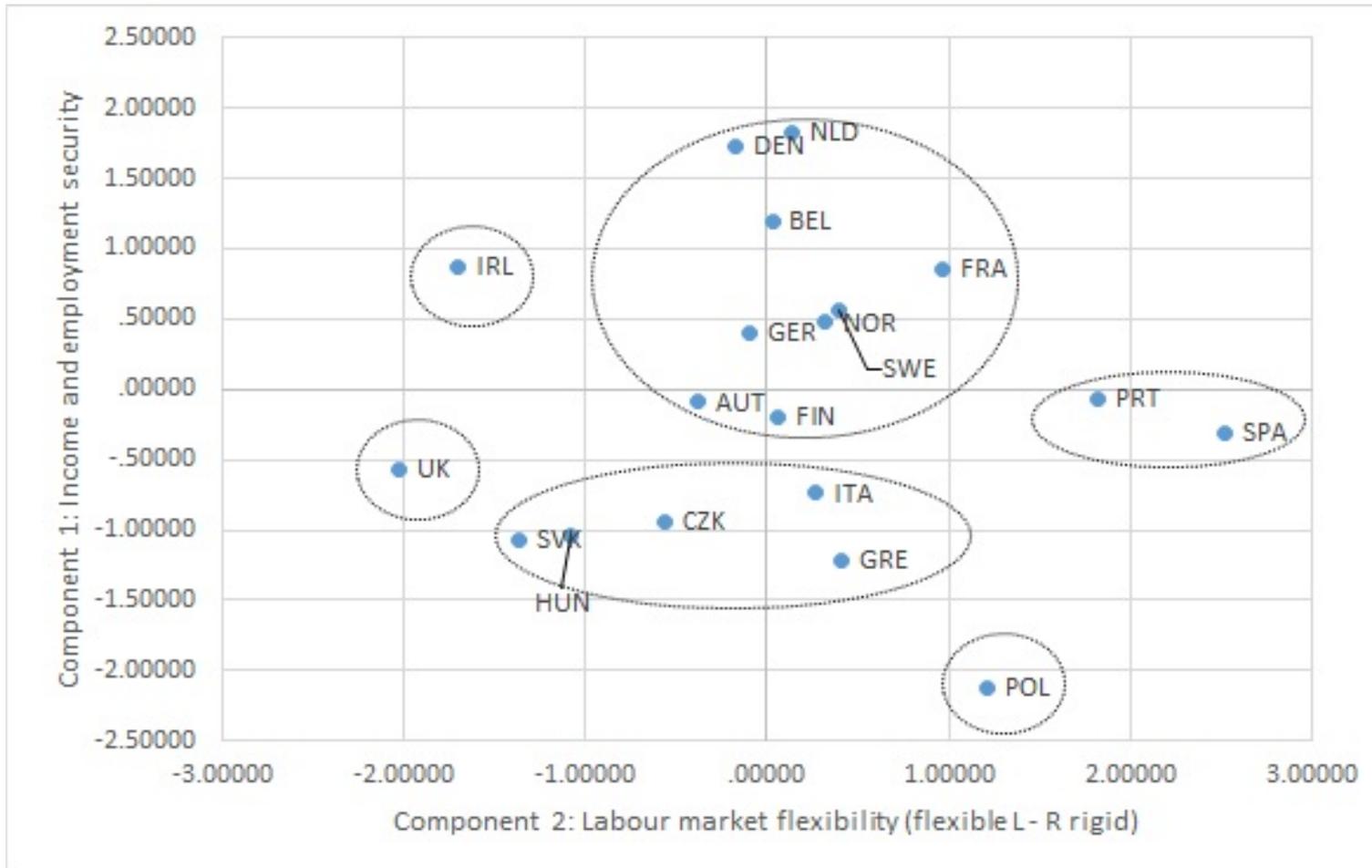
Component 1 = Income and Employment Security

Component 2 = Labour market flexibility

Component 3 = Lifelong learning

Variable code	Description	Flexicurity element	Source
EPRC_V2	EPL weighted sum of sub-indicators concerning the regulations for individual dismissals (weight of 5/7) and additional provisions for collective dismissals (2/7)	LM Flexibility	OECD
EPT_V1	EPL Version 1 of the indicator for temporary employment measures the strictness of regulation on the use of fixed-term and temporary work agency contracts. It incorporates 6 data items.	LM Flexibility	OECD
LIMDUR1	Employees with a contract of limited duration (annual average): % of total number of employees.	LM Flexibility	Eurostat
Gra2	OECD NRR summary measure of benefit entitlements (including SA and HB).	Social Security	OECD
CHILD1	No formal childcare arrangements.	Social Security	Eurostat
LMPCAT8	LMP Category 8 – PPS terms for those wanting work.	Social Security	Eurostat
LMPCAT2-7	PPS per person wanting to work: Total LMP categories (categories 2-7).	ALMP	Eurostat
LMPCAT1	Labour market services PPS per person wanting to work.	ALMP	Eurostat
Life 3	Lifelong learning participation rates for employed persons (25-64).	LLL	Eurostat
Life6	Lifelong learning participation rates for those unemployed (25-64).	LLL	Eurostat

Scatterplot 2006 (pre-crisis)



Clusters:

Anglo-outlier 1

Anglo-outlier 2

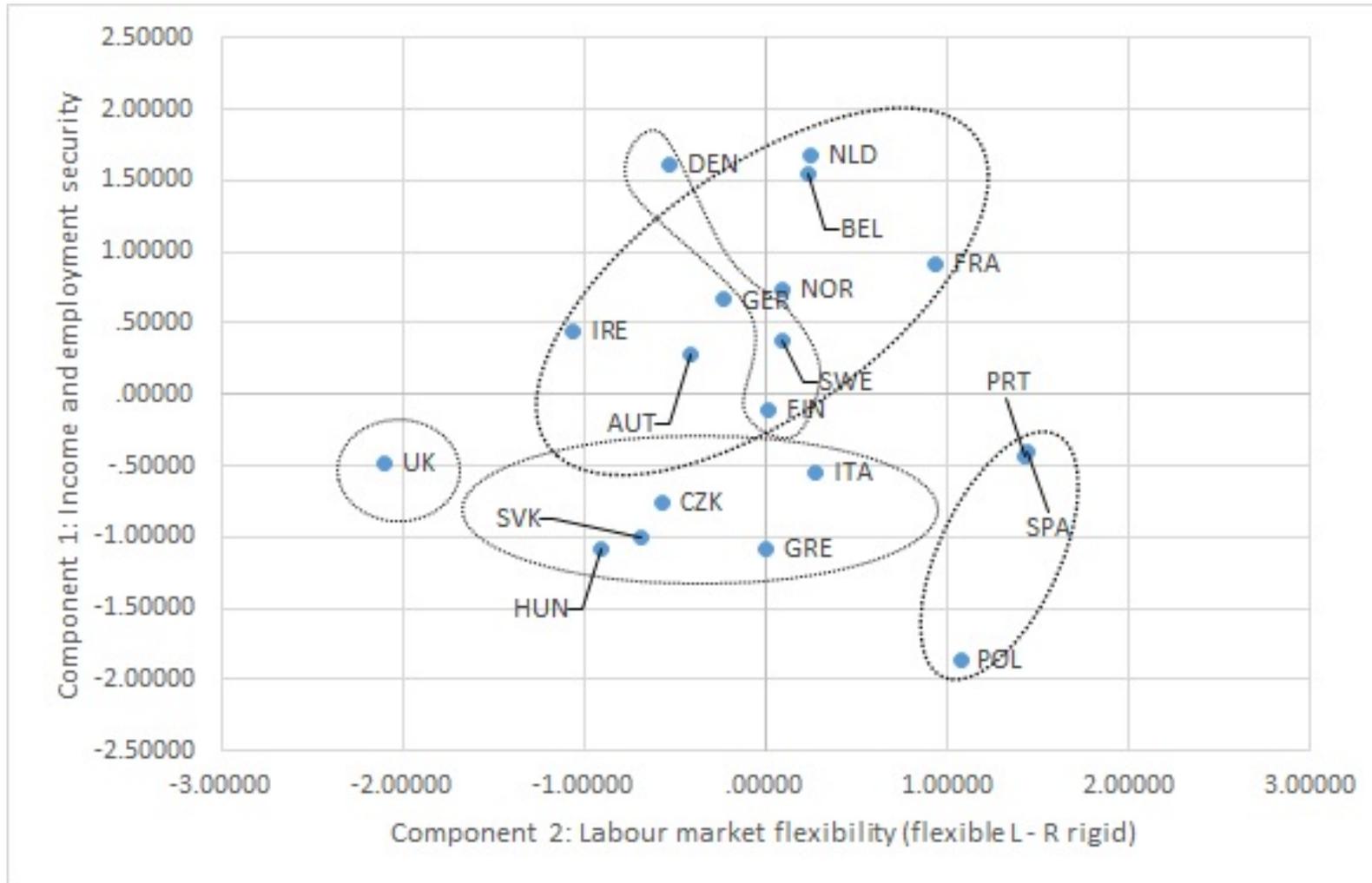
Northern European

Southern European

Iberian

Eastern European outlier

Scatterplot 2011 (post-crisis)



Clusters:

Anglo-outlier 1

Northern European (+ 'Anglo outlier 2': Ireland)

Southern European

Iberian (+ 'Eastern European outlier': Poland)

LLL cluster: Denmark, Sweden, Finland.

Policy responses

Ireland and UK

Pre-crisis:

Weak EPL in both, but relatively high replacement rates in Ireland and attempts to strengthen enforcement of employment rights.

Post-crisis:

Weaker EPL in the UK, increases in severance pay in Ireland

Reduced support for LLL in the UK, extended support in Ireland

Greater use of sanctions in relation to unemployed workers (UK and Ireland)

Iberian cluster

Spain and Portugal: substantial changes, linked to MoUs with the Troika

Portugal: Weaker severance pay entitlements, easier dismissals, reductions in overtime pay.

Spain: reductions in length of notice periods and compensation following unfair dismissal (2011); collective dismissal rights reduced.

Austerity and erosion of social security pillars

ALMPs introduced; focus on youth.

Northern European cluster

substantial increase in UNM in Denmark, avoided in Germany

Some reduction of social protections in certain countries (e.g. parental leave benefit reduced in Germany, but also a new national minimum wage). Efforts to weaken work 'disincentives'.

Cuts to the duration of unemployment benefits (Denmark and Netherlands).

LLL support remains strong in Denmark, Sweden and Finland, but public training schemes more narrowly-focused.

Southern Europe/Visegrad cluster

Extensions to the maximum length of fixed-term contracts/reduced dismissal protection on regular contracts (Slovakia, Czech Rep.)

Strengthening of social insurance system (Italy).

Elsewhere reductions in social protections (e.g. Greece, Hungary), increase in means testing, stricter limits on duration of benefits.

ALMP spending and participation in LLL remains low.

Conclusions

Regional groupings/varieties of capitalism are not static (or coherent). Change between/within.

Shared *tendencies*:

Reductions in social welfare; cuts/restrictions of benefits (e.g. family allowances, sickness benefits).

Focus on supply-side reforms to stimulate growth in jobs/economy.

Assault on employment protections – reductions in severance pay, longer probation periods, increases in freedom of employers to set dismissal criteria.

Conclusions

Also differences in the paths followed within ‘varieties of capitalism’

Italy/Spain both experienced sovereign debt crisis/Troika influence – yet different responses. (e.g. improved protections for non-standard workers / social benefits in Italy).

Interplay of economic circumstances, domestic politics and supra- and international forces in the form of the EU institutions, IMF and financial markets

Flexicurity was supposed to replace a concern with **job** security with a focus on measures to enhance **employment** security.

In many countries the prevailing tendency is to reduce support for both.