



# Flexicurity as a Labour Policy

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A comparative analysis

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A Comparative Analysis

Research by Professor Montse Solé

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# Contents

<b>Biography</b>	<b>6</b>
<b>Introduction</b>	<b>8</b>
<b>1. Flexicurity in theory: Concept and objectives</b>	<b>14</b>
<b>2. Denmark: The base model</b>	<b>20</b>
2.1. Tripartite collaboration	23
2.2. From the golden triangle to the golden quadrangle	25
<b>3. Other flexicurity options: Comparative study</b>	<b>32</b>
3.1 Finland	32
3.2 Norway	40
3.3 The Netherlands	47
3.4. Results: quality of employment and public spending	55
<b>4. EU initiatives</b>	<b>72</b>
<b>5. Making flexibility and security compatible: Critical analysis</b>	<b>86</b>
<b>6. Conclusions and recommendations</b>	<b>90</b>
<b>Bibliographic references</b>	<b>96</b>
<b>Databases</b>	<b>107</b>
<b>A message from Coppieters Foundation</b>	<b>108</b>
<b>Acknowledgements</b>	<b>115</b>



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# Introduction

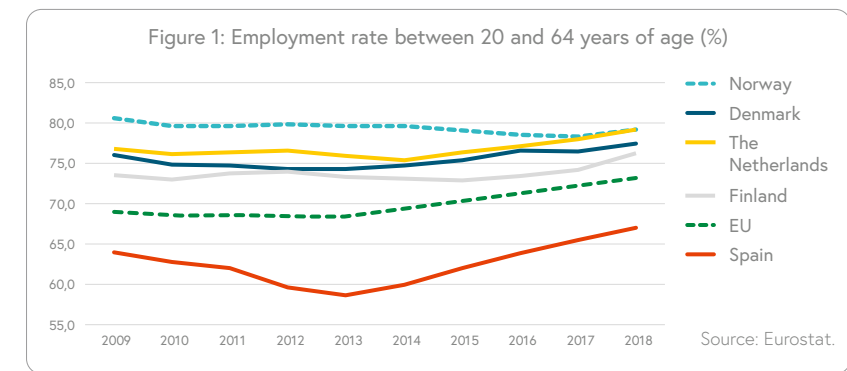
The concept of flexicurity was introduced in Europe in the 1990s as a mechanism to foster employment. It is unclear whether the idea was born in The Netherlands or in Denmark but beyond its origin, the combination of security and flexibility has generated a transversal debate involving the political, social, legal and economic fields. The explicit support of the Organisation for Economic Co-operation and Development (OECD) to the Danish model as a remedy for labour market problems in Europe<sup>1</sup> and the fact that the EU took it as a source of inspiration for its proposals and strategies for the recovery of the labour market<sup>2</sup>, have often caused flexicurity to be associated with neo-liberal economic postulates. Yet, the complexity of this policy and the cross-cutting dynamics that it entails suggest the need to adopt a wider perspective in order to understand its full scope and consequences.

Despite the EU's backing, flexicurity follows an erratic path on its way through implementation. On the one hand, in most bailed-out Member States, security has given ground to flexibility as the only measure for labour market's recovery. On the other side, the Danish initiative has been modelled by other European states through adapting the degrees of flexibility and security to their national contexts. This study focusses on the combination of security and flexibility adopted in Denmark, Finland, Norway and The Netherlands and analyses the effects on their domestic labour markets compared with the flexibility effects in Spain. The former states feature as "small open economies" meaning that their economic activity is both domestically and export oriented, but growth largely depends on foreign

trade. Their economic structure is based on stable sectors, mainly industry and agriculture, on low inflation and good economic performance. The attribute of being small comes from the fact that, albeit being international trade players, they cannot influence key macroeconomic variables such as the price of international goods or the interest rate.<sup>3</sup> Still, their labour market as well as economic performance exceed EU's averages pointing that there might be a direct relation between size and the effectiveness of policies and, that the Danish flexicurity is a model but not the only one.

Some European regions show similar characteristics to those of the small open economies, including better performance indicators than those of the respective states.<sup>4</sup> However, national policy determines the development of their labour markets. Therefore, the analysis carried out in this study might provide interesting aspects in terms of employment policies for such regions having some margin of manoeuvre in decision-making but restricted regulatory prerogatives.

The Danish model of flexicurity is based on full flexibility, understood as little stability in the workplace, combined with a high level of security in occupational terms. Security is achieved through social protection, lifelong learning and active labour market policies conducive to equip individuals with the necessary skills for job transitions. In the Netherlands, flexibility is based on part-time work, whilst security is guaranteed through social protection and lifelong learning. On its turn, Finland has chosen to maintain high levels of social protection and to apply little flexibility. In Norway, low flexibility requires low level of security policies. These differences notwithstanding, employment and unemployment indicators in these countries are above EU average.

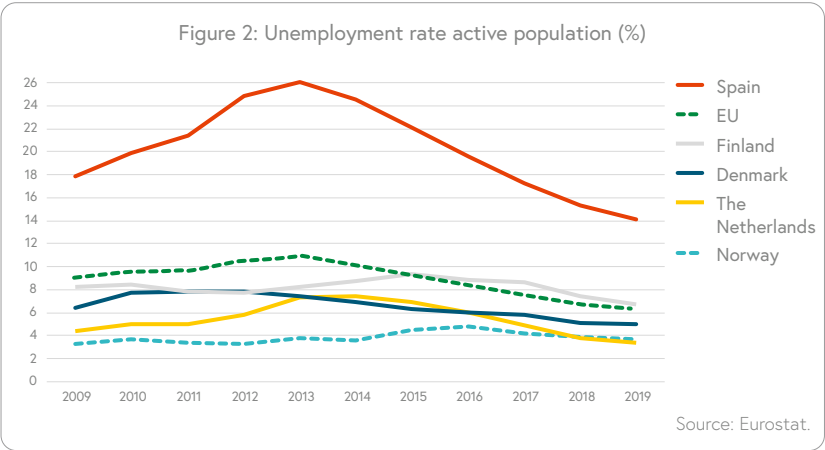


<sup>1</sup> OECD, *Employment outlook 2004 Chapter 2* and OECD, *Employment outlook 2006 Chapter 3*.

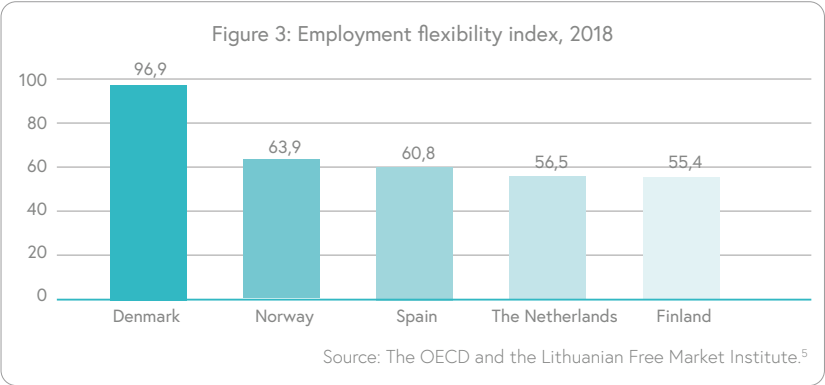
<sup>2</sup> EUROPEAN COMMISSION, "COM/2007/0359 final, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Towards Common Principles of Flexicurity: More and better jobs through flexibility and security"; EUROPEAN COUNCIL, "15431/07 SOC 476 ECOFIN 483, Towards Common Principles of Flexicurity-Draft Council Conclusions"; and EUROPEAN COMMISSION, "Europe 2020 strategy".

<sup>3</sup> It is not the purpose of this study to exhaustively define the economic characteristics of this type of economy. It is simply intended to provide a succinct outline, for contextualization.

<sup>4</sup> See Eurostat regional statistics



Flexibility stems from the idea that legislation introduces barriers to job creation. Thus, flexicurity is based on two premises: 1) deregulated labour markets with little protection against dismissal and, 2) permissive working conditions which facilitate internal mobility: unrestricted hours, functional mobility and flexible salaries. In the countries under study, however, flexicurity measured in terms of legislative protection of working conditions returns inconsistent results.

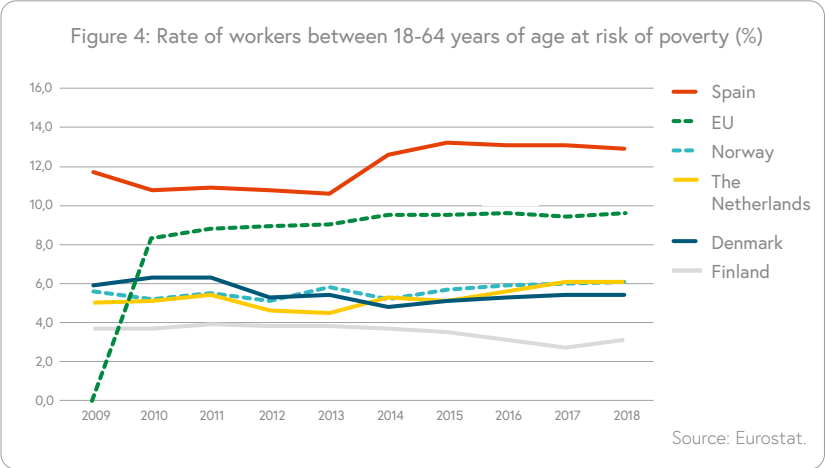


<sup>5</sup> LITHUANIAN FREE MARKET INSTITUTE, "Employment flexibility index 2018, EU and OECD countries".

A careful interpretation of all these indicators should bear in mind factors that are outside the scope of this study, such as macroeconomic data, structural elements or the welfare state. Nevertheless, an initial element that emerges from the above figures is that flexicurity effectiveness' cannot be understood as a unique combination. On the other hand, even though data seem to confirm the success of this policy as far as employment creation is concerned, it should be clear that statistics do not reflect the quality of this employment mainly in relation to wage adequacy or working time. This is an issue that becomes controversial when assessing flexicurity results.

Perhaps the most reliable indicator from which we can link the combination of flexibility and security with working conditions is the rate of workers at risk of poverty. It is worth to highlight that flexicurity is not concerned with working conditions. As it has been mentioned above, the security side is meant to secure employability skills and protect the individual during job transitions. But the flexibility side increases the risk of precarity which the social protection of security does not cover. This is reflected in Denmark and The Netherlands data below. Also, Norway that offers little social protection has a number of at risk of poverty workers. By contrast, Finland with more social protection and less flexibility has the lower rate. If the data are compared with those of Spain, a turning point is observed in 2013, coinciding with the labour reform that introduced full flexibility into the labour market without establishing any measures aimed at neutralizing the loss of security.<sup>6</sup> Hence, it may be stated that flexicurity, whatever the relationship between its two elements, requires at least but not only, good working conditions or a welfare state able to counteract the effects of flexibility.

<sup>6</sup> SPAIN. Royal Decree-Law 3/2012, of 10 February, regarding urgent measures for labour market reform.



The study is structured into six chapters, the first two very briefly set out the theoretical framework of flexicurity, the following two are the bulk of the comparative analysis, and the final two chapters contain a critical evaluation of flexicurity's application and of its effectiveness. The work begins with a brief review of the theory that defines the concept of flexicurity and its objectives and summarises the main debates around the effectiveness of this employment policy. The second chapter is aimed at contextualising flexicurity in its original environment: Denmark. One of the key characteristics, often little assessed, refers to the institutions that have permitted its development and continue to support the combination of security and flexibility. This feature is essential in order to understand why and by which elements flexicurity is an effective tool for job creation. The third chapter explains the variants adopted in the states under study, the role of the different actors within their own institutional frameworks and provides a comparison of the results in terms of quality of employment and social equality. To conclude with the comparative part, the fourth chapter examines the concept of flexicurity and the evolution that EU regulations have experienced from the general and specific recommendations to Member States. The fifth chapter conducts a critical analysis of the effectiveness and application of flexicurity based on the data examined in the study. As a conclusion, the last chapter offers some public policy recommendations aimed at enhancing the labour market opportunities for European regions.

# 1. Flexicurity in theory: Concept and objectives

Since the 1990s, the study of flexicurity has produced an extensive corpus. Yet it has failed to develop a clear theoretical definition of the concept. The basic assumption is that the flexibility of labour markets and employees' security are perfectly compatible.<sup>1</sup> This vision, however, is not shared by other authors who believe the reconciliation of flexibility with security to be a genuine paradox given that the flexibility needs of companies and the security needs of employees are "irreconcilable opposites" or even "self-excluding".<sup>2</sup> Although most authors agree that the multidimensional nature of the concept necessarily leads to an ambiguous and vague notion<sup>3</sup>, there are also two opposing lines regarding the need to clarify and define flexicurity in a more precise way. On the one hand, there are those who claim ambiguity being essential to allow and justify the adoption of different options depending on each context and/or policy changes.<sup>4</sup> On the other hand, critics of

the indefinite nature of the concept argue that it is precisely this vagueness which enables diametrically opposed answers and solutions to be applied to the same labour market issues.<sup>5</sup>

The above contended debate reflects the underlying issue: what should flexicurity's goals be? What strategies are better suited to achieve such goals? There is neither a single answer. According to Professors Ton Wilthagen and Ralf Rogowski, flexicurity is a coordinated strategy aimed at the most vulnerable groups of workers<sup>6</sup>, while other authors associate flexicurity with the fight against social exclusion.<sup>7</sup> Another line of thought views flexicurity as a measure that contributes to economic growth by integrating social policy as a "productive factor"<sup>8</sup>. Within this view, social protection is not regarded as an obstacle, but rather a means to improve the flexibility of labour markets. From this perspective, it can be understood that flexicurity would serve to combine social justice and economic efficiency.<sup>9</sup> An entirely different position is expressed by Professor Andranik Tangian<sup>10</sup>, who sees flexicurity as a response to the economic need to increase the competitiveness of European economies through liberalisation. In his opinion, security should be granted regardless of flexibility and should be used as a bargaining tool to reach a compromise between employers and employees. At the institutional level, other authors assert that flexicurity offers governments a seemingly effective way of ending the division between the growing demand for labour market flexibility by the capital and the persistent demand for employment security by workers.<sup>11</sup>

As far as implementation is concerned, the literature distinguishes four forms of flexibility: external numerical (including temporary contracts), internal numerical, functional flexibility and flexible salaries; and four forms of security: job security, employment security, income security (or social security) and combined security (work-life balance).<sup>12</sup> As stated above, the most commonly used tool to achieve

<sup>1</sup> Bekker and Wilthagen, "Europe's pathways to flexicurity: Lessons presented from and to the Netherlands"; Frederiksen, Flexicurity; Wilthagen, "Striking a balance? Flexibility and security in European labour markets"; Wilthagen and Tros, "The concept of flexicurity, a new approach to regulating employment and labour markets".

<sup>2</sup> Serrano Pascual, "The battle of ideas in the European field: the combat to defeat unemployment and the struggle to give it a name"; Keune and Jepsen, "Not balanced and hardly new: the European Commission's quest for flexibility".

<sup>3</sup> Viebrock, and Clasen, "Flexicurity and welfare reform: a review".

<sup>4</sup> Rogowski, "Governance of the European social model: The case of flexicurity"; Jørgensen and Madsen, "Flexicurity and beyond: Reflections on the nature and future of a political celebrity".

<sup>5</sup> Keune and Jepsen, "Not balanced and hardly new: the European Commission's quest for flexibility"; Burroni and Keune, "Flexicurity: A conceptual critique".

<sup>6</sup> Wilthagen and Rogowski, "Legal Regulation of Transitional Labour Markets".

<sup>7</sup> Ferrera (et al.), "The future of Social Europe: Recasting work and welfare in the new economy"; Klammer and Tillman, Flexicurity – Soziale Sicherung und flexibilisierung der arbeits- und lebensverhältnisse".

<sup>8</sup> Schmid and Reissert, "On the institutional conditions of effective labour market policies"; Auer, "Employment Revival in Europe: Labour market success in Austria, Denmark, Ireland and the Netherlands"; Ganssmann, "Labor market flexibility"; Tros and Wilthagen, "Flexicurity: concepts, practices, and outcomes".

<sup>9</sup> Jensen, "Danish flexicurity: preconditions and future prospects".

<sup>10</sup> Tangian, Liberal and trade unionist concept of Flexicurity. Modelling in application to 16 European countries.

<sup>11</sup> Auer, "What's in a Name? The rise (and fall?) of flexicurity"; Wilthagen and Tros, "The concept of flexicurity a new approach to regulating employment and labour markets"; Muffels and Wilthagen, "Flexicurity: a New Paradigm for the Analysis of Labour Market and policies challenging the trade-off between flexibility and security".

<sup>12</sup> Withagen and Tros, "The Concept of Flexicurity: a new approach to regulating employment and labour markets".



flexibility has been the deregulation of the labour market, i.e., facilitating hiring and dismissal as much as possible through the removal of legislative measures hold to be obstacles (in the form of costs, time, ..). The effects of such measures have been analysed in several studies, highlighting the perception of insecurity generated among workers. Based on a complete comparative study, Muneto Ozaki<sup>13</sup> firmly states that: "the flexibility of the labour market has entailed a significant erosion of workers' rights in fundamentally important areas that affect their job security, their income security and the (relative) relationship of stability between their working and living conditions". Other authors have also studied the negative consequences of flexicurity on the health of workers as a result of long working hours, and job instability.<sup>14</sup> Similarly, a more recent study in the psychological field, carried out in different European countries confirms the negative consequences in terms of stress and uncertainty, reflecting that the security offered to workers does not neutralise the risks of flexibility and, therefore, challenges the effectiveness of flexicurity.<sup>15</sup>

To some authors, environments (countries, sectors and companies) with an associative tradition of coordination, consultation and negotiation, are prone to showing better flexicurity effects because these relations generate the necessary confidence that allows for security to offset flexibility.<sup>16</sup> According to this perspective, the results are subject to the business and trade union culture existing in the environment to be made more flexible. Hence, at company level, the degree of trust and collaboration between employers and workers' representatives will determine the content of the measures, as well as their success or failure. At national level, the effectiveness of flexible measures relies on two premises: 1) an atmosphere of dialogue and mutual recognition among actors – trade unions, businesses and government organisations - who must agree, negotiate and apply these measures and, 2) a high degree of coordination that promotes agreement and secures compliance. In this vein, Scandinavian countries are the paradigmatic example. It is no accident, as we shall see, that Denmark has been considered the "model".

As a precondition, employers should be willing to recognise that flexibility can be adequately achieved (in the long term) within a framework of industrial relations that provides reasonable levels of security for workers. In turn, workers and their representatives should be prepared to redefine and accept security either in the

form of temporary employment and occupational security rather than job security or as a kind of risk management.<sup>17</sup> Governments do play an important role in this "win-win" deal. Besides the mutual trust among workers (or their representatives) and employers both parts need to rely on suitable social policies that are for governments to implement. "If the levels of trust are low or absent, either between the social players or towards the government, flexicurity strategies can be expected to meet with strong opposition and mistrust".<sup>18</sup> In states such as Spain, where there is no bargaining tradition and the institutional framework does not favour commitments, flexibility has been enforced by law without being accompanied by security measures. Not surprisingly, the results have been disappointing: unemployment remains high and affects both permanent and non-regular employees (temporary or part-time) causing a downward spiral in the labour market.<sup>19</sup> This situation creates a drawback for regions with a distinctive negotiating culture. As far as they do not have regulatory power on labour issues, the statutory national law limits the chances of regional governments and socio-economic actors to improve the negotiation climate.

As outlined above, theories of flexicurity focus on policies developed at a national level, presuming that liberalisation and social protection are the only elements at play. This approach has been questioned by some authors who back other methods such as decentralised collective bargaining as a way to combine flexibility and security.<sup>20</sup> Underpinning this approach is that negotiation at local or company level is more dynamic and allows for better adaptation to the changing flexibility needs of companies while preserving workers' security. Within this view, collective bargaining offers two significant advantages over flexicurity designed at national level: 1) It prioritises internal flexibility rather than numerical flexibility, i.e., it increases security to the extent that it prevents layoffs and, 2) wage levels tend to be higher. Both elements have an impact on the individual social security benefits and allowances and at the same time contribute to reduce social protection expenditure. The weak point of this theory is that for security to compensate for flexibility, there must be a balance of power between the actors involved. Legislation *per se* does not transform imbalance into equilibrium.<sup>21</sup>

<sup>13</sup> Ozaki, *Negotiating flexibility. The role of the social partners and the State*.

<sup>14</sup> Bender, "The Unintended Consequences of Flexicurity: The health consequences of flexible employment"; Shahidi, "Do flexicurity policies protect workers from adverse health consequences of temporary employment? A cross national comparative analysis".

<sup>15</sup> Probst, "European flexicurity policies: Multilevel effects in employee psychosocial reactions to job insecurity".

<sup>16</sup> Among others: Fouarge, *Minimum Protection and Poverty in Europe. An economic analysis of the subsidiarity principle within EU social policy*; Foden, "The role of the social partners in the European employment strategy".

<sup>17</sup> Schmid, "Transitional labour markets and the European social model: towards a new employment compact"; Wilthagen, "Managing Social Risks with transitional labour markets".

<sup>18</sup> Wilthagen and Tros, "The concept of flexicurity: a new approach to regulating employment and labour markets".

<sup>19</sup> Gialis, "Antinomies of flexibilization and atypical employment in Mediterranean Europe; Greek, Italian, Spanish regions during the crisis"; Hastings and Heyes, "Farewell to flexicurity? Austerity and labour policies in the European Union".

<sup>20</sup> Burroni and Keune, "Flexicurity: A conceptual critique"; Ibsen and Mailand, "Striking a balance? Flexibility and security in collective bargaining"; Chung (et al.), "The 'state of affairs' of flexicurity in industrial relations".

<sup>21</sup> Marginson and Galetto, "Engaging with flexibility and security: Rediscovering the role of collective bargaining".

The brief review of the theory highlights the issues and difficulties when it comes to decide which specific flexicurity policies are to be adopted or which ones could be most appropriate to each context. These problems anticipate a key element: the background shaped by the pre-existing culture, is a relevant feature that the analysis should reflect. The objective is that flexibility for companies must offset workers' loss of security, but the mechanisms to achieve such compensation are unclear and therefore the criteria to measure the effectiveness of flexicurity from a neutral perspective are lacking. All in all, the literature seems to focus on the dynamic and cross-cutting nature of the factors that build flexicurity, i.e. politics, economics, work, social protection, and so on. But given this cross-sectorial relation, flexicurity should be seen as a balance of specific policies with the aim of creating a virtuous circle of labour flexibility, employability, job security and employment growth. Ideally, this balance would return economic growth through efficiency, the increase of productivity and competitiveness, as well as improvements in social cohesion.<sup>22</sup>

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<sup>22</sup> Bubak, "Flexicurity and the dynamics of the welfare state adjustments".

## 2. Denmark: The base model

During the 1990s, Denmark managed to substantially reduce unemployment rates: from 10.2% in 1993, to 5.2% in 1999, the lowest level since 1976. At the same time, the employment rate increased to 76.5% and was among the highest levels in EU Member States. These results were achieved without any deficit in the external balance, except in 1998, with increasing surpluses in public budgets and without a significant increase in wage inflation<sup>1</sup>. All these factors proved to be crucial for the EU and the OECD to use the Danish model as an example to follow. Within the labour field, the International Labour Organization (ILO) also pointed out at Denmark as an example of good practice.<sup>2</sup>

The 2008 crisis substantially increased the rate of unemployment and reduced employment, forcing the government in office to introduce changes into the system, which significantly cut social benefits and tightened conditions for accessing welfare benefits<sup>3</sup>. This illustrates that, once the initial phase of the "miracle" was

over<sup>4</sup>, the Danish model was not immune to labour market problems and could hardly be the only solution. In this sense, several critical studies question not only the viability of the model, but above all, whether it is a feasible option outside its own institutional context.<sup>5</sup> Focusing the analysis on institutional characteristics allows to explain how costs and benefits are shared, as well as the objectives of the different strategies involved in the Danish model and ultimately helps to understand and assess the potential efficiency in other circumstances.

In terms of costs, flexicurity profiles are depicted as a diamond shape while labour market flexibility is measured by the absence of employment protection legislation (EPL): full flexibility equals to "0" and full legislative protection equals to "1". The costs of flexibility do not fall upon the companies, but rather on the welfare state in the form of unemployment benefits (UBs), active labour market policies (ALMPs) and lifelong learning (LLL). These three elements make up the core of security so that security and flexibility are inversely proportional. A balanced situation would be one in which the value of flexibility is offset by the values of the other three elements. Therefore, the difference between flexibility and security is the risk assumed by the worker.

The values of these elements are obtained from international indicators and should be interpreted with due caution, particularly in the decision-making field. Even so, they remain a useful tool for comparing different systems. As a first step, it is worth explaining where each element comes from and how they are calculated:

- Employment Protection Legislation (EPL): It is the index established by the OECD.<sup>6</sup> It is built from a series of characteristics that protect open-ended contracts from layoffs, the different forms of temporary contracts and the specific requirements of collective dismissals.<sup>7</sup>
- Unemployment Benefits (UB): It is calculated as the percentage of GDP expenditure divided by the number of unemployed. It reflects both the duration and the amount of the allowance. Based on Eurostat statistics.

<sup>4</sup> This is how some authors had described the first 1993-2007 phase of flexicurity in Denmark. For example, AUER, in *Employment revival in Europe: labour market success in Austria, Denmark, Ireland and the Netherlands referred to it as an employment miracle* and SCHWARTZ, in *"The Danish miracle: luck, pluck or stuck?" as an economic miracle*.

<sup>5</sup> Among others: Andersen, *"A flexicurity labour market in the great recession, the case of Denmark"*; Schmidt and Hersch, *The Danish Flexicurity Model in Distress. The audacity of austerity*.

<sup>6</sup> It should be noted that this index differs substantially from the values indicated in Figure 1. However, the OECD index is the most widely used.

<sup>7</sup> For the purposes of this study, only the index referring to open-ended contracts has been used.

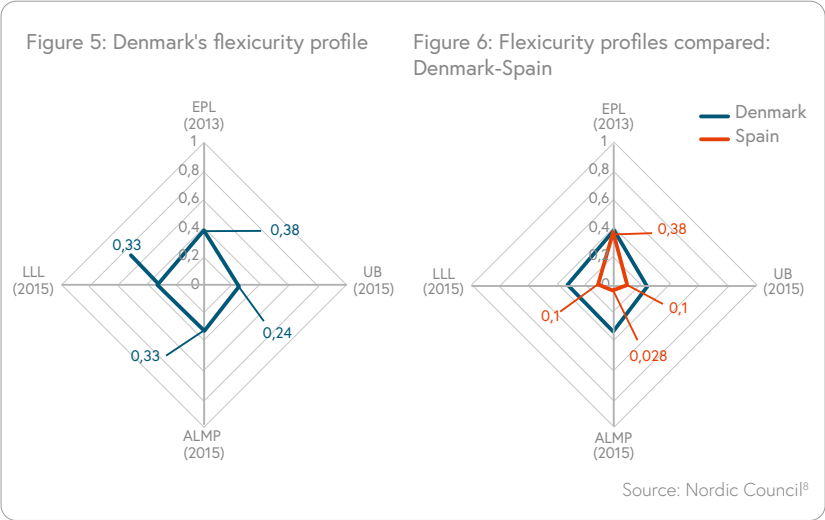
<sup>1</sup> Madsen, *"The Danish Model of Flexicurity"*.

<sup>2</sup> Auer, *"Security in labour markets. Combining flexibility with security for decent work"*.

<sup>3</sup> Rathgeb, *"No flexicurity without trade unions. The Danish experience"*. Madsen, *"Shelter from the storm? Danish flexicurity and the crisis"*.

- Active Labour Market Policies (ALMP): Expenditure on active labour market policies as a percentage of GDP divided by the unemployment rate. Based on Eurostat statistics.
- Lifelong Learning (LLL): Percentage of people between 25 and 64 years of age involved in lifelong learning programmes. Based on Eurostat statistics.

Figure 5 below shows Denmark's values. It is possible to observe that the system is not fully balanced because none of the security elements offset the value of flexibility. The case of unemployment benefits is particularly notorious. That is to say, the system allocates the costs of flexibility in the welfare state and in the worker. However, there is no doubt that the Danish model guarantees a better trade-off between flexibility and security when compared with the case of Spain, Figure 6, where the risk inherent to flexibility is assumed almost exclusively by the worker.



<sup>8</sup> The data have been updated according to the most recent available from Eurostat and from the OECD.

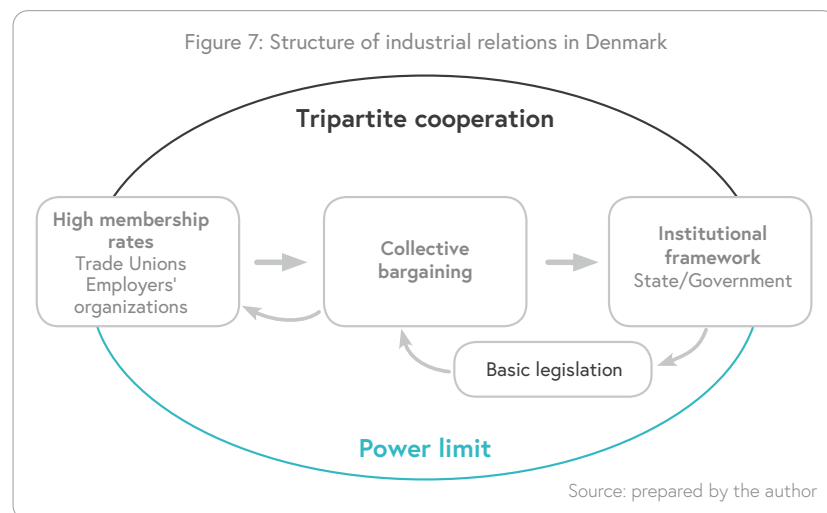
There are three factors with institutional relevance that make up the quasi-equilibrium of flexicurity in Denmark. First, the tripartite collaboration between the state, unions and employers allows the creation of synergies and the management of the dynamics that facilitate labour market changes without modifying the structure of industrial relations. Second, a social ability to jointly respond to challenges and the sense of solidarity permit the combination of a generous welfare state with strict active labour market policies. And third, binding collective bargaining supplements legislation, provides legal stability and security, but secures flexible working conditions when socio-economic circumstances so require. This last is crucial to avoid the precariousness of labour market and is strictly related to the effectiveness of flexicurity since collective bargaining fills the gap between security and flexibility.

The Danish legislation provides for different dismissal conditions. Non-manual workers (*white-collar workers*) are more protected than manual workers (*blue-collar workers*). This makes difficult to establish the flexibility index for Denmark. The value in the figures of this study (0.38) takes both realities into account, but it must be borne in mind that this inequality is not properly reflected in the data.

### 2.1. Tripartite collaboration

The Danish regime of industrial relations is part of the so-called Nordic model, which main features are: 1) High membership rates, both for trade unions and businesses;<sup>9</sup> 2) Collective bargaining as the main instrument that governs relations between labour players and; 3) The stable institutional framework, not conditioned by political changes, in which the current government is involved and which facilitates interaction. These three factors do not act in isolation but in a cross-cutting and consecutive manner, making the system work in an integrated fashion.

<sup>9</sup> According to OECD data, union membership in Denmark in 2018 was 66.5%, and corporate membership was 68% in 2013.



Despite the current general trend throughout Europe of reduction in union membership rates, Denmark scores above-average levels and its percentages remain higher than those of other states, especially compared to Central and Southern Europe. This high degree of organisation is a historical factor which dates back to 1899 when labour and farmers' movements ended in the so-called September Compromise.<sup>10</sup> In short, this agreement between unions and employers led to the mutual recognition of the parties and laid down their autonomy to solve labour matters. The resulting power balance currently extends to the socio-political sphere when welfare or economic policies are at stake.

From the above background of strong employers' and trade unions organizations, collective bargaining emerged as the main regulatory pillar governing industrial relations. State intervention is limited to the establishment of a legal security framework. In turn, bargaining capacity is linked to the power of mobilisation, which puts unions in the position of relevant political players especially, but not exclusively, for the design of social and labour policies. The government in office, regardless of its affiliation, is obliged to agree on economic and social policies with the social actors since they have *de facto* veto power.<sup>11</sup> Thus, a circle of balanced

<sup>10</sup> For an explanation of what the September Compromise of 1899 involved, see: JøRGENSEN, *Flexible labour markets, workers' protection and the security of the wings: a Danish flexicurity solution to the unemployment and social problems in the globalized economies?*

<sup>11</sup> Jørgensen, *ibidem*.

forces is established in which all parties are essential and depend on each another: the power of organisations acts as a limit to the state's power, while cooperation between the state and social actors, the so-called tripartite cooperation, is a basic element that enables the latter to maintain high membership rates and, by extension, their bargaining strength.

This institutional framework for cooperation is reinforced by the fact that policymakers and socio-economic partners share the same vision with respect to the fundamental objectives of the system. Even that consensus is not essential at all times and regarding all points, it is essential to tackle the new challenges and allow dynamic adaptation thereto.<sup>12</sup> The labour market is not only conceived as a "collective asset" and an instrument to improve productivity, but also the source of tax revenues and a way of financing the welfare state. With this starting point on the horizon, negotiations between unions and employers find institutional support by the government. In this way all actors intervene and adapt their respective interests to collective goals.

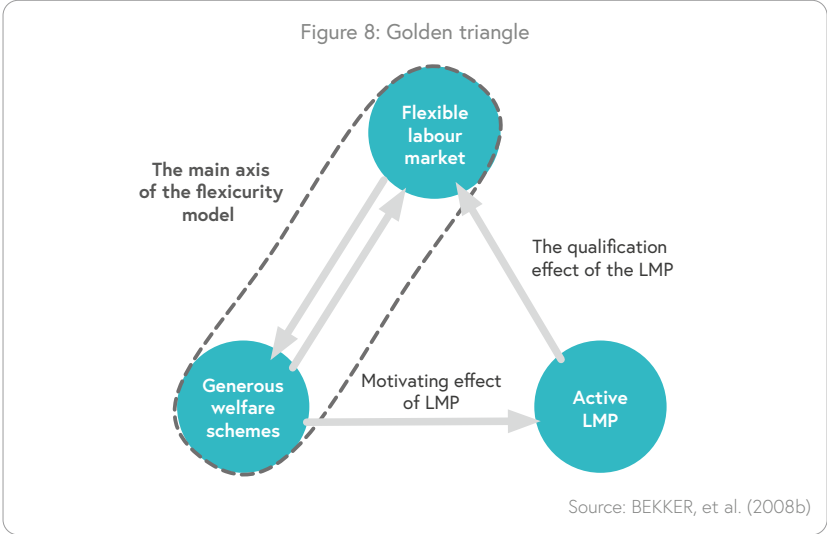
Two examples can help to illustrate the extent to which tripartite collaboration is a critical element to the smooth operation of the model. First, in 1987, social actors and the government signed an agreement to boost competitiveness, moderate wage increases and create more jobs. In return, this agreement served as the basis for implementing mandatory retirement pensions in collective bargaining agreements. Second, before being enacted as national law, EU legislation is discussed within the so-called Implementation Committee, of which the state and the social actors are part. The Committee decides the best way to implement EU legislation, on a case by case basis weighing different options, i.e. through collective bargaining agreements, legislation or a combination of both. For matters connected to the labour market or the social field, the objective is for social partners always to have a say. This is also in the interest of the government itself, who shares the political responsibility of deciding antisocial policies.

## 2.2. From the golden triangle to the golden quadrangle

It is usual to describe the structure of the Danish flexicurity model as a triangle (the so-called golden triangle), encompassing numerical flexibility, a generous and general welfare state and active labour market policies (ALMPs) aimed at relocating

<sup>12</sup> ICF INTERNATIONAL. *Key policy messages from the Peer Review on "Flexicurity"*.

workers into the labour market as fast as possible. On the one hand, the internal logic of the system strives to create a motivating effect by linking the reception of unemployment benefits to the monitoring of activation policies and, on the other hand, it seeks to update the skills of unemployed workers, known as the "qualification effect".



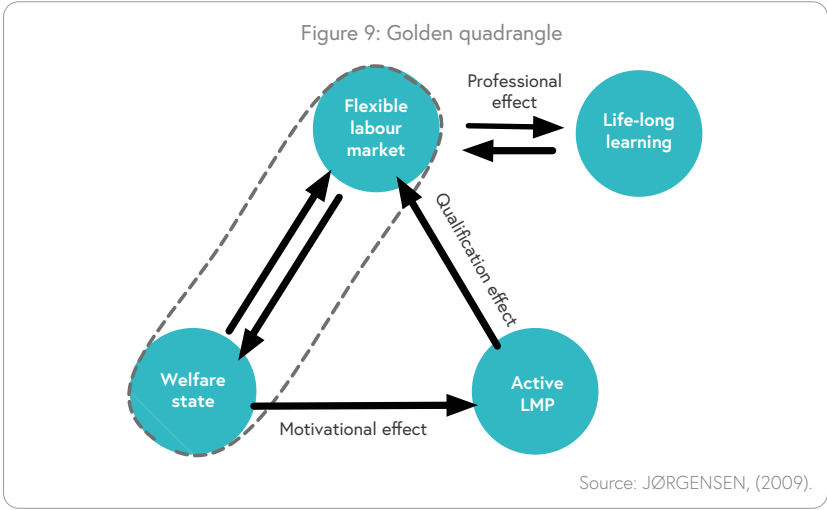
Active labour market policies based on training were incorporated into the flexicurity system in the wake of the economic crisis that affected the Nordic countries during the 1990s. These policies experienced an unprecedented deployment and represented a general transition towards activation. This strategy is designed as a collectivisation of risk and is based on the support of the welfare state designed to encourage the adaptation of workers' skills to changing markets, whilst providing income security in case of unemployment. Thus conceived, Danish flexicurity must be regarded as an egalitarian variety of liberalisation. It incorporates the social demands of precarious workers, whereas activation policies have turned into a reduction of unemployment benefits.<sup>13</sup>

It must be said, however, that the interrelationship between the labour market, training and the welfare state is not a novelty. It belongs to the cultural historical legacy that was forged in the nineteenth century from guilds. These were based on membership solidarity: the fees paid were used to protect the members in case of illness or

<sup>13</sup> Rathgeb, "No flexicurity without trade unions, the Danish experience".

unemployment. In order not to overburden this solidarity and to keep the objective, members were more interested in training apprentices so that they could find employment or settle independently, rather than paying subsidies.<sup>14</sup> Guilds managed to make their members economically independent hence increasing collective revenues with the contributions of those who, once trained, decided to settle. Work was conceived as the mandatory participation within the community from which solidarity could be claimed when necessary. The same idea underlies the present flexicurity concept in Denmark: the security that the system provides can be described as "active", whilst it is aimed at strengthening employability, as opposed to the "passive" security traditional in the countries of Southern Europe, which is aimed at preserving jobs.

This structure was formally implemented in the 1990s and was in force until 2008, when the global crisis proved the system's inability to preserve employment levels. The reaction was two-fold: on the one hand, unemployment benefits were cut, and on the other hand, the quality of professional activation was improved by supplementing ALMPs with the introduction of lifelong learning strategies, both for the active population and unemployed workers, in line with the flexicurity principles established by the EU in 2007. Thus, the current system is structured as a square in which the permanent training of all workers is a crucial factor to improve the competitiveness of companies, but also for the individual worker to adapt to the increasingly demanding and technologically-driven labour market.



<sup>14</sup> Jensen, "Danish flexicurity: preconditions and future prospects".

This quadrangle reproduces the flexicurity profile in the form of triangle explained above. But the interesting point of the quadrangle can be found on the flows that the strategies generate. The purpose of flexibility is two-fold: to favour mobility so that the workforce is always adjusted with the right people in terms of number and capabilities and, the permanent update of workforce skills in order to meet labour market requirements of working profiles. This is to be achieved through a system of ongoing training and qualifications which is consistent with the changing needs of the labour market. At the outset, collective agreements covered training, but it was soon noticed that employers were wasting their investment because the high mobility generated by the system meant that it was easy for trained workers to change companies. Therefore, in an attempt to reinforce the individual commitment, the administration reformed the training policy. In 2009, employment policies were decentralised.<sup>15</sup> Municipalities, in cooperation with the central administration of the state, have become the most important service providers, organising training and activation measures also for the long-term unemployed. This has caused social partners to lose part of their influence in formulating these policies, while employers feel that local social services prioritise social issues instead of corporate labour needs, thus jeopardising the professionalisation effect, and therefore, the very objective of the training, weakening workers' security.<sup>16</sup>

The welfare state, and the reduction of unemployment benefits in particular, also serves two purposes in parallel: on the one hand, not to overburden public spending, and on the other, to increase individual commitment to work. This is an aspect where the economic perspective prevails and where the system assumes a general involvement through the obligation to work. The sensitive issue is that this objective depends on the labour market: while unemployment remains low, the obligation may be deemed lawful and enforceable, but in periods of high unemployment, the system is affected by the same weaknesses as any other economy: reducing benefits or linking them to a non-existent job do generate social impoverishment.

Flexicurity policies as well as the strengthening measures adopted under the quadrangle structure are the consequence of the country's institutional context in which the labour forces play a role unknown to most labour relations traditions. As a result of the 1899 September Compromise mentioned above, trade union forces accepted the managerial prerogatives of the employer and explicitly his/her authority to freely hire and dismiss workers. Flexibility, therefore, has been an

inherent element of the Danish system for more than a century and does not require regulation. To be sure, regulation is considered to violate the essence of collective bargaining and an unacceptable level of interference by the state in the autonomy of social actors. Trust, mutual recognition and a sense of shared responsibility have contributed to forge a strong bargaining culture that enables the parties to reach agreements on any field falling within their mutual interests. Salaries and working conditions in general are regulated through sectoral or company collective agreements, while legislation is left to regulate matters affecting the public interest, such as health and safety prevention, equality, work life conciliation or the minimum working conditions applicable to workers not covered by collective bargaining.

Technically, extending collective bargaining agreements to non-affiliated workers, the so-called *erga omnes* effect, does not obtain in Denmark. Yet, in practice two reasons justify the extension. The first is a practical point for the employer who prefers to apply the working conditions set forth in the agreement rather than negotiating individually with each non-affiliated worker. The second is related to the economic area, linked to the competition and productivity of the company. Due to the high degree of mobility in the Danish labour market, it does not make much sense for employers to agree better working conditions with some employees individually. Conversely, it endangers the whole thing because it would either generate competition between employers or reduce mobility. If productivity is the parameter under score, having employees who are subject to different conditions within the same workforce but who are expected to perform similar tasks would put the working environment and employees' motivation at risk. This explains why 83% of Danish workers are covered by collective bargaining agreements when union membership is 66.5%.

The precarious conditions of workers caused by the decentralization of collective bargaining is one of the most debated issues over the flexibility. Although decentralisation has also taken place in Denmark, the effects have not been comparable in any way to those of many other EU states. The reason must be sought in the binding effects of the agreements and in the high degree of coordination of the unions. Negotiations take place at three levels: at central level between the main union, the Danish Confederation of Trade Unions (LO) and the Confederation of Danish Employers (DA), where the general rules governing relations between the parties are established; the lower sectoral level, agrees on the pay scale, the conditions for maternity/paternity benefits, compulsory professional pensions, flexibility of working hours, sickness or holiday allowances, and lifelong learning. And, finally, at the company level, union delegates are free to agree other terms than those settled at the sector level depending on the situation of the company.<sup>17</sup>

<sup>15</sup> Räsänen (et al.), *Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland*.

<sup>16</sup> JøRGENSEN, *Flexible labour markets, workers' protection and the security of the wings*.

<sup>17</sup> Trade union representation is of single channel in Denmark. No dual channel exists.

Wage setting mechanisms are a fundamental element in the Danish model. Minimum wage does not exist. The export sector sets the salary level, increases and costs, and serves as the framework agreement whereupon the other sectors negotiate their wage conditions. The respective agreements are to be approved by both sides' affiliates: employers and workers. If members of a union reject their agreement, a strike is called to reopen the negotiation . But this has not happened since 1998.<sup>18</sup> This formula where the export sector sets the trend aims to preserve the competitiveness of the country's economy. The fact that wages can be adjusted upward or downward at company level based on its economic or market conditions do also help to maintain the whole structure. The reduction in inflation and of the unemployment rate is attributed to this pattern of wage setting that has contributed to preserve wage increases without moving away from the international target of keeping inflation low.<sup>19</sup>

Table 1 below shows that despite decentralisation, wages tend to experience stable, moderate increases except on 2011 and 2012. Since 2013, it seems that the recovery trend is on again. On the contrary, wages in Spain started strong downward fluctuations from 2012, coinciding with the labour market flexibilisation. The reform enforced decentralisation and shattered the already weak structure of collective bargaining contributing to the constant decrease of wages. This illustrates that decentralization may not necessary be the main problem affecting working conditions. Instead, a strong structure supported by social and economic actors provides better results to avoid precariousness.

Table 1. Comparison of wage evolution in Denmark and in Spain

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Denmark	50,446	51,669	52,264	51,993	51,923	52,261	53,261	54 197	55,032	54,723	55,253
Spain	39,102	41,751	41,034	40,453	39,302	39,391	39,398	40,088	39,860	39,073	38,761

Source: OECD Statistics<sup>20</sup>

It is obvious that the Danish system is based on mutual trust and in the degree of coordination within trade unions' units: At workplace level, union representatives will not deviate from the agreement at the higher level except if workers' interests – including continuity of jobs – is at stake. Likewise, the employer has no interest in modifying the conditions agreed by its association at the sectoral level, since

<sup>18</sup> LO, "Collective Bargaining in Denmark".  
<sup>19</sup> Bredgaard, (et al.), "Opportunities and challenges for flexicurity - The Danish example".  
<sup>20</sup> Average annual salary at constant prices in US dollars at 2018 PPPs

this would affect competition. Therefore, when the parties at the lower level agree on different terms, they do so to the extent strictly necessary and the collective bargaining system accepts it as an action of flexibility that benefits the whole. This solution is defined in the Nordic literature<sup>21</sup> on employment relations as centralised decentralisation and has the support of trade unions and employers so that both parties share national targets and objectives.<sup>22</sup> A competitive and streamlined economy as a source of redistribution helps building a cohesive and advanced society. Working conditions are the basis for maintaining universal welfare state, which is the precondition for granting social cohesion and to help the country move forward. This is the way of closing a kind of virtuous circle in which the Danish model operates.

The sustainability of the welfare state is a key factor for the Danish society and as such is part of the concern of the social partners. The fact that the agreements provide the conditions for, among other things, access to healthcare benefits or retirement pensions demonstrates the involvement of the parties to alleviate public spending. Consequently, the model allows more resources to be allocated to other social policies. However, a more comprehensive interpretation of the Danish socio-labour reality suggests that the purpose of collective bargaining shares the social policy objectives of the state in terms of linking the obligation to work with the perception of welfare benefits. The prerequisite, which is fulfilled in the Danish model, to ensure its functioning is that the social partners have institutional reliability at a state level.

To summarize, it may be stated that the Danish flexicurity model is the result of a singular institutional context that makes it difficult to apply outside this framework so that the conceptual foundations of the system, and thus the dynamics it generates, are not transferable. On the other hand, it is also worth noting that the costs of this policy for the welfare state are incompatible with the austerity policies advocated by both the EU and the OECD. This has led the latter to rethink its initial recommendations and admit that it might not be the model to follow.<sup>23</sup>

<sup>21</sup> See for example: DøLVIK, "The Nordic Social Models in Turbulent of Crisis"; Nergaard, "Social Democratic Capitalism".  
<sup>22</sup> In the field of collective bargaining, the concept of "centralised decentralisation" applies to systems that conclude general conditions at a national or sectoral level, for example: the wage category level, annual working hours or holidays, hence the "centralisation". At the same time, the lower levels, usually company or workplace, can depart from the general conditions within the limits established by the upper levels, depending on the company needs, hence the "decentralisation". That is to say, the centralisation of bargaining is conducted at a higher level, whether national or sectoral, which sets the margins for manoeuvre at company level.  
<sup>23</sup> OECD, "The Danish flexicurity model and institutional setup".



# 3. Other flexicurity options: Comparative study

## 3.1 Finland

Like Denmark, Finland suffered a severe economic depression in the 1990s that triggered unemployment, which hit the population over 50 years old and unskilled workers particularly hard. Unlike Denmark, however, no special measures were taken to reform the labour market or the welfare state, since it was judged more appropriate to help the most disadvantaged population. The situation recovered after a few years and in 1994 the return to economic growth was evident, but the depression left high and persistent structural unemployment. As a result, starting in 2000, a series of measures were implemented aimed at improving the public employment service, professional integration programmes, and reforming the pension system.

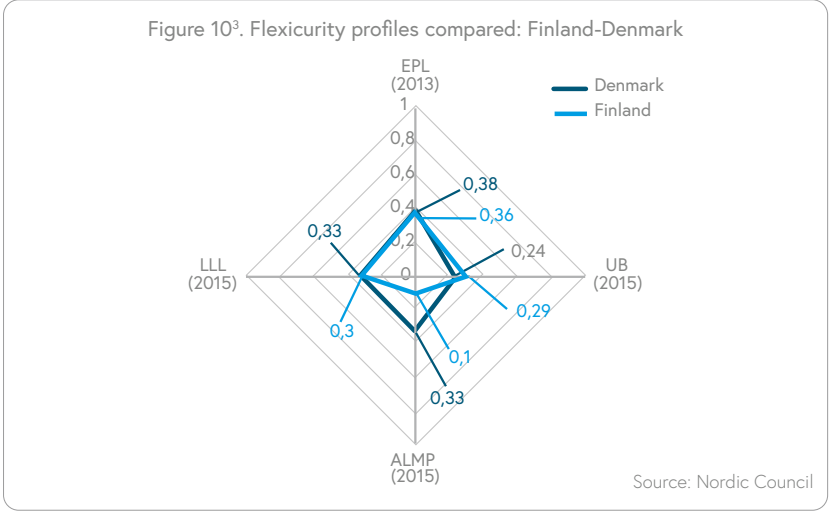
Even though in the Finnish literature the legacy of the depression in the form of unemployment appears not being motivated by the structure of the labour market, it interprets that the institutional social benefits, employment and lifelong learning policies were not adequate<sup>1</sup>. This explains why the new crisis in 2008 worsened labour market problems. Coinciding with the recommendations of the EU, the

<sup>1</sup> GröNQVIST and KINNUNEN; *Impact of Recession on Labour Supply: Experiences from the 1990s in Finland*; KOSKELA and UUSITALO, *Unintended Convergence – how Finnish Unemployment Reached the European Level*.

concept of flexicurity was incorporated into the political and social debate, but the attempts made by the different governments to introduce measures equivalent to the Danish ones repeatedly met with trade unions' and business organisations' refusals. Hence, the State chose to reform existing policies and institutions without introducing radical changes.

Between 2012 and 2014, new economic recessions neutralised the little progress done in terms of employment. The year 2016 is referred to as the start of economic recovery, but the structural problems of the labour market remain, and forecasts suggest that the pace of job creation will be slow. Starting in 2012, the government decided to intervene by introducing changes to social benefits and forcing social partners to accept a new labour market pact to boost the competitiveness of companies by reducing labour costs and increasing working hours.

The accumulation of these modifications resulted in the flexicurity profile depicted in Figure 10, which shows few variations when compared to the Danish profile, except in active labour market policies, to which Finland allocates fewer resources. Although investment in this item as a measure to reduce unemployment has a long tradition, the truth is that it has never been proven very effective.<sup>2</sup> Recently, and as a result of deficit reduction imposed in the eurozone, resources have been adversely affected.



<sup>2</sup> NORDIC COUNCIL, "Labour market mobility in nordic welfare states".

<sup>3</sup> Identical sources and databases as Figures 5 and 6.

## Social benefits for the unemployed

Finland has an unemployment benefit system that aims to guarantee income security for all people affected by unemployment, both in terms of coverage and the level of benefits. It includes three types of benefits that differ by duration, employment history and income level:

1. Since 1994, there is a subsidy in support of the labour market, based on contributions, which covers 46% of recipients as of 2014.
2. Minimum unemployment insurance: this requires a period of eight months of contributions and has a maximum duration of 500 days, depending on the time worked. As of 2014, 10% of the recipients receive this benefit.
3. Basic unemployment benefit based on income for those who do not meet the above requirements or who have exhausted the benefit. It has a maximum duration of 500 days, depending on the time worked. As of 2014, 44% of unemployed workers received this benefit.

This system has generated a clear disincentive<sup>4</sup>, both in terms of returning to the labour market and participation in reintegration or training policies. The small difference in benefits has been a key factor for the population not adhering to training or reintegration measures. A particularly notorious case are families with school-age children and single-parent families who have prioritised family tasks ahead of labour participation, given the sufficiency of benefits. The last problem identified has been the increase in undeclared employment.<sup>5</sup> This all slows the recovery of employment and has created a gap in terms of the profiles of those seeking work and the needs of companies, causing structural unemployment to become chronic.

More recently, governments' efforts attempt to correct or neutralise these effects with policies that seek to encourage participation in the labour market, especially by linking the basic benefit to the intensive monitoring of activation policies. The responsibility of the state and of municipalities in the financing of employment regimes was reformed. This reform created financial incentives for the municipalities to activate the long-term unemployed since the state assumed the fiscal burden of active measures, whereas the municipalities bore passive benefits. As a result,

<sup>4</sup> OECD, *Back to work: Finland improving the re-employment prospects of displaced workers*. Räisänen (et al.), *Labour Market Reforms and Performance in Denmark, Germany, Sweden and Finland*.

<sup>5</sup> KYYRÄ and PESOLA, "The labour market in Finland 2000-2016".

the government's objective of obtaining an activation rate of 30% among the target groups was achieved, but no direct effects on employment had been noticed.

As of 2010, the definition of the travel area was changed to 80 kilometres, which sought to promote labour mobility and the search for employment. In 2012, a reform of early retirement was carried out, which in Finland enjoys a very special treatment, probably a legacy of the former Soviet system. It was possible to receive this benefit from the age of 53, but the reform increased to 59 years the minimum age, and the benefit was abolished for those aged 58 or under, although the latter are guaranteed a regular pension for seven years (called the "employment tunnel") even after prolonged unemployment. The first analyses of these changes show contradictory results: some sources show a greater involvement by elderly groups in the labour market<sup>6</sup>, whilst subsequent studies talk of approximately half of the unemployed workers in this group abandoning their search for employment.<sup>7</sup>

Finally, the government has enacted by law a reduction in unemployment benefits by 4.65% in cases where unemployed workers do not participate actively enough in job search programmes for a period of three months. Verification of unemployment is performed every 65 days, with the risk of this penalty being applied if a worker does not undertake professional training or works for at least eighteen hours.

## Public employment services and activation policies

Public employment service's reforms have been consistent since 2000. The first wave was based on the improvement of the services offered by the employment offices with regular interviews, skill maps, job search plans, monitoring and training. These measures improved the skills of the unemployed in terms of searching for employment but did not facilitate job placements. A second reform focused on splitting the employment services into two: 1) job centres and, 2) employment offices. Officially, the purpose was to "streamline" the services, but the structure catered to two different types of clients: service centres processed the long-term unemployed with health and/or social problems and grouped all administrative and social services together, whereas the municipal employment offices processed the people who were most likely to enter the labour market with the objective of promoting labour availability and preventing adaptation problems by promoting self-

<sup>6</sup> KYYRÄ and WILKE, *Reduction in the Long-Term Unemployment of the Elderly: A Success Story from Finland*.

<sup>7</sup> KYYRÄ and OLLIKAINEN, "To Search or not to Search? The effects of UI Benefit extension for the older unemployment".

service or electronic service. All these reforms were intended to prevent prolonged unemployment and to reduce structural unemployment by improving the efficiency of services. The objectives were only partially achieved in some municipalities, but they did not have a notable impact at the national level. As a result, the state introduced a third reform, this time aimed solely at the employment offices that incorporated cooperation between the office, the workers and the employer during termination processes. Affected workers could apply for paid jobseekers' allowance in order to facilitate transition and avoid periods of unemployment. This last modification did yield positive results in the form of rapid re-integration, especially in situations where companies or plants were shutting down, but in cases of individual dismissals that require more flexible and adapted measures, the results have not been so positive.

Activation programmes are very expensive and limited to certain groups. They are classified into two types: 1) those that start on the own initiative of the unemployed persons and that allows them to complete the training they had previously started, provided that the employment office approves it; and 2) programmes aimed at youths. The latter essentially focus on supplementing vocational training if the applicant had not completed it, or on offering a subsidy if the worker continues to be unemployed three months following completion thereof.

All these reforms have increased the costs of employment services that paradoxically do not have adequate resources to implement truly effective policies aimed at improving the professional skills of people in long-term unemployment, which is the main obstacle in Finland.

### Lifelong learning

Although educational systems in Finland are among the best in the world<sup>8</sup>, matching professional skills with the changing demands of the labour market is a complex issue that requires the ability of the system to continuously adjust. As of 2018, the government is willing to implement a comprehensive reform of the education and vocational training system with a two-fold objective. To address the lack of preparedness found in some companies, while at the same time seeking to enhance the availability of lifelong learning to adults.

<sup>8</sup> It is in 8th place in the PISA 2015 report. It is ranked sixth in the U21 ranking of the university system and third in quality of education according to the 2017-2018 World Economic Forum global competitiveness index.

The reform aims to consolidate vocational training for young people and adults into a single system, with its own management, regulation and financing model. The training will be skill-based and will have a personalised orientation: it will be possible for each student to follow an appropriate individual path to complete a full degree or supplementary skills modules for re-integration into the labour market and improvement of skills. It also seeks to enhance digital learning as an essential tool for accessing the labour market. The new financing model is expected to encourage vocational training providers to improve the effectiveness and quality of learning.

### Collective bargaining

Finland's union membership rate was 75% in 2016<sup>9</sup>, higher than that of Denmark, and the erga omnes effect means that in practice, 89.3% of workers are covered by a collective bargaining agreement. This degree of organisation gives unions an important mobilisation power, which in this case is not synonymous with institutional strength. This has meant that collective bargaining in Finland has become somewhat peculiar compared to other Nordic countries. The national priority objective is social welfare, and therefore tripartite collaboration has different roots from those explained in Denmark. The government guides wage formation in order to maintain purchasing power and the welfare state, providing social partners with macro-economic and competitiveness information which, in theory, must ensure the good progress of the country. Trade unions and employers' organisations participate in the negotiation, placing social criteria before economic ones. At the national level, this grants greater influence to the unions with regard to the employers and at the same time separates the roles: the unions remain within the social and labour sphere, the employers within the economic sphere and the government within the political sphere. This situation, which has prevailed for decades has resulted in a level of intervention by the state that surpasses that of Denmark, in terms of national guidelines, but not in bipartite relations between employers and unions that enjoy full autonomy from the second level, i.e. from the sectoral level onwards.

Until 2007, the structure of collective bargaining in Finland was governed by this social and union control. Centralisation was unquestionable and the state intervened in the formation of wages by providing the guidelines of the national economy. The main unions and employers' organisations signed the agreements at the national

<sup>9</sup> EUROPEAN TRADE UNION INSTITUTE, "Industrial Relations in Finland". It should be noted that the OECD Statistics, calculates a much lower rate: 64.9% in 2016 and 60.3% in 2018.

level, which extended to all companies in the sector and also covered non-affiliated workers, and thus wages and working conditions had always been homogeneous throughout the country. Although the labour legislation is more extensive than in Denmark in terms of working conditions, collective bargaining agreements prevail over legislation and may stipulate contrary terms, except in matters of equality and non-discrimination.

Although centralised wage agreements concluded during the years of the crisis did not include wage freezes or cuts, these decisions were made in many cases by the companies most affected by the crisis, and thus flexibility at the local level remained an important factor to face the crisis and prevent layoffs whenever possible: a number of companies made extensive use of solutions such as flexible working hours, internal redistribution and temporary layoffs. The latter option was facilitated by the government who, in 2009, relaxed requirements to access these measures and extended the activation programme called "security change" to temporary workers, in order to offer them more re-training opportunities.<sup>10</sup>

The system of centralised negotiation has been criticised in recent years for being too inflexible to current economic conditions, which prevents the adjustment of wages to the needs of businesses demands and productivity differences. The persistent demands of employers for a more decentralised model caused the Elinkeinoelämän Keskusliitto (EK) [Confederation of Finnish Industries] (an organisation that brings together 26 business associations) to change its internal rules so that it can no longer sign salary agreements at the central level on behalf of its members<sup>11</sup>, and thus a de facto decentralisation has been triggered. Despite this, collective wage bargaining has experienced an uneven path. The long tradition of salary policy established at the national level led to a return to central agreements in 2011, and in 2013 a new national agreement was signed by the government, which provided for a very modest salary increase for the 2014-2015 period. The government linked the inflation adjustments on income tax to the success of the negotiations.

This agreement should not be understood as a return to tripartite and centralised negotiation at the national level, which in Finland has already been permanently ruled out, but it does explain the social compromise that is still a fundamental element in the country's culture. Social voices sought to restore an equitable balance between economic growth by increasing employment, maintaining the purchasing power and

earnings of all employees, and improving the competitiveness of Finnish companies in global trade. The parties sought to ensure that the improvement of competitiveness by reducing costs and the growth of employment were carried out in an optimal manner resulting in the improvement of employment without worsening working conditions. The most notable consensus was reached regarding wage increases and unions' commitment to reach an agreement regarding pension reform, including the possibility of increasing the retirement age, in the autumn of 2014.

Despite the efforts, the country's economic situation did not improve and in 2016, with the aim of reducing state's spending by 10 billion euros by 2030, the centre-right government urged social actors to sign a new competitiveness agreement, under the threat of legislating a reduction in holidays, reducing wages and increasing employees' social security contributions. The agreement ultimately executed in June 2016, included a wage freeze for 2017, an increase in working time by 24 hours per year without compensation and tax relief to offset the increase in workers' contributions.

For the first time in Finland, collective bargaining has resulted in a reduction in current hourly wages, which entails a competitive devaluation within the eurozone, mainly due to three factors that are contrary to the Danish model: 1) The weaker position of the unions; 2) the fact that Finnish society has not developed a sense of obligation regarding the welfare state to the same extent and at the same time as Danish society. It is worth recalling that social struggles began much earlier in Denmark, and that Finland was under Soviet control for years and this has generated different dynamics both within the labour market and the perception of the welfare state; and 3) the social factor of the economy is also perceived differently. If we observe a model based on objectives shared by all social partners and by the government in Denmark, the objective in Finland is exclusively economic and in the interests of the government, thus weakening that sense of community that is much more present in Denmark.

There are currently different government proposals for legislative reforms of the labour market that are intended to introduce measures which tend towards almost complete flexibility: from the zero-hours contract to the promotion of temporary hiring or more relaxed conditions of dismissal and the extension of the trial period. All of this is detrimental to the power of collective bargaining, and the effects on a more fragmented social model begin to be felt. All these measures may be familiar to Catalan readers, since some of them were incorporated into Spanish state labour legislation due to EU pressure with poor employment-level results and an increasing job insecurity. It appears to be difficult to expect the results to be better in Finland.

<sup>10</sup> Agostini, (Et al.), *Balancing protection and investment: structural reforms in five countries*.

<sup>11</sup> KYÄ and PESOLA, *"The labour market in Finland 2000-2016"*.

### 3.2 Norway

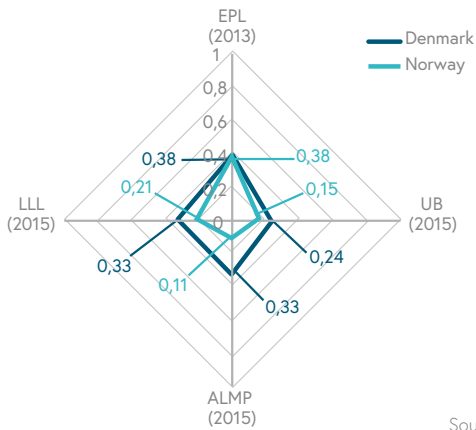
One of the most recurrent topics when addressing the analysis of the Norwegian labour market is its status as a rich country with many economic resources derived from oil and gas, and therefore a situation that is not comparable to other European states. Adopting this view presupposes that no governmental action is required or that the country lives in a state of inertia. But this is not the case. Norway, like the other Nordic countries, suffered during the crisis of the 1990s and, like the rest of Europe, also suffered the 2008 crisis with the corresponding austerity measures. Although effects have been less severe (which is neither obvious), the State adopted different measures over those years to redirect the labour market in line with the policies of most EU Member States so as to reinvigorate the economy, despite the fact that it is not itself a member. If we look at Figures 1 and 2<sup>12</sup>, we will see that employment and unemployment rates show a levelling trend with Denmark and the Netherlands, which demonstrates that natural wealth is not enough to protect a country's economy from global threats.

Norway maintains the privilege of having its own currency, which, like Denmark, does not link national economy to the Eurozone deficit. Therefore, the decisions taken in matters of flexicurity are strictly about national sovereignty.

Before approaching the study of the flexicurity policies that have been developed in Norway, let us compare the profile with that of Denmark to put differences in context. From the outset, we observe that it allocates fewer resources to security despite having a flexibility indicator equal to that of Denmark. This imbalance must be interpreted in accordance with the needs of the labour market. Since unemployment levels have never been worrying, flexibility has not necessarily been coupled with policies that guarantee security so that the market itself provides for it.

<sup>12</sup> See pages 9 and 10.

Figure 11<sup>13</sup>. Flexicurity profiles compared: Norway-Denmark



Source: Nordic Council

### The Norwegian iron triangle

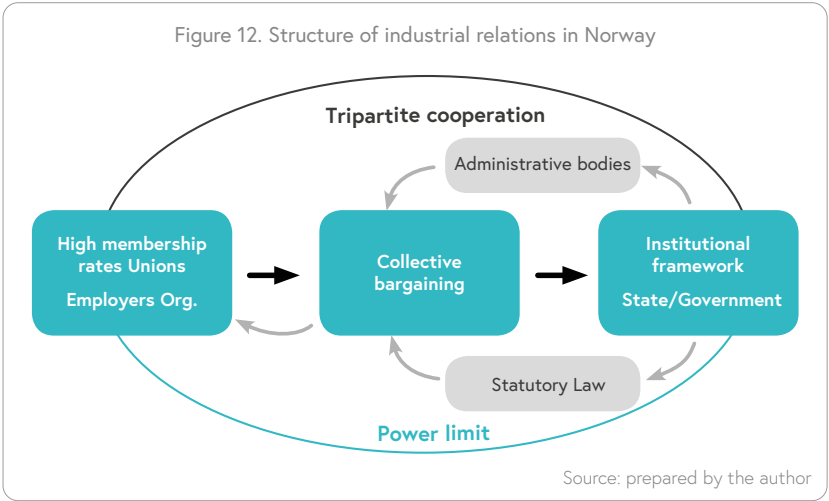
The rate of union membership in Norway is the lowest (49.2% in 2018)<sup>14</sup> among Nordic countries, showing a slight downward trend in recent years. On the contrary, the employers' membership rate shows a stable upward trend, reaching 68% in 2014.<sup>15</sup> This difference is not an obstacle for unions' strength thanks to them playing an important political role, in addition to being equal at the negotiating table with employers' organisations. In fact, the above discussion regarding the system of tripartite collaboration in Denmark may apply to Norway with an important nuance added: unlike in Denmark, it is the Norwegian State itself who encourages the participation of social partners in socio-economic decision-making at the national level, thus giving them the implicit recognition of actors. The State has an interest in both unions and business organisations being represented in political decision-making with a dual purpose. First, the State intends to ensure that national objectives are met, but with the necessary consensus of the parties. Second, to share responsibility when transferring policies to society. This allows for the creation of an atmosphere of social peace and a better understanding

<sup>13</sup> Identical sources and databases as Figures 5, 6 and 10.

<sup>14</sup> OECD Statistics, Trade Union.

<sup>15</sup> OECD, Employment Outlook 2017.

and acceptance of the measures adopted. At the same time, it helps to increase productivity, since as workers feel relieved from daily subsistence concerns, the levels of stress and conflict are reduced.

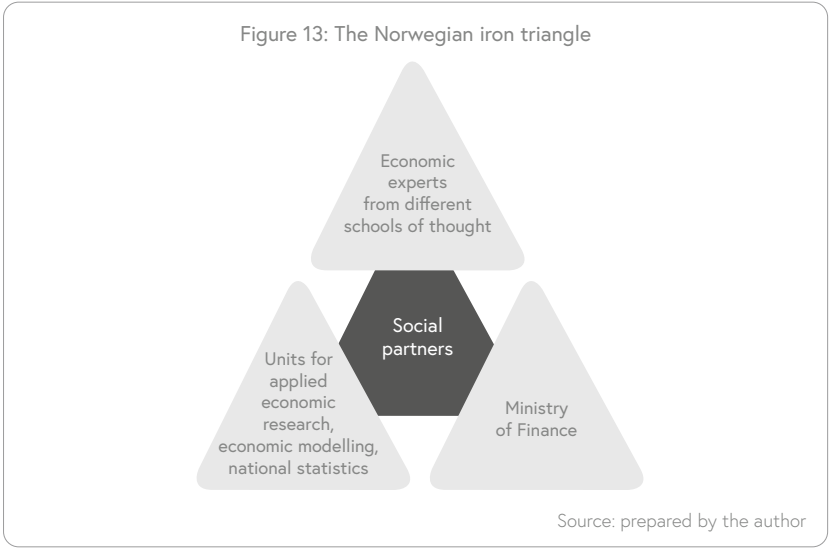


Cooperation in Norway is largely based on a shared political culture of norms and ideas based on the premise that the country's small open economy, highly dependent on exports and exposed to fluctuations in international markets, requires the coordination of macroeconomic policies, wage setting and social and labour policies to easily adapt to new challenges. Tripartite coordination has the function of guaranteeing interaction between macroeconomic governance, public welfare services and working life so that they merge into balanced social interests. For this reason, business organisations and trade unions are permanently represented on various public committees that deal with issues relevant to working life and social issues. For example, the so-called *Kontaktutvalget* [Contact Committee] that was established in 1962 to coordinate salary levels, the *Arbeidslivs- og pensjonspolitisk råd*, established as a forum between the government and the social partners to maintain the dialogue regarding the labour market and issues relating to pension reforms, the *Teknisk beregningsutvalg for inntektsoppgjørene* (TBU) [Technical Committee for Wage Settlements]<sup>16</sup> or the *Rikslønnsnemnda* [National Wages Board], responsible for solving relevant disputes through arbitration. "By crossing

<sup>16</sup> EUROFOUND, "Norway: Working life country profile".

unions and class coalitions at the core of the state political economy, the Norwegian system facilitates the understanding of shared interests that, in turn, opens the way for horizontal coordination (between companies and between sectors) and also enables unions and employers to organise and coordinate negotiation strategies vertically, i.e. between industrial/sectoral levels and companies".<sup>17</sup>

Economic policy in Norway has been devised as the iron triangle and serves as an information channel for the social partners "regarding labour market trends, in particular the calculations of the pace of wage growth in which the state economy can overcome external challenges".<sup>18</sup> The state decides on policy regarding prices, taxes, etc., and communicates it to the social partners. Based on the information received, they set the wage levels for each job category during the subsequent collective bargaining that takes place at the sectoral level. The triangle is formed by different experts representing different lines of economic thought, research centres that analyse different models and the Ministry of Finance, who decides according to the inputs received and the political orientation of the governing party. The social partners participate in this triangle, but not as experts, their role is, as mentioned above, to be informed and to understand the reasoning that underlies state policies, which will facilitate subsequent negotiation and agreement between them.



<sup>17</sup> Delvik, *Welfare as a Productive Factor. Scandinavian approaches to growth and social policy reform*.

<sup>18</sup> MjøsET, "Nordic political economy after financial deregulation: Banking Crises, Economic Experts, and the Role of Neoliberalism".

Wage-setting guidelines are established through tripartite cooperation at the national state level to maintain economic competitiveness. The main function of the TBU, which is comprised of experts, representatives of the administration and social partners, is to recommend the so-called "wage corridor"<sup>19</sup> taking into account, among other things, monetary policy, labour market perspectives, the welfare state, forex market indicators for the Norwegian currency, among others. Unions and employers adhere to this corridor, even though it is not mandatory, recognizing its overall benefits: it helps to guarantee the conditions for workers, businesses' benefits and the country's competitiveness.

With these guidelines, collective agreements are negotiated at the sectoral level and, like Denmark, working conditions are addressed at the company or plant level based on each specific situation. This is the degree of flexibility that employers demand and that to date has resulted in working conditions of quality, as will be seen below, which are the highest in Europe. However, the risk lies in the decline of membership levels. If this were to continue over the next few years, unions would lose their strength, thus causing an imbalance in the system. Not only would workers see a regression of conditions, but the welfare state and prosperity in general might also retrench.



<sup>19</sup> MjøsET and CAPPELEN, "The Integration of the Norwegian oil economy into the world economy".

<sup>20</sup> Average annual salary at constant prices in US dollars at 2018 PPPs

One of the features that best defines Norwegian society is individualism linked to social compromise. This apparent contradiction fades as regards the welfare state. Socially, it is considered that the optimum welfare state is one that allows everyone to be self-sufficient and acts as social protection only when this is not possible. This starting point explains that the Norwegian system is not focused on guaranteeing security and is also a reason why, unlike in Denmark, collective bargaining agreements do not contain conditions relating to elements of welfare. Redistribution management is left entirely in the hands of the state.

In Norway, the welfare state is understood to be a collective way of solving problems. In other words: a tool for social stabilisation aimed at equality that allows the system to be balanced. Therefore, establishing universal public welfare on a redistributive basis has been a goal shared by all actors.<sup>21</sup> Universality, however, is not exempt from individual responsibility. Since the system is based on high employment rates and high salaries to guarantee financing and to limit the raise of expenses, welfare is built as an enabling mechanism to allow individuals to return to the labour market as quickly as possible. This does not include a protective function, since it only functions as a last resort and in cases of great vulnerability.

Norwegian welfare combines liberal individualistic attributes with collective responsibility.<sup>22</sup> In other words, the welfare policies are integrated with the general objective of helping the economy and society to cope with risks and to adapt to new requirements.

It is in this context, favoured by a low unemployment rate, that Norway has adopted few lifelong learning measures aimed exclusively at the labour market and activation policies, while the rate of return of unemployment benefits is low.

First, it has opted for education as a national measure<sup>23</sup>, and thus lifelong learning is not one of the priority strategies of governments, because the educational structure is meant to be available to all citizens at any time in their lives. In any case, it is left in the hands of companies and unions to negotiate the measures they deem appropriate for each company, sector or workplace, according to their needs at any given time. The state fulfils its obligations by providing free education at all levels, therefore, it is considered that no more public resources should be allocated

<sup>21</sup> Lyngstad, "The Welfare State in the Wake of Globalization: The Case of Norway"; Pontusson, "Once Again a Model: Nordic Social Democracy in a Globalized World."

<sup>22</sup> Guillemard, "Social Rights and Welfare: Change and Continuity in Europe."

<sup>23</sup> Maillard, "The Changing Political Economies of Small West European Countries".



for businesses on an ad hoc basis. The lifelong learning provided by the state is part of the universal education system and is intended to encourage adults to continue their education throughout life as a measure to achieve active citizenship and so that they can face the challenges that are presented to them on their own.<sup>24</sup>

This model of welfare in exchange for work imposes labour obligations on people, emphasising sanctions and reducing eligibility criteria to receive public benefits. Policies based on training, subsidised employment and other possibilities for re-integration are subject to personal income. The general objective is that conditionality on work serves as an alternative to reducing benefits. This so-called "line of work", which began in the 1960s in Scandinavia, lost momentum, but was restored in Norway during the economic crisis of the 1990s and is currently supported by employers and unions alike.

Within this conceptual framework, and following the recommendations of the EU 2020 strategy, Norway has started to modernise its social security system, with the reform of pensions. In addition to increasing the retirement age, the reform has individualised pensions by creating an account for each worker where 18.1% of the contributions are accumulated annually throughout working life. Therefore, it is the responsibility of each worker to decide when to retire and this will determine the pension benefits. The rest of the individual contributions are allocated to the social security system for redistribution. Compulsory at the behest of employers and unions, a corporate contribution of 2% of individual salaries was established. The state manages individual accounts through investment funds. The workers have no decision-making power regarding how and where they want to invest their 'future savings' but, instead they bear the risk of investment. The basic idea behind pension reform is the same: welfare requires everyone to be involved and work is the means of participation. Withdrawal, whether voluntary or not, from the labour market, is not protected but penalised.

This individualisation of pensions will provide adequate benefits only to the extent that employment opportunities are available. Obviously, the current situation characterized by a low unemployment rate guarantees continuity but a significant decrease may jeopardise the system's ability to provide adequate pensions not only at the individual level, but also for the sustainability of the social security system. The latter might not be able to accurately respond to high demand because individualisation reduces its redistribution potential.

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<sup>24</sup> NORWEGIAN MINISTRY OF EDUCATION AND RESEARCH, "Strategies for Lifelong Learning in Norway. Status, Challenges and Areas of Priority".

From the point of view of South European societies, this is a radical reform that would be hardly acceptable. Also, the matter was sensitive to the Norwegian population but the cooperation between social partners and government resulted in a smooth implementation. Unions were, from the beginning, invited to participate in the design of the reform. During the process they conveyed the information to workers and negotiate with the government. Hence, when the reform was finally approved, workers' consent had already been secured and general acceptance granted.

The most important handicap of the Norwegian model is that conditionality of benefits to activation policies has not been able to reduce the high number of people on "work disability" receiving social security benefits, which as of the end of 2018 was 10.1% of the population aged 18-67 years, 12.2% of whom were women.<sup>25</sup> This problem, which conceals part of the unemployment figure, has been dragging on for decades and far from being reduced, the percentage continues to rise. One of the most persistent causes is that when one of the partners in a couple – usually a man – leaves the workforce, the other party decides to take advantage of some type of disability to abandon working life and "enjoy" retirement together. Another reason often cited is that an important portion of this percentage are immigrants. Whether or not the disability is real is not the most relevant factor. But what is obvious is that activation policies have achieved some of their objectives, but not all of them.

### 3.3 The Netherlands

Initially, the example of the Netherlands was conceived as a basic European model, given the success it experienced in reducing unemployment. The "miracle" described in 1997 by professors of the University of Amsterdam Jelle Visser and Anton Hemerijck<sup>26</sup> was famous and greatly admired for a short period of time. It soon became clear, however, that the foundations had been built on part-time work, to the detriment of women, and that economic success concealed other systemic problems.<sup>27</sup> Two decades later, that miracle has become the main problem within the labour market in the Netherlands: flexible employment (including part-time, temporary, on demand, etc.) continues to grow and affects 50% of the

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<sup>25</sup> SSB Statistics Norway.

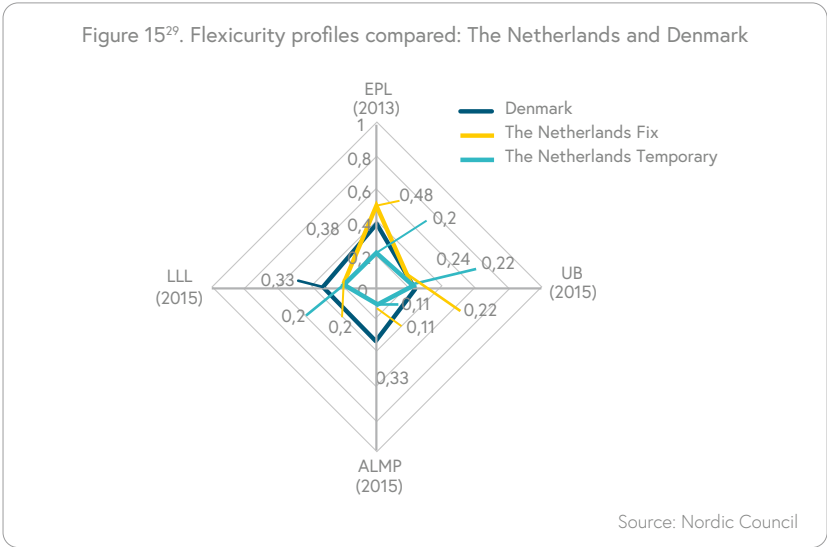
<sup>26</sup> Hemerijck and Visser, *A Dutch Miracle: Job Growth, Welfare Reform and Corporatism in the Netherlands*.

<sup>27</sup> JøRGENSEN, *Flexible labour markets, worker's protection and the security of the wings: a Danish flexicurity solution to the unemployment and social problems in globalized economies*.



workforce, while the percentage of permanent workers continues to decrease.<sup>28</sup> The segmentation of the labour market continues to widen.

This makes the flexicurity profile of the Netherlands to show an apparent deviation from the concept itself as defined in the theory: it does not meet the flexibility requirement based on the legislation that protects the employment contract considered typical: the open-ended contract. On the contrary, if the basis of analysis is that of the atypical contract: part-time; then it is considered a very flexible model that would not reach an equilibrium due to a lack of activation policies.



A key factor that has shaped the differences between the Danish and the Dutch flexicurity models is the evolution of labour relations. At the institutional level, the role of social players in the Netherlands has been characterised by instability and mutual distrust. Only the wage containment policy has traditionally been the exception. From the Wassenaar agreement in 1982 onwards, it may be stated that trade unions and business associations have redirected their relations to establish a basis for consensus and foster tripartite collaboration around shared national

economic objectives<sup>30</sup> that had not existed previously. The so-called "polder model" emerged, equivalent to social dialogue, which should enable the Dutch labour market to become an efficient flexicurity model and at the same time foster economic growth.

Structurally, however, the low rate of union membership,, in a constant state of decline to 16.4% as of 2018, according to the OECD<sup>31</sup>, gives union organisations relative power against the 85% of businesses' associations.<sup>32</sup> To this data, we must add two more factors that act to the detriment of the force of union representation. On the one hand, the fact that Dutch unions have failed to develop a level of internal organisation that would allow them to effectively coordinate activities between the different bargaining units. In any case they have attained a level comparable to the coordination of their Danish counterparts. On the other hand, but in parallel, the permanent flexibility of the labour market causes the social dialogue to lose its impact and weakens the bargaining position of the unions to obtain improvements in social and working conditions.

### The role of the state and collective bargaining

State intervention that regulates the working conditions by law is typical of industrial relations systems characterised by negotiating inequality between the parties. In theory, this intervention has a supplementary and levelling function: the state guarantees minimum rights to all workers where the parties are unable to reach agreements or despite reaching them, compliance therewith is dubious. Legislation should have positive effects on workers' rights insofar as it establishes a basis to effectively prevent insecurity. In practice, it cannot be forgotten that it is precisely the greater corporate power that destabilizes the balance of the labour relations and pressures governments for legislation favourable to their own interests. In these contexts, state regulation is often not synonymous with protection for the worker.

Although the literature continues to view the Dutch system of the "polder model" as resilient and stable, the truth is that there is an increasing number of critical

<sup>28</sup> HARTOG and SALVERDA "The labor market in the Netherlands, 2001–2016".

<sup>29</sup> Identical sources and databases as Figures 5, 6, 10 and 11.

<sup>30</sup> HEMERIJCK and VISSER, *A Dutch Miracle: job growth, welfare reform and corporatism in the Netherlands*; TOUWEN, *Coordination in Transition: The Netherlands and the World Economy, 1950–2010*; ARNOLDUS, "The Wassenaar Agreement, the timing of social pact".

<sup>31</sup> OECD Statistics, *Trade Union*

<sup>32</sup> IFO INSTITUTE CENTER OF ECONOMIC STUDIES, "The Determinants of Collective Bargaining Coverage, 2015".

voices that question continuity.<sup>33</sup> The most important challenge is linked to the flexibility of the labour market. This has been (and still is) a demand from employers who intend to end the different protections against layoffs, matching the conditions of permanent workers to those of part-time workers. The refusal of the unions has prevented the modification for the time being, but it has led to a stagnation of the social dialogue as of September 2017.<sup>34</sup> The interest of employers' organisations, together with the recommendations of the EU<sup>35</sup>, have generated continuous legal reforms regarding flexible working hours, minimum wage, the rules for the extension of collective bargaining agreements, the aforementioned conditions of dismissal or the possibility of not applying sectoral agreements. In other words, the state has taken the initiative in terms of working conditions and has rendered meaningless the function of collective bargaining.

The progressive loss of bargaining power is also aggravated by the legislation concerning self-employment, which employers use as another measure of flexibility. Legislation facilitates this practice to the point that in the Netherlands, 16.7% of the workforce are self-employed, the majority of whom do not hire employees. This percentage exceeds the Eurozone average<sup>36</sup> (15%) and that of some other states analysed in this study. Another hindrance is that this type of work, by definition, falls outside the scope of collective bargaining and, therefore, increases downward wage competition. If we consider that 40% of the workforce are self-employed and workers considered flexible<sup>37</sup>, collective bargaining has little room for manoeuvre.

In 2014, as a result of a tripartite agreement signed a year earlier which aimed to reverse growing insecurity within the labour market, the Parliament and Senate passed a new law on employment and security, the *Wet werk en zekerheid* (WWZ) [Work and Security Act]. The objective of the reform was to modernise the rules on employment security and to guarantee a decent income, in order to create a new balance between flexibility and security. In the preamble of the Act, security was introduced as a "general principle" of contemporary labour market policy, suggesting that this commitment did not exist before. The legislator explicitly acknowledged that both employers and workers supported a certain degree of flexibility, but at the same time considered that Dutch regulations regarding flexibility left too much room

for the use and abuse of successive temporary contracts. Given that the growing proportion of workers with flexible contracts and the resulting segmentation of the labour market had become a structural problem, causing negative effects on unemployment, access to training and to the housing market, the new law intended to establish temporary contracts as a bridge to permanent employment, thus reducing the differences in rights between the two types of workers.

In this context, following are the main enforced changes:<sup>38</sup>

- The chaining successive fixed-term contracts was reduced from 36 to 24 months or 48 months if agreed in a collective agreement, or a waiting period of 6 months between contracts.
- The use of zero-hours contracts was restricted.
- The trial period was prohibited in contracts under six months.
- Dismissal procedures were simplified, to reduce costs and achieve more equitable treatment between temporary and permanent workers.
- In the event of termination of the employment contract by mutual consent, the employee has the right to withdraw his/her agreement within fourteen days after signing, without having to give reasons for said decision.
- The "transitional allowance" was implemented. As of 2015, all workers (temporary or permanent) with a minimum history with the company of 24 months are entitled to a maximum standardised compensation of 75,000 euros or one year's salary, whichever the higher. However, the law allows employers to deduct unlimited compensation for training costs, paid by the employer during the contract.

Perhaps the most significant aspect of the current structure of collective bargaining in the Netherlands is its ability to reinvent itself. Since the legislation leaves little room for the autonomy for the parties, sectoral agreements have progressively adapted to the new situation, accepting decentralisation as an irreversible fact. In this sense, most sectoral agreements allow for higher remuneration based on the performance stipulated at the company or workplace, as well as the adaptation of working hours to company's needs. On top of this, a growing number of sectoral agreements include a series of working conditions from which employers and employees may choose. These are the so-called "à la carte" provisions, which make it possible to negotiate wages and other working conditions, depending on the preferences of the worker and business owner. For example, a part of the gross

<sup>33</sup> AFONSO, "Challenges for the Dutch polder model: Performance, populism and political economy"; KEUNE, *Nog steeds een mirakel? De legitimiteit van het poldermodel in de eenentwintigste eeuw*.

<sup>34</sup> ZWIMKELS, *Netherlands: Developments in Working Life 2017*.

<sup>35</sup> EUROPEAN COUNCIL, "Council Recommendation of 8 July 2014 on the National Reform Programme 2014 of the Netherlands and delivering a Council opinion on the Stability Programme of the Netherlands, 2014/C 247/17".

<sup>36</sup> OECD, *Statistics. Data for 2017*.

<sup>37</sup> DEKKER, *Challenges for the Dutch polder model*.

<sup>38</sup> CLAUWAERT and SCHÖMANN, "The crisis and national labour law reforms: A mapping exercise. Country report: The Netherlands".

salary can be used to finance additional permits or greater pension rights<sup>39</sup>, thus introducing individualisation beyond decentralisation.

Despite the weakened social dialogue, social partners maintain negotiation and rules regarding supplementary benefits of the welfare state arising from professional life. This practice became widespread in 1949 and today it is still the most common channel to access social benefits by workers. As a general rule, the benefits negotiated in collective bargaining agreements are not of a legal nature, are self-managed and -regulated by the same organisations that agree to them. They currently encompass four main areas: mandatory pensions, vocational training funds, unemployment benefits and mobility plans, and minimum supplement benefits.

Yet this feature of collective bargaining has not followed a steady path. In 1995, following a report from the parliamentary committee holding social partners responsible for their laxity in granting unemployment and disability benefits, the government in office at the time decided to transfer these functions to the state administration, whereas individual employers retained the management of sickness benefits and, aid aimed at activation policies. Only the management of pensions has remained in the hands of social actors, but employers' contributions stipulated in an agreement have become compulsory, because in spite of the commitments created it has been demonstrated that business contributions are often not made effective.

### Unemployment benefits

As stated above, since 1995, unemployment benefits are a matter of public administration and management, so that both supplementary benefits negotiated in an agreement as well as public unemployment benefits from social security are accessible only via the competent authority: Uitvoeringsinstituut Werknemersverzekeringen (UWV) [The Employee Benefits Agency]. In 2015, the Sociaal-Economische Raad (SER) [Social and Economic Council of the Netherlands], a tripartite organisation consisting of independent employers, unions and economic experts, whose primary mission is to advise the government and the Parliament on social and economic policy issues, released a report in which it recommended to grant employers and unions a greater capacity for decision-making and management of supplementary unemployment benefits, as well as to strengthen the advisory role of social partners in policies for

<sup>39</sup> HUIZEN (et al.), *Collective Bargaining Through the Magnifying Glass: A Comparison Between the Netherlands and Portugal*.

re-integration into the labour market, as measures to reduce unemployment and its duration. The SER also proposed a greater margin for actors at the sectoral level to determine contributions that should be made to the funds. Finally, it suggested linking the specific initiatives of the various sectors with the regional policy of the labour market in order to make employment policies more effective.<sup>40</sup>

Although the government stated that it would do everything possible to implement the recommendations made in the report, so far, the only relevant measure taken has been the enactment of a new regulation on unemployment benefits which has considerably reduced them. The maximum period of 38 months has been changed to a maximum period of 24 months, though it is now the purpose of collective bargaining agreements to determine the possibility of increasing funds for an additional fourteen months. In any case, after six months, the unemployed are required to accept any suitable job offer. A suitable job is not defined according to the training of the individual or to their previous employment, but rather based on a calculation of income. The intention is to launch a new system that will calculate income in order to prevent unemployed people from receiving less wages than benefits when they accept a job, with the idea that "work should be profitable".<sup>41</sup>

This legislative reform is considered a concession by the unions of the Netherlands to avoid further austerity measures in response to the crisis, but it demonstrates that with regard to supplementary benefits, collective bargaining also lacks an autonomous scope of action since the agreements and management by social partners depend to a large extent on State decisions concerning its implementation and scope.<sup>42</sup>

### Active labour market policies

The active labour market policies implemented in the Netherlands in the 1990s combined work incentives for the unemployed through training and assistance in job searching. But it was soon discovered that in addition to being expensive, the policies were not very effective. Between 2008 and 2014, in order to reduce public spending and enhance re-integration quickness, most activation policies

<sup>40</sup> SOCIAL AND ECONOMIC AND COUNCIL OF THE NETHERLANDS, "Limiting, preventing and insuring against unemployment".

<sup>41</sup> CLAUWAERT and SCHÖMANN "The crisis and national labour law reforms. A mapping exercise. Country report: the Netherlands".

<sup>42</sup> Keune and Payton, "The Netherlands: Occupational Welfare within state-defined limits".

were halted and redirected. Currently, 90% of beneficiaries receive online service, and only 10% – who are considered at risk of long-term unemployment – receive customised care in person.<sup>43</sup> Public services are basic: they consist of special and supervised activities aimed at helping people to find employment. Unemployment benefits are conditional to taking part in these activities. Disabled people are provided with special care for re-integration into the workforce through external services that are not part of the public network of employment services. Lastly, the approach for young people is collective, and through the Youth Guarantee programme launched in 2013 it receives greater investment and public attention with the aim of reducing the time of transition – unemployment – between jobs. The service is basically provided online and focuses on facilitating trial periods that are subsidised for employers.<sup>44</sup> In this manner, policies are no longer aimed at improving the skills of workers and, accordingly, providing greater security through training and education programmes (such as "activation"), but instead are aimed at the acceptance and financial compensation of shortcomings in individual skills.<sup>45</sup>

### Ongoing Vocational Training

In the Netherlands, lifelong learning is part of collective bargaining, but it is less common at the company level than at the sectoral level.<sup>46</sup> Many agreements establish and finance various professional training initiatives. Agreements establish sectoral training funds that provide financial support for individual training measures – such as funding courses' expenses or employees' wages. Such agreements promote the acquisition of skills that are specific for the industry of the sector and the company signatory to the agreement. In general, they cover all types of employees, regardless of their category, and they also provide for specific groups such as women, temporary workers, older workers, or temporary agencies. Ongoing training stipulated by sectoral collective bargaining or at the company level is an alternative offered by the State or the one that the company may offer on its own initiative, and brings significant tax benefits to companies. Such companies are required by law to invest in ongoing training, which is not the case in Denmark. Some of the problems mentioned by literature are that there is no evidence that the funds for continuous training are effectively allocated to this aim, and that

since they are linked to an industrial sector or company, they do not contribute to support labour mobility between industries.<sup>47</sup>

### 3.4. Results: quality of employment and public spending

Besides combining flexibility and security, the goal of "flexicurity" cannot be assessed only in terms of reducing unemployment and creating jobs. As a material condition of any employment policy, employment must be of quality. There is a cross-cutting reason for this: work is the means of earning a living for an immense majority of the population who cannot choose between working or not. However, earning a living implies being able to participate in the social and economic life of the community, i.e. to a sufficient extent so as to be able to exercise personal freedoms equally.<sup>48</sup> Provided that working conditions fulfil this function, a positive cycle is created that allows for economic growth and the preservation of social cohesion and stability. Conversely, when employment, regardless of how high its level might be, does not allow workers to make ends meet, to have free time, or if their job description does not match their training (which affects a large number of people), this creates a downward spiral which adversely affects progress.

Out of the innumerable factors that can be identified in order to define "quality of employment", the United Nations Economic Commission for Europe (UNECE), the International Labour Organization (ILO) and Eurostat have defined and agreed upon a conceptual framework that includes seven concepts: safety and ethics, income and benefits, working time and work-life balance, security of employment and social protection, social dialogue, skills development and training, and employment-related relationships and work motivation.<sup>49</sup> Following this pattern, the OECD, in turn, limits the analysis parameters to: earnings and benefits, employment security, and job strain.<sup>50</sup> However, in many cases the available data is not updated. It is the case, for instance, for information regarding earnings and benefits. For these reasons, and for the purposes of this study, we have decided to compare elements linked to working conditions which have a direct impact on quality: wage increases, working hours, and types of contracts.

<sup>43</sup> MARTIN, *Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on their Effectiveness*.

<sup>44</sup> EUROPEAN COMMISSION, "PES Country Fiche: Netherlands".

<sup>45</sup> HOOGENBOOM, "The Netherlands and the Crisis: from Activation to Deficit Compensation".

<sup>46</sup> Trampusch and Eichenberger, "Skills and Industrial Relations in Coordinated Market Economies".

<sup>47</sup> HARTOG and SALVERDA, "The labor market in the Netherlands, 2001–2016".

<sup>48</sup> Fabre, "Social Rights Under the Constitution, Government and the Decent Life"; ILO, "International Labour Standards on Social Security".

<sup>49</sup> KÖRNER, *Measuring quality of employment—The UNECE/ILO/Eurostat framework and its implementation as statistical output*.

<sup>50</sup> OECD, "Job quality".

The same methodology will be followed in each part. First, we define the concept and what it means. Below are figures containing data from each country in the study, and the results are compared and combined with a possible interpretation based on the analysis made in the previous sections.

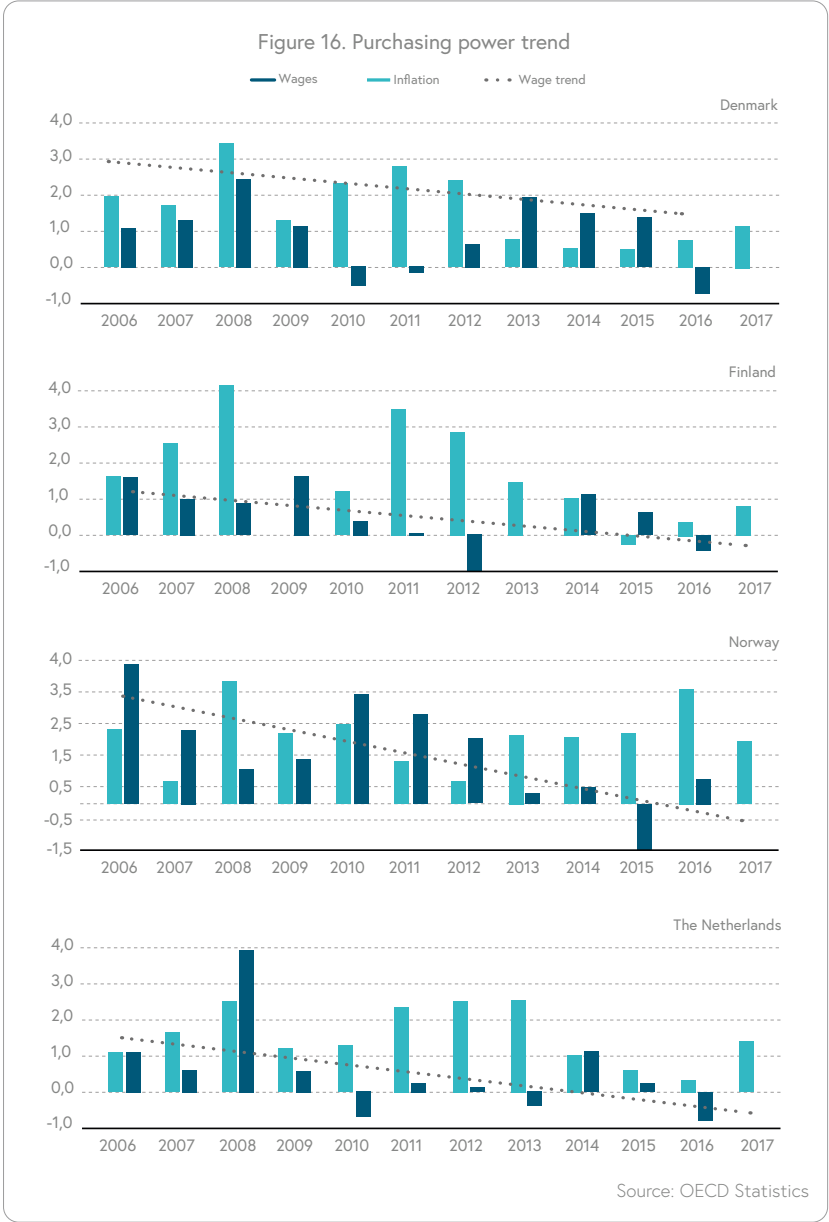
Lastly, public spending on employment policies is compared, as this is a key factor that must be considered when assessing flexicurity as a whole. This includes data for the whole of Spain in order to provide a broader view of the comparison.

Wage increases and inflation

Wages are, without a doubt, a fundamental element for measuring the quality of employment. If the salary does not allow the worker to live with dignity or if his/her remuneration does not fairly compensate the effort made, then one can hardly speak of quality of employment. But when is a salary sufficient? In other words, what makes a salary to be sufficient or when does it amount to a living wage? Irrespective of objective macroeconomic criteria, there are also subjective and microeconomic criteria which are impossible to grasp through statistical data. However, as a starting point, one objective criterion is that of national inflation<sup>51</sup>: if the increase of the average salary does not keep up with inflation, workers will lose purchasing power, and if this situation persists for several years then it could jeopardise peoples' ability to support themselves.

Figure 16 presents average wages adjusted to full-time work and standard rents in order to prevent national differences from affecting the results.

<sup>51</sup> This is one of the elements that international law takes into account when assessing pay equality: United Nations, CESCR, General Comment No. 23, par. 21; Art. 3.a ILO Convention C131.



The decentralisation of collective bargaining as a measure of flexibility does not, by itself, explain the different results seen in each country. The institutional context and government policies also help to understand wage developments. In Norway and Denmark, where wage bargaining is highly centralised, similar results are observed. While in Denmark wages show a higher ability to grow and maintain an upward trend in terms of purchasing power, in Norway it is likely that the suggested salary corridor through the iron triangle act as a curb and, consequently, results in a regressive trend which, starting in 2015, went into the red, with a loss of purchasing power.

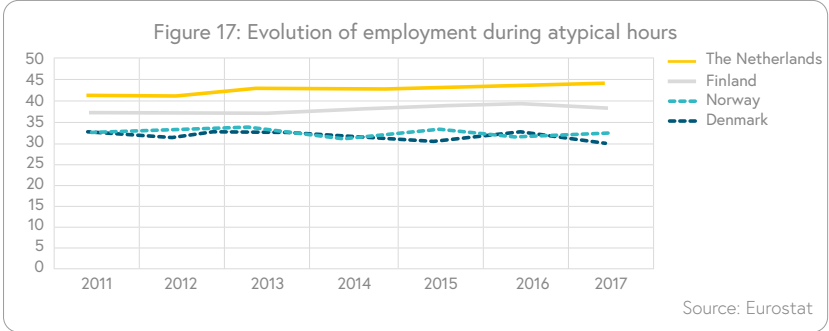
The slowest progress is undoubtedly found in the Netherlands, where the existence of statutory minimum wage proves the inadequacy of this measure. On the one hand, minimum wage acts as a deterrent for collective bargaining since employers know that the same conditions will not necessarily be followed by other companies, thus creating a competitive disadvantage. On the other hand, the government sets the minimum wage in accordance with budgetary criteria, which often entails that the level of increase falls below that of inflation. These factors are visible in the Netherlands, where wages have experienced the most significant losses since 2008, resulting in a loss of purchasing power since 2014.

In Finland, continued wage decline should be interpreted as the result of two circumstances: first, government regulations in the form of agreements between social partners in order to handle the crisis, and second, the decentralisation of collective bargaining. As a result, this situation is not expected to reverse in the short term.

### Working hours

The flexibility of the labour market in terms of working hours is also an element that impacts on the quality of employment. "Unsocial" hours, as described by Eurostat<sup>52</sup> are an indicator offering a view of the evolution of working conditions. Figure 17 shows the percentage of the working population that works outside normal hours, namely at weekends, night hours, and shift work.

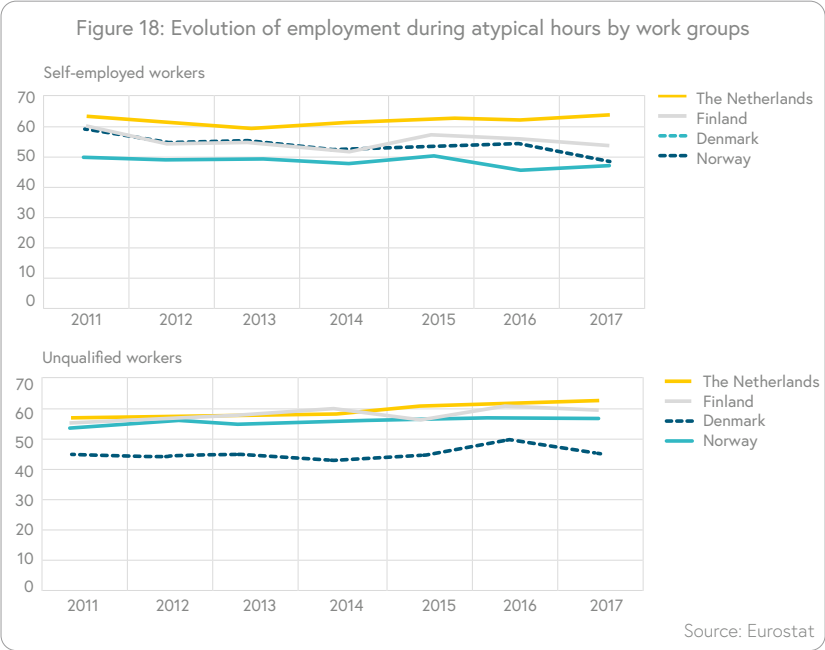
<sup>52</sup> See: EUROSTAT, "Population in employment working during unsocial hours".



The Netherlands, where 44% of employees work unsocial hours, a figure which has been on the rise since 2011, has the highest percentage. By contrast, Denmark is the state with the lowest figure – 30% – which has been maintained with only slight fluctuations over the years. Since both contexts feature flexibility, more similar results should have been expected. However, Denmark's data more closely resemble those of Norway, where flexibility measures in comparison with the other two states have not been implemented.

As far as working conditions are concerned, it must be noted that it is a question of internal flexibility. Unlike external or numerical flexibility, which aims to facilitate layoffs, the purpose of internal flexibility is to adjust working hours to suit the productive needs of the company. This indicates that internal flexibility has two sides: it prevents layoffs but, since working hours are flexible, there is no need to hire new workers. Therefore, the decentralisation of collective bargaining is a factor that directly affects employment at atypical hours, but the greater or lesser impact on the labour market is determined by the degree of organisation and coordination of unions. The higher this is, the less likely it will be for unusual working hours to affect more workers.

Figure 17 shows the foreseeable evolution of three differentiated models: the Danish and Norwegian systems, which are very close and feature high levels of internal coordination of unions acting at the national level and those which manage local or business sectors, also yield very similar results, indeed, the lowest. The Finnish system, where the level of coordination has not achieved the same development because the national level is basically in the hands of the state, increases the percentage of working population at unusual hours. In turn, the Dutch model, which has the greatest government interference and the least internal coordination and organisation between the unions acting at different levels, leads to more scattered working conditions, which in this case translates into the highest level of workers with unsocial hours.



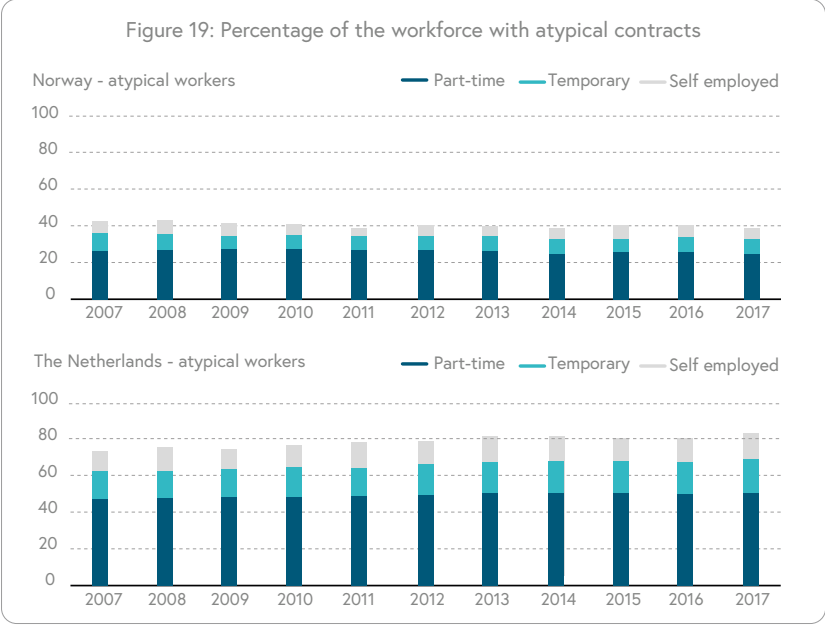
Obviously, small self-employed, who are not affiliated, are the most affected by these schedules since the negotiations regarding their working hours are individual and there is little capacity for lobbying. The percentage of self-employed workers working atypical hours will be studied in the next section.

The other group of workers who suffer most from atypical hours are non-skilled workers. One of the reasons that explains this is also affiliation. In all countries, collectively negotiated conditions extend to non-affiliated workers. But working hour mobility is a condition that entails individualisation, since it depends on the workplace. It is understandable that union representatives of the company or work centre focus on negotiating the most favourable conditions for their affiliates, with less emphasis on those who are not affiliated. This is a recurring problem of affiliation, which is also evident in many other situations, though that is not the subject of this study.

### Type of contract

Fixed and full-time employment contracts offer the greatest security for workers, both in terms of earnings as well as job conditions. Flexibility has resulted in an increase in the number of the so-called atypical contracts, those that depart from the two characteristics mentioned above. Part-time contracts, fixed-term – temporary – contracts, and self-employment are the most common variants.<sup>53</sup> At the same time, these varieties also cause the highest regression in terms of labour rights and reduce the quality of employment. The impact on the sustainability of social security systems as well as the future rights of access to pensions or subsidies by these workers are relevant characteristics. Analysing the structure of the labour market based on the workforce with atypical contracts thus allows us to visualise the effects of flexibilisation in one of the many areas related to flexicurity.

The figures below show the cumulative percentage of workers hired by type of contract: part-time work, temporary work, and self-employed.



<sup>53</sup> We decided to include self-employment, although by definition it is not a form of hiring, because the use of this data as a measure of flexibility – the so-called 'bogus self-employment' – is common to all states. Furthermore, this form of work experiences the same regression in rights and protection as the other types of contracts.



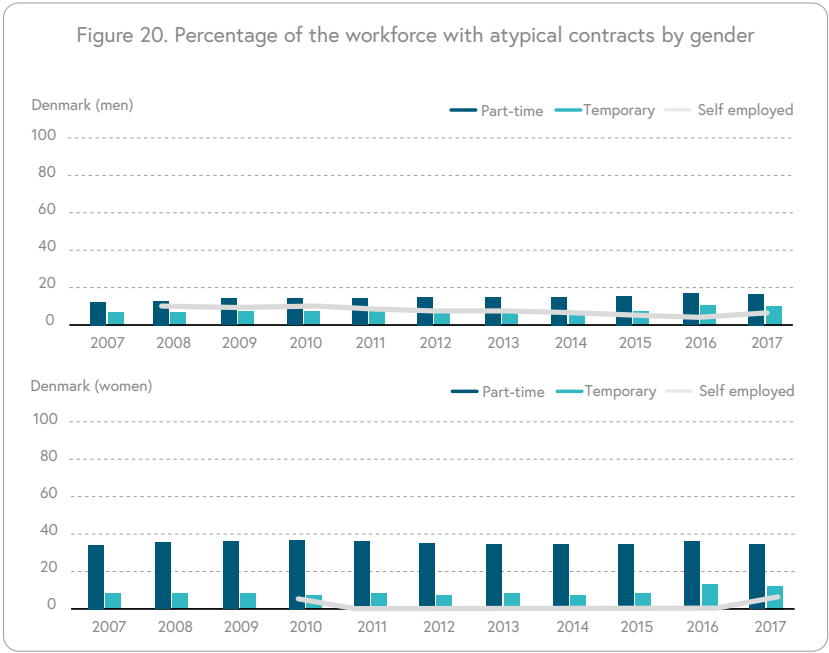
Unlike wage factors, hiring flexibility follows a more predictable pattern in accordance with the institutional framework of labour relationships that has been assessed for each country. Part-time work is the most widely used form, which prevails in the Netherlands where the number of self-employed workers is also high. In contrast, in Finland the most frequent form is temporary work, though the number of self-employed people is also comparatively high. Both Norway and Denmark reveal similar data, but with a reverse trend: in Denmark the trend is increasing, while in Norway it is on decline.

The reasons behind the developments seen in each country are linked to the institutional differences. The different hiring methods have a legal basis, and therefore are directly related to numerical or external flexibility. Therefore the data from the Netherlands is different that of the other three states. The power imbalance between the social players grants employers a greater power to lobby for legislation that is favourable to their interests.

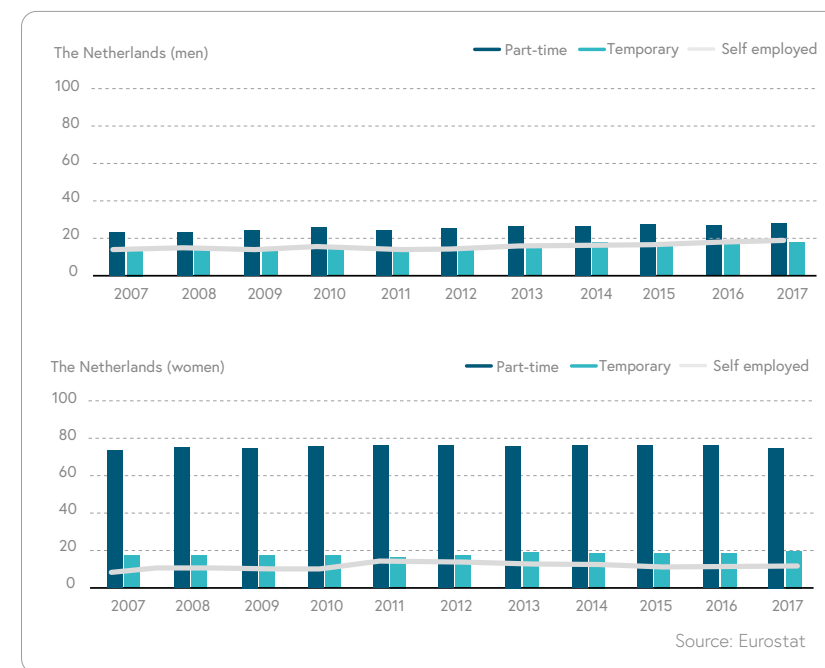
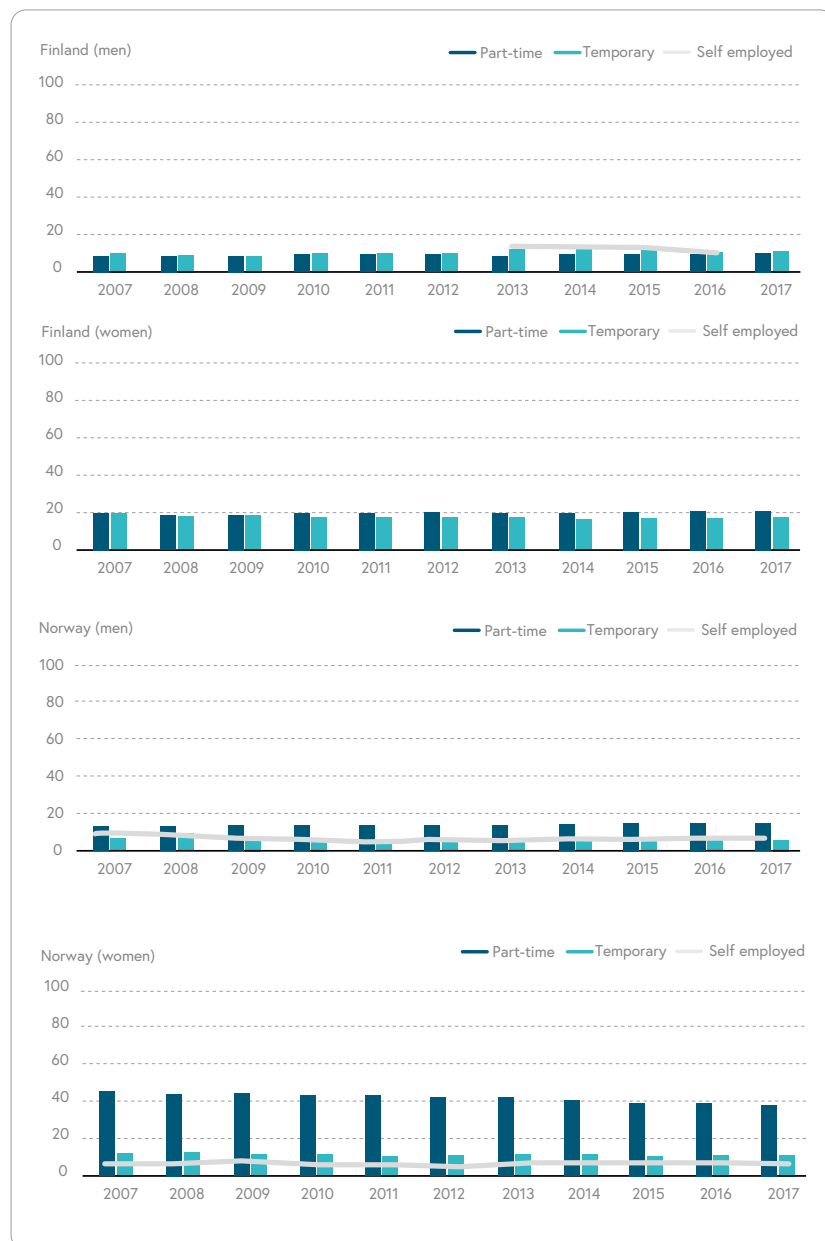
In Denmark and Norway, the power is balanced so that the government has little room to legislate and take measures affecting the workplace unless it has the consent and support of social partners. In these states, atypical contracts meet real needs of companies, while in the Netherlands the same forms of hiring workers follow the interest in reducing labour costs.

The Finnish system is explained from the point of view of well-being. The greater union influence until 2007-2008 prevented a legislative reduction in hiring and dismissal conditions, and thus the percentage of atypical workers was the lowest. The refusal of business organisations to continue with the current system, coupled with the economic crisis, pushed the successive governments to implement flexibilising reforms in this regard, especially through the promotion of self-employment which has placed Finland at the same levels as Norway or Denmark.

If we break this data down by gender, we can see how segmentation is something which affects all states as well.







The problem of atypical hiring affects women much more than men, with percentages nearly twice as high. Only Norway appears to show a downward trend, but in any case, it is slow and cannot be considered a consolidated trend for the time being. It has often been stated that part-time work allows for a better work-life balance, which would be valid if the data showed equality between women and men. Conversely, Figure 20 shows that segmentation of the labour market by gender is a worrying reality. Whether women voluntarily choose part-time work or if this is imposed by the market, equality is far from being achieved in countries which are, purportedly, more advanced in this field.

In Northern European states, it is common for welfare benefits to supplement part-time work incomes with child allowances, education, etc. However, one should not confuse immediate income with future pension rights, for example. Such supplemental sources of income are not subject to social security contributions, and women's work history is seriously affected when it comes to collecting any work benefits if part-time work has been the usual form.

Public spending on employment policies

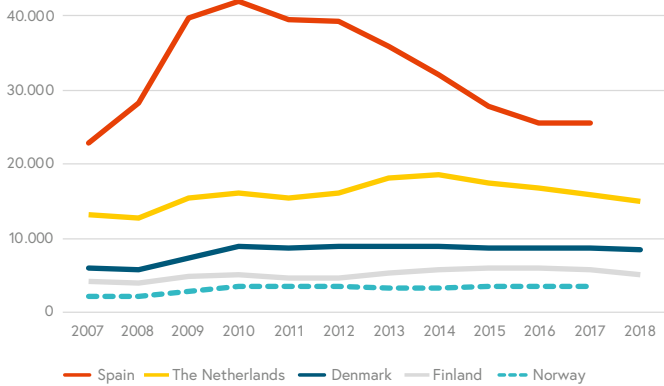
Public spending is inherent to flexicurity as security is to be granted. In strictly economic terms, the OECD admits that social security benefits reduce insecurity to the extent that they mitigate the risk of losing earnings due to unemployment.<sup>54</sup> Therefore, the higher risk of unemployment flexibility creates, the greater the public spending in order to cover such situations. Moreover, the concept of flexicurity as defined above is not structured around benefits, but rather around activation and training measures which necessarily imply the respective allocation of public resources.

Flexicurity alone is not adequate to reduce unemployment and create jobs. In the labour market there are other conditions such as the economic structure of the country, productivity, and technological development which change the dynamics and call for state intervention through public policies. However, the most flexible contexts are more exposed to external changes, such as decreasing consumption patterns, which cause unemployment to increase more rapidly than in more rigid ones. Technological advances tend to reduce the number of jobs, but flexibility requires the State to implement measures to re-employ dismissed workers, while in secure or less flexible markets spending is borne to a large extent by the company in the form of severance pay. Thus, when considered as a whole, there is a direct relationship between flexibility and public spending that goes far beyond the concepts of benefits, training, and activation policies.

Figure 21 shows the evolution of global national spending on labour market policies. A prior consideration should be noted: Spain's spending is much higher than in other states because it is a much larger economy, and thus it would not be comparable. Since the 2008 crisis, there has been a trend to increase spending in all states except Spain that shows a noticeable decrease from 2012 onwards. Again, it should be kept in mind that this is the result of the drastic labour reform that has taken place so far. This indicates that Spain has followed a reverse policy in terms of flexicurity or, that flexibility has been enhanced to the detriment of security. In any case, the outcomes are identical.

<sup>54</sup> OECD, "Job Quality".

Figure 21. National spending on LMP policies in Million Euros



Source: EU Commission, Employment, Social Affairs & Inclusion

The figure also confirms the relationship between greater flexibility and higher public spending. In all the countries studied, there has been a reduction in unemployment benefits, whereas public spending on activation and training policies varies in each case. However, the figure indicates that the overall spending in the Netherlands, which has a profile of greater flexibility, is clearly greater than that of other the states. A certain gradation can be established which coincides with the flexibility strategies adopted by each state: Denmark, with widely flexible working conditions – though less than in the Netherlands, allocates fewer public resources to employment policies but still a greater amount than in Finland or Norway, where flexibility is lower.

A different result can be observed if the same national spending is divided by the number of jobseekers, according to the data in Table 2:

Table 2: National spending on employment policies in millions of euros and number of jobseekers in thousands, 2007-2018

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Denmark	LMP Expenditure	6.055	5.764	7.258	8.804	8.650	8.814	8.898	8.804	8.733	8.578	8.606	8.335
	Job-seekers	169.747	116.024	209.918	206.522	207.745	204.572	194.281	178.893	161.335	146.216	138.629	131.497
Finland	LMP Expenditure	4.056	3.947	4.744	4.990	4.635	4.697	5.233	5.825	6.067	5.994	5.672	5.084
	Job-seekers	443.433	418.637	491.322	504.238	470.401	466.678	504.993	571.618	623.832	648.828	614.951	555.699
The Netherlands	LMP Expenditure	13.099	12.683	15.342	16.131	15.327	16.084	18.096	18.590	17.549	16.724	15.806	15.024
	Job-seekers	491.700	454.900	567.000	561.300	625.600	737.600	920.500	1.014.900	1.133.800		759.350	681.660
Norway	LMP Expenditure	2.185	2.110	2.761	3.545	3.457	3.451	3.283	3.331	3.395	3.565	3.413	
	Job-seekers					289.272	269.851	265.513	253.593	263.090	274.221	246.256	
Spain	LMP Expenditure	22.931	28.243	39.660	41.960	39.466	39.251	35.972	32.150	27.774	25.597	25.586	
	Job-seekers	3.018.073	3.587.968	4.983.119	5.499.846	5.745.293	6.283.596	6.347.812	5.972.391	5.591.745	5.168.409	4.801.229	

Source: EU Commission, Employment, Social Affairs & Inclusion



The information from Table 2 has been depicted in Figure 22. In this regard, we can see the difficulty to accommodate employment expenditures to labour market variations. The reason is quite obvious: labour market tends to be more dynamic and unemployment evolves faster than the effectiveness of employment policies. These two effects mean that the allocation of resources in relation to the number of unemployed people decreases when unemployment increases, and conversely when unemployment decreases the availability of resources increases. It can be said that states try to adjust spending to the needs of the market, although the different paces at which political decision-making and the labour market are moving limit the efficiency to fight unemployment.

This scenario is valid except for Spain, which is the country that allocates less resources to employment policies per unemployed among those studied. It is noteworthy that this is the state where spending has been systematically reduced regardless of variations in the labour market, and which has seen a deterioration in workers' security. Since spending decisions are always political, the EU environment is reported as being the primary factor responsible for this situation, due to the recommendations to implement flexicurity strategies, and to fiscal deficit measures imposed through the

"European Semester".<sup>55</sup> It is clear, however, that the EU context does not cause the same negative consequences in all states, and therefore despite the fact that its influence is notorious, the institutional framework of labour relations and the different cultural traditions linked to the welfare state should also be considered in order to understand the relationship between strategies and results.

In sum, from the institutional perspective the industrial relations systems of Denmark, Norway, and Finland are very similar. However, it is possible to establish a certain scale between them regarding the role played by the State. In Norway, the State has a facilitating role in the relationships between unions and employers, while at the same time involving such actors in socio-economic decision-making. Flexibility measures fall under a tripartite collaboration that takes into account social and economic interests, but the aim to preserve economic competitiveness acts as a determinant factor for negotiations between unions and employers' organisations. The role of the state in Denmark features less intervention, leaving labour relations exclusively in the hands of social partners. The state communicates general objectives, but flexibility measures follow agreements between workers and employers. Labour relations in Denmark have a longer and more developed background than in Norway, and this would explain the state's greater confidence in the other actors, who are able to respond positively to economic goals without state supervision. On the other hand, in Finland the power imbalance in favour of unions causes the state to intervene more in labour relations, which translates into a form of pressure on the parties involved to adopt flexibility measures. Contrary to what was discussed about Norway, in Finland the priority objective has been social protection, whereas economic growth has been seen as a tool to improve quality of life. State intervention is explained as a way to ensure that social and economic goals can be combined. Thus, the state has not given the choice of flexibility measures to be implemented, but rather has proposed them without providing any alternatives to social players. Finally, in the Netherlands, imbalance between parties is much greater, and the state takes unilateral decisions and imposes – from a legislative prospect – the conditions which are to govern labour relations. Therefore, in the Netherlands, flexibility is implemented through legislation, whereas in Norway or Denmark, it is governed by collective agreements.

The counterpart to flexibility, security, is based on the welfare state. Some countries such as Denmark or the Netherlands incorporate items intended for unemployment benefits or lifelong learning in some collective agreements, thus contributing to a reduction in public expenditure. However, the negotiation of these conditions is not compulsory and can vary depending on the agreement. Therefore, the welfare state is the guarantor of security. In general, all states have reformed their unemployment benefits, but only in Denmark and Norway drawing such benefits has been linked to the participation in activation policies. However, active policies have only shown some effectiveness in Denmark in connection with the resources allocated by this state. Finland, Norway and The Netherlands consider active labour market policies to be an expensive and ineffective strategy. This lack of effectiveness has also been the reason why ongoing training targeted at a specific segment of the labour market has come to be questioned as a strategy in Denmark and the Netherlands. In short, in almost all cases, security depends on the rate of return of unemployment benefits. In other words, security is contingent on the welfare state. Finland, in line with its social concern values, offers the highest level of benefits. In contrast, the lowest level of benefits is seen in Norway, where the welfare state is primarily a matter of individual commitment. Benefits are also low in Denmark, which has a similar concept of the welfare state, but in this case, as mentioned above, ALMPs counteract security. In the Netherlands, it is collective bargaining which, to a great extent, supplements security in terms of benefits and, to a lesser extent, in terms of training.

<sup>55</sup> The European Semester is a measure of coordination of economic and budgetary policies within the EU that is a part of the economic governance framework of the European Union, and it focuses on the first six months of each year, hence the term "semester". During the European Semester, the Member States adjust their budgetary and economic policies to the objectives and norms agreed upon at a EU level. The three coordinating blocks are: Structural reforms, dedicated to promoting growth and employment in accordance with the Europe 2020 strategy; Budgetary plans, to ensure the sustainability of public finances in accordance with the Stability and Growth Pact; The prevention of excessive macroeconomic deficits.

## 4. EU initiatives

From the outset, EU's foundational objectives have been the economic union and the progressive approximation of the economic policies of Member States.<sup>1</sup> The monetary union reinforced these objectives and made the employment policy subservient to economic objectives. Peace, social justice, and social protection are principles to be fostered, and full employment and social progress are the goals to be achieved through the economic and monetary union.<sup>2</sup> Although this orientation is without a doubt a veiled reformulation of neoliberal postulates, from a legal prospect perspective all signatory Member States have accepted the conditions of the treaties and the obligations arising therefrom.

At the same time, the legal structure of the treaties poses an added difficulty. The EU has no competence on social and employment matters. Even more, the treaties admit the different stages of development and the various national practices at play in its states. What is not possible for the EU is that these differences hinder the competitiveness of the EU economy. For that reason, the principle of subsidiarity allows the EU to supplement the activities of Member States in these areas in order to achieve general objectives.<sup>3</sup> Recommendations on flexicurity must be understood in this context: they are not binding provisions, but rather they attempt to unify employment policies. These are not an end in themselves, but an instrument at the service of the EU's economic and monetary policy.

<sup>1</sup> EUROPEAN ECONOMIC COMMUNITY, *Treaty of Rome*, Article 2.

<sup>2</sup> EUROPEAN UNION, *Treaty on European Union*, Article 3; EUROPEAN UNION, *Treaty on the Functioning of the European Union*, Article 145.

<sup>3</sup> EUROPEAN UNION, *Treaty on the Functioning of the European Union*, Articles 151 and 153.

Flexicurity objectives have remained unchanged since they were established in 2007. However, the content, expected degree of compliance by the states, and the customisation of measures have varied. These changes are analysed below.

### Principles of flexicurity: 2007-2010

Initially, the EU took the Danish golden triangle as a flexicurity model, adapting it to the objectives of the European economic framework. The elements of the flexicurity policy underlined by the European Commission in 2007 and reaffirmed in the EU 2020 strategy were:<sup>4</sup>

1. Flexible and reliable contractual arrangements
2. Comprehensive lifelong learning strategies
3. Effective labour market policies
4. Modern social security systems

Of these elements supported by the EC, two of them diverge from the initial Danish model: lifelong learning strategies and the modernisation of the social security system. The reasons justifying this strategy are the following.<sup>5</sup>

The Commission classifies labour markets into two types: those with high flexibility and low security; and those whose legal system protects the layoffs due to economic reasons. In the latter, though the number of layoffs is lower, the rate of integration into the market from a position of unemployment is reduced, because companies – especially smaller ones – tend to avoid hiring costs. Secure labour markets can also have a negative impact on certain groups, such as young people, women, elderly workers, and the long-term unemployed, who often cannot access these markets, finding themselves with a chain of temporary contracts with little protection. The result is the segmentation of the labour market and increased precariousness – a common theme in the new globalised economy – that contractual flexibility attempts to address insofar as it gives companies greater freedom in functional and numerical arrangements, namely the number of employees and their salaries. Despite the positive effects of protection from layoffs, such as the fact that it encourages companies to invest in training and promotes loyalty and increased productivity by employees, the European Commission thinks that these are not significant enough to counteract negative effects.

<sup>4</sup> EUROPEAN COMMISSION, *"Towards Common Principles of Flexicurity: More and better jobs through flexibility and security"*.

<sup>5</sup> EUROPEAN COMMISSION, *"Europe 2020. A strategy for smart, sustainable and inclusive growth"*.

Education and the development of skills are key to maintaining competitiveness in the new economy. This not only means good early education, but also "lifelong learning" in order to respond to the changing demands of competitive markets and to ensure the long-term employability of workers. Regular workplace training is deemed insufficient because the business' investment is useless if the employees are hired by another company. In other words, the objective is to continuously and inclusively develop human capital at the expense of the state, with the active involvement of governments, social actors, companies, and individual workers.

Active policies of the labour market are planned to accelerate, promote, and facilitate agreements between potential employees and the needs of employers, possibly through incentives such as grants or job search support services. They are "active" because they involve an "effort" by the participant and a "service" component generally provided by a third party, such as employment agencies. In other words, ALMPs have integrating motivations and elements of individual responsibility that require joint action on the part of the persons receiving advice, employment services, and skills development. Despite recognising that this is an expensive strategy, the Commission believes that the savings are associated to lower unemployment rates and lower costs for employers, because the effectiveness of active labour market policies is positively related to less strict dismissal protection.

For flexicurity to be a successful strategy, it ought to balance the function of guaranteeing revenues through the unemployment benefits system with a suitable strategy of activation to facilitate transition between jobs and promote professional development. According to the Commission, studies have shown that the combination of adequate unemployment benefits, active labour market policies, and dynamic employment markets increase people's sense of security. Therefore modern social security systems must offer a good level of unemployment benefits in order to offset the adverse effects on income during transitions, without negatively affecting the intensity of job search or reducing the economic incentives to accept jobs.

This proposal from the European Commission denotes a certain bias towards flexibility to the detriment of security and, as social security professor of the Universiteit van Amsterdam, Maarten Keune, points out<sup>6</sup>, this point raises different opinions both from the European Council and the European Parliament, highlighting contradictions in the EU's core on the understanding of flexicurity. This notwithstanding, the Commission is the body that sets EU policies and those

<sup>6</sup> KEUNE, "Flexicurity: a Contested Concept at the Core of the European Labour Market Debate".

that Member States implement at domestic level. It is not surprising that the Commission's initiative has been the most widespread.

The economic crisis brought together the most important problems of the EU: the raise of unemployment and pressure on public deficits already curtailed by the monetary union. Even though by then flexicurity had been a recommendation with unspecified content, in 2009 the Commission urged Member States to launch responses in accordance with the principles of flexicurity, with three priorities: maintaining the level of employment, creating new jobs and promoting mobility. Additionally, it set five key actions for the structural reform of the labour markets for 2010 onwards: 1) Investment in effective employment and training measures to avoid long-term unemployment; 2) Helping companies to create jobs; 3) Maintaining jobs by making the labour market more flexible; 4) Supporting young people and those most affected by the crisis; 5) Improving the situation of atypical workers.<sup>7</sup> At the same time, the pressures on public finances and austerity measures significantly reduced the room for state manoeuvrability and pushed many states to increase flexibility by reducing legal and social protections.

### The 2020 strategy: 2010-2011

During this period, financial bailouts of the troubled states began: Ireland in 2010, Portugal in 2011, and Spain in 2011, which is why the EU decided to control national public deficit. This led to significant changes in the labour market and employment policies. The principles of flexicurity became an integral part of the Europe 2020 strategy<sup>8</sup>, a plan intended to maintain the competitiveness of the EU economy through semi-annual supervision of the actions introduced by each Member State. To this end, a new revision mechanism was created, the so-called European Semester, whose objectives are:

- to ensure solid public finances while avoiding excessive public debt.
- to avoid excessive macroeconomic imbalances in the EU.
- to support structural reforms aimed at creating jobs and growth.
- to increase investment.

<sup>7</sup> EUROPEAN COMMISSION, "European Commission background paper to the EPSCO council the employment crisis trends, policy responses and key actions".

<sup>8</sup> EUROPEAN COMMISSION, "Europe 2020. A strategy for smart, sustainable and inclusive growth".

Flexicurity, thus, has lost its role as a general employment policy, as well as its integrated structure of elements. Now the different principles are applied separately depending on the economic progress of the state in question. Member States do not longer adjust their policies to EU recommendations, but rather strive to integrate the EU's objectives into their domestic targets. In other words, the objectives of the state merge with those of the EU.

The bailouts split Member States in two blocs: those that received aid and those who did not. The former were subject to recommendations or impositions that have had different effects on employment policies, essentially because the obligation to reduce the deficit removed security. Spain is a paradigmatic example: in 2011 a constitutional reform was carried out, with doubtful legality in terms of both its content and form.<sup>9</sup> The reform introduced the level of deficit, a preliminary requirement for receiving financial aid, into the Spanish legal system. It was approved on 10 February 2012 by Royal Decree-Law, on labour reform, leading to a virtual full flexibility of the labour market, and on 20 July 2012, with the certainty that the state had met the conditions for the bailout, the agreement protocol was signed.

In the agreement, Spain undertook to: "1) Implement labour market reforms, 2) take additional measures to increase the effectiveness of active labour market policies, 3) [...] remove barriers to business".<sup>10</sup> In addition, the watchdog body (the Troika) required substantial changes in the mechanisms for wage indexation, decentralisation of collective bargaining and wage moderation in the public sector. All of these conditions were introduced without the involvement of social partners, through a legislative reform prior to the signing of the agreement, following the Recommendation of the European Council of 12 July 2011, which contains the measures that have been applied recently:

"The ongoing labour market reform in Spain needs to be complemented by an overhaul of the current unwieldy collective bargaining system. The predominance of provincial and industry agreements leaves little room for negotiations at firm level. The automatic extension of collective agreements, the validity of non-renewed contracts and the use of *ex post* inflation indexation clauses contribute to wage-inertia, preventing the wage flexibility needed to speed up economic adjustment and restore competitiveness."<sup>11</sup>

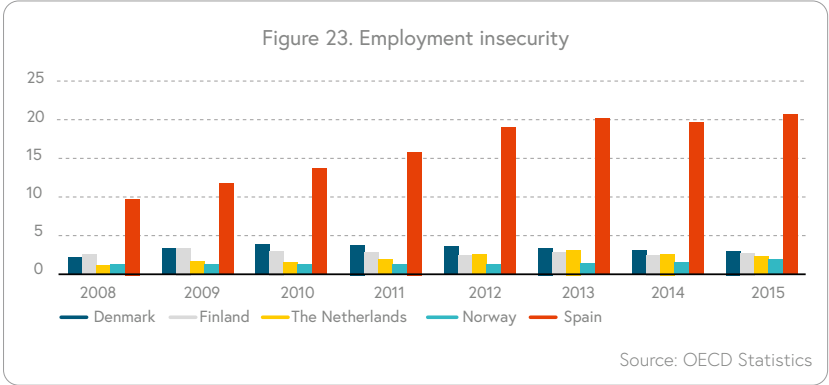
<sup>9</sup> See: By the content of the reform: Flores, "The Constitutional Attack to the Welfare State: A Critical Analysis to the Reform of the 135 Article of the Spanish Constitution"; By procedure: RIPOLLÉS, The Spanish Constitutional Reform of 2011: Background, Processing and the Epigone of Organic Law 2/2012.

<sup>10</sup> EUROPEAN COMMISSION, "Memorandum of Understanding on Financial Sector Policy Conditionality".

<sup>11</sup> EUROPEAN COUNCIL, "Council Recommendation of 12 July 2011 on the National Reform Programme 2011 of Spain and delivering a Council opinion on the updated Stability Programme of Spain, 2011-2014".

At no time reference is made to measures aimed at guaranteeing security or protecting workers; on the contrary, all obligations revolve around the flexibility that was guaranteed with a legal measure, of questionable legality<sup>12</sup>: the power of the judiciary to appraise the grounds for dismissal was restricted. The employer can fire workers on economic, technical or productive grounds, without the need to justify the causes. Judges can only assess whether the formal procedure has been followed correctly, but not whether there are sufficient reasons for dismissal or if there is proportionality in the measure. In practice, this implies the freedom to dismiss employees at will, with prior compensation, which has been greatly reduced in the case of permanent workers and is practically non-existent in other types of contract.

Figure 23 shows that employment insecurity, measured in economic terms with respect to the rate of return on benefits, has always been a flaw of the labour policy. However, as of 2012 it has increased substantially. Likewise, the figure also makes it possible to point out that in the other states under study, which were not subject to bailouts, insecurity does not follow a straight line, suggesting that beyond European recommendations, states reserve some decision-making capacity.



### The European Semester: 2011-2018

Among the objectives of the Europe 2020 strategy, which led to the creation of the European Semester (ES), only one refers to employment: the target to reach an employment rate of 75% among the active workforce aged from 20 to 64 years.

<sup>12</sup> Cruz VILLALÓN, "Towards a New Labour Model in Spain"; Preciado, The Labour Reform of 2012. Comments on Royal Decree-Act 3/2012 of 10 February on urgent measures for labour market reform.

The remaining objectives, totalling five, are related to innovation, education, social exclusion and climate. The control and review mechanism has been established in a methodical manner for states to include the EU recommendations in the preparation of budgets and in the formulation of national policies. Over a period of six months per year, the budgetary, macroeconomic and structural policies of the Member States are coordinated at EU level. There are five key stages during the semester: in January of each year, the Commission adopts the results of the Annual Growth Survey and sets the EU's priorities for the following year to boost growth and job creation. In March, bilateral meetings are held with heads of state and government, to set the guidelines for EU policies. A month later, in April, the Member States must submit their plans for soundness public finances through the so-called Stability and Convergence Programmes, as well as the plans for reforms and measures aimed at growth through the so-called National Reform Programmes (NRPs). Upon completion of the assessment, during the month of May, the corresponding specific recommendations are issued for each state. Finally, the European Council approves recommendations between late June and early July.<sup>13</sup>

The following analyses the development of specific recommendations regarding the field of employment for each state under study as well as for Spain. The wording of the recommendations varies from year to year, using more precise or vague language that may give rise to different interpretations, such as those set out below.

Between 2011 and 2014, the recommendations for Denmark revolved around the reform of the pension system to achieve greater participation in the labour market, improve the employability of the most vulnerable groups and improve the education system, especially vocational training, and increase the number of jobs for apprentices. As of 2015, the Danish deficit seems to be stabilised and Denmark has not received any more socio-labour recommendations. However, the European Council continues to insist on the need to improve training policies for the most vulnerable groups, such as young people, migrants and older workers with the purpose of reducing the unemployment rate and achieving the objectives of the 2020 strategy.

For Finland, the recommendations demand the amelioration of young people's, older workers' and the long-term unemployed's training by intensifying the incentives for participation in the labour market; modifying the pension system to enhance continuity in the labour market; and the need to link wages to productivity. In

all, perhaps the most relevant elements are not found in the recommendations, but in the long explanations of the Council to justify the measures. In the case of Finland, it can be noticed that the Council supports restricting the role of collective bargaining and that of trade union organisations in that this should lead to wage and welfare benefits reductions. It is also interesting and illuminating the reference to the reform of the pension and health system of 2017. Although it has appeared in previous years, it is in the 2017 explanations that the recommendation takes its full significance. It is not about guaranteeing the sustainability of the system, nor of intergenerational justice, but it makes clear the need to reduce the burden for public deficit.

The Netherlands is urged to reform its pension system to ensure the sustainability of the social security system, extending the working life of older workers. This orientation is repeated from 2011 to 2014. In 2015, it was once again the focus of attention, but in the opposite direction. The European Council called for a reduction of pension contributions to occupational schemes. The goal is for younger workers to pay lower contributions, basically to allow them to have greater purchasing power. Another line of recommendation is one that has been included since 2011 that should serve to increase participation in the labour market, eliminating fiscal disincentives on second jobs and eliminating legislation that creates rigid hiring conditions. In addition, there is a call to increase wages in order to favour consumption, together with the reduction of temporary contracts and self-employment rates. This recommendation should be seen in connection with the burden that these contracts place on social security: in the Netherlands, the low level of protection of these contracts is linked to low contributions. If workers with temporary contracts or self-employed do need social protection, the cost for social security in terms of benefits could be potentially higher than the contributions made by such workers. Perhaps the most contradictory side of the recommendations is that on the one hand, in 2017, the Commission admits that the increase of the rate of employment was due to atypical contracts and suggests to seek a retrenchment of this pattern, but one year later, in the 2018 recommendation, it is considered that the labour market performs well. This shows a disconnection between the willingness to increase employment at any cost and the willingness for employment to be of a high quality.

Spain is the Member State that receives most recommendations from the European Commission. These cover many fields: the need to link wages to productivity, reduce social security contributions, modify the pension system to extend participation in the labour market, combat youth unemployment, improve employment services and

<sup>13</sup> EUROPEAN COMMISSION, "European Semester Timeline".



policies, facilitate permanent hiring, improve the quality of the education system and reduce poverty and social exclusion. Almost all fields linked to the labour market are concerned, either directly or indirectly. It should be said however, that a lot has been written about these recommendations, but they have shown little effectiveness, mainly because most items require resources, which in turn are limited by the need to keep the deficit level low. Levelling fringe benefits and employment services in the different autonomous regions of Spain is also a recurrent recommendation. In this regard, it should be noted that the distribution of competences between the State and the regions allow for differentiation. Furthermore, due to the economic problems of the state, uniformisation might create a potential risk for workers in the leading regions to lose the few guarantees they still enjoy. Conversely, it can hardly be expected that workers in less developed regions would be better-off.

From this brief review of the recommendations, it might seem that there is indeed a social shift in EU employment policies and therefore a greater concern to increase security to counteract increasing flexibility. We should not lose sight of the fact that many of the recommendations have a dual interpretation, for example as for Finland or Spain, it is recommended that wages are linked to productivity. But this omits that the worker has no means to influence productivity since it depends not only on the level of personal work, but also on other factors under companies' sole decision, such as investments or personnel resources assigned to production. Hence, linking wages to productivity might be a measure thought to improve company's benefits by introducing a kind of wage flexibility. In this sense, worker's security is lower because it depends on elements which are not under his/her control. Whether the company decides or not to invest, whether production means run at their maximum or not, these are risks that the worker assumes but has no means to mitigate.

The sustainability of social security systems is also a two-fold matter. It may involve a hidden shift towards privatisation, specifically in areas such as pension and health systems. In the recommendations, however, reference is only made to pensions. It is obvious that sustainability entails security insofar as these are mechanisms that provide unemployment benefits. Sustainability, therefore, would guarantee benefits to current and future unemployed. By contrast, it is not obvious that the Commission has this point in mind when drafting the recommendations, because for Spain or the Netherlands it suggests the reduction of contributions, for different reasons, but in both cases, this means that the system receives less revenues, reducing sustainability prospects. The most plausible interpretation consists in the burden that the pension debt places on the states, constraining chances for the deficit to keep in line. It is far from evident that the reduction in benefits, either by

increasing the retirement age, introducing reductionist coefficients based on life expectancy or any other similar measure, may lead to the increase of private funds, all the more in the states where work poverty is high or there is a risk thereof. Therefore, the concern for sustainability does not seem to be an element linked to security but an economic aspect resulting from the ageing population. In fact, it is an element that is recommended to all states.

The European Commission interprets that protection against economic dismissal perpetuates the dualism of the labour market and encourages states to introduce different types of contracts with less protection. It is worth to note here, that women tend to be the most affected by this kind of contracts. In parallel, it is a fact that this policy has failed to reduce the rate of temporary employment. In order to correct it, the EU decision has gone in the direction of increasing the lack of protection for workers in standard contracts.<sup>14</sup> This has certainly reduced the duality of labour markets where permanent workers are decreasing in number, but at the cost of increasing worker insecurity.

To a certain extent, recommendations appear to renounce to lifelong learning. In some cases, recommendations on ALMP integrate lifelong learning. In others, the educational system is supposed to be a sufficient instrument to produce skilled workers. Yet the most important thing is that the vast majority of recommendations in the education or training fields are almost limited to the most vulnerable groups meaning that overall insecurity may increase since less vulnerable workers, who ideally should be the majority, lose opportunities for re-training and for a fast re-integration into the labour market.

To summarise, it would be possible to state, with due caution, that flexicurity as an EU policy has fallen into disuse. The new Europe 2020 strategy represents a change in the coordination and approximation mechanisms of the Member States' policies. It sets specific and measurable objectives by facilitating control through the ES.<sup>15</sup> This is clearly reflected when it comes to employment matters. In all cases, the Commission is concerned about increasing the participation of workers in the labour market, especially the most vulnerable groups – the 1st and 5th objectives of Europe 2020. However, it cannot be inferred from the specific recommendations for each state, that flexibility gains a share regarding security nor vice versa. The orientation of the Europe 2020 shifts from applying common policies to applying

<sup>14</sup> Countouris and Freedland, "Labour regulation and the economic crisis in Europe: Challenges, responses and prospects".

<sup>15</sup> In social and labour matters: For 75% of the workforce between 20 and 64 years of age to be active, and to reduce the number of people who are poor or at risk of poverty by 20 million people, the 1st and 5th goals respectively.

common objectives, flexicurity is no longer relevant. In any case, it is up to the Member States to decide on what actions they take to achieve the objectives. The European Semester has led to a more descriptive and detailed approach of social and labour policies. Nevertheless, this does not end in a better combination of flexibility and security. One of the most significant problems is that since the crisis, the EU regards social policy as a mechanism to adjust national deficit.<sup>16</sup>

In all cases, the Commission is concerned about increasing participation in the labour market, without considering that the labour market is finite. If no new jobs are created or if they are lost, a percentage of the unemployed will always be left out, usually the less skilled workers. Job creation, on the other hand, is not a relevant factor because budgetary restrictions prevent most states from creating employment and because company investment would be counterproductive to the EU's economic growth. Thus, prevailing economic policy invites the creation of atypical jobs; part-time or self-employment as the only means to reduce unemployment.

This new orientation seems an intelligent change in the functioning of the EU if it is interpreted as an attempt to present new institutional values to its citizens. Given that it is for the states to decide the forms of their respective national policies, the EU will not be accountable for worsening working conditions or of social rights, even though the Commission and the Council continue to exert (even reinforce) a huge influence when it comes to guiding the Member States in how to frame the structural reforms necessary to achieve the objectives set by the EU.

### 4.3. The European Pillar of Social Rights

The 2017 proclamation of the European Pillar of Social Rights (EPSR)<sup>17</sup>, which seeks to offer new and more effective rights for citizens, must be seen from the perspective of an apparent shift towards a more neutral social and labour profile. It is based on 20 key principles, structured around three categories:

- Equal opportunities and access to the labour market
- Fair working conditions
- Social protection and inclusion

<sup>16</sup> Hastings and Heyes, "Farewell to flexicurity? Austerity and labour policies in the European Union".

<sup>17</sup> EUROPEAN COMMISSION, "The European Pillar of Social Rights in 20 principles".

In the text justifying the creation of this new European initiative, the Commission acknowledges the decline in the living conditions of many citizens, as a result of the crisis and not as a result of EU policies.<sup>18</sup> The adoption of the EPSR, which is designed to encompass a renewed process of economic and social convergence<sup>19</sup>, should serve to improve the working and welfare conditions of citizens.<sup>20</sup>

For the purposes of this study, an outstanding trait of the EPSR, is that it places flexicurity within the core of rights. Flexibility, in accordance with legislation and collective bargaining agreements, for a rapid adaptation of companies to the changing dynamics and security for the worker in the form of fair working conditions and wages, lifelong learning, personalised re-integration measures and adequate unemployment benefits. If we look at the wording, the Pillar could entail a substantial improvement for the workers, but the main obstacle is that it does not contain any timetable for its application. Since the document itself lacks binding effects, it will serve as a source of information for the decisions taken by European organisations, but it will depend on the interpretative approach these bodies give to the document for it to deploy effects. In a positive development, it is expected that the future recommendations of the European Semester could assume the content of the EPSR and will adopt a more social course.<sup>21</sup>

However, the resurgence of the concept of flexicurity as a model to face the challenges of the changing world of work may indicate a worrying aspect of the true purpose of the EPSR: to continue along the lines of subordinating the quality of employment to the competitiveness of the economy. In particular, the fact that the Commission intends to apply flexicurity to achieve a fair and effective distribution of rights, duties and income, suggests that this distribution is not the real objective. If we take into account that the basic conditions for a minimum effectiveness of flexicurity require an institutional framework of labour relations with consolidated collective bargaining systems that provide much of the security for workers, and that these systems have been dismantled within the EU environment due to the structural reforms imposed by the EU itself, it is difficult to accept that flexicurity will provide the fair distribution that the European Commission attempts to, particularly in the states that most need to resume fair working conditions. Within this context,

<sup>18</sup> An honourable exception can be found in the "European Parliament, Report on a European Pillar of Social Rights", which opposes "competition on the basis of labour conditions" and holds that "without a common European framework, Member States are bound to be trapped in a destructive competition based on a race-to-the-bottom in social standards".

<sup>19</sup> Maiso FONTECHA, "The European Pillar of Social Rights".

<sup>20</sup> EUROPEAN COMMISSION, "European Pillar of Social Rights".

<sup>21</sup> Garben, "The European Pillar of Social Rights: Effectively Addressing Displacement?"; CLAUWAERT, "The country-specific recommendations (CSRs) in the social field. An overview and comparison. Update including the CSRs 2018-2019".

it seems incoherent and illogical to resume the concept of flexibility if the objective is to achieve a fair and effective distribution of rights, duties and income, without defining or clarifying what stands for "fair" and "effective".

The welfare state is a fundamental factor in flexicurity. However, the monitoring and assessment of welfare systems within the Member States is in the hands of the EU due to the control it exercises over public debt. Hence, the adequacy and financial sustainability to address evolving social needs, the ability to support job creation and the stabilising role in the event of macroeconomic shock of welfare states is subservient to the financial situation of each Member State. If the EPSR is to address such a broad and cross-cutting issue, and how it is to be done, remains to be seen, particularly since two opposing arguments merge on this point: on the one hand, the distribution of powers between the Member States and the Commission in the field of social protection and social welfare, and on the other hand, the control exerted by the EU.

The analysis of the preliminary documents for the adoption of the EPSR reveals the tensions between the different EU bodies regarding the importance and priority to be given to the social and economic fields.<sup>22</sup> Some voices believe that the EPSR is clearly designed to deepen the monetary union process and although it is not negative per se, it is noticeable that the fundamental problem of the monetary union, meaning the institutional asymmetry between social and economic policies inherent to the EU, is not resolved by the EPSR.<sup>23</sup> On the other hand, the European Commission look at the efficiency of the labour market and of welfare systems as factors that guarantee Europe's social dimension. How to measure this efficiency has not been resolved, but the priority does not seem to reinforce existing rights and protection, rather to move towards full employment, social progress and a high level of protection, as well as sufficient flexibility to "absorb and adjust to shocks".<sup>24</sup> Again, the problem is how to combine flexibility and a high level of protection within a European environment that is, simultaneously, committed to reducing public spending and to full employment regardless of the conditions or quality of this employment. Thus, scepticism comes both from the architecture of the EU and from the will of its leaders.

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<sup>22</sup> Muñoz, *The European Pillar of Social Rights: Building a Deeper, Fairer Union?*

<sup>23</sup> Deakin, *"From Social Pillar to New Deal"*.

<sup>24</sup> Lörcher and Schömann, *The European pillar of social rights: critical legal analysis and proposals*,

## 5. Making flexibility and security compatible: A critical analysis

Flexibility and security are not antagonistic nor incompatible terms. Denmark, Finland and Norway seem to prove it. However, if we look at the Netherlands, they have built a labour model based on part-time work. The interests at stake are certainly opposed, but this does not imply that they cannot be reconciled. The problem is that, despite globalisation, the production paradigm has also changed and there is an increasing number of diversified interests. One can hardly state that the interests of employers and those of multinational corporations have common grounds regarding flexibility or security, rather these might be opposing. Similarly, the construction sector and the computing sector, for example, will probably not have matching flexibility needs, nor matching training needs. The problem, regardless of content, is to define the breakeven point that guarantees comparable benefits for all. But the crucial point is that flexicurity depends on the context, so it would only be possible to support that there are as many possible combinations as there are labour relations environments. This means that it cannot be considered the "policy" for the labour market and many voices claim it should be abandoned.<sup>1</sup>

<sup>1</sup> SERRANO PASCUAL and KEUNE, *Deconstructing flexicurity and developing alternative approaches*.

Flexicurity is only balanced and hence it may be effective, in contexts where collective bargaining is the main instrument for setting labour conditions. The reason analysed in this study is that both complement each other. Flexicurity is a company-oriented approach while collective bargaining is worker-oriented meaning that the latter avoids the precarity risks that flexicurity would not cover. Seen from the labour market perspective, the power of the parties determines the scope of flexicurity. The Danish balance is a good example. Gradually, Norway needs less flexibility because collective bargaining has the ability to secure workers protection and so the State devotes lower resources to security. The power imbalance of the parties increases in Finland and The Netherlands. But Finland follows the flexicurity idea and encompasses its labour market imbalance through public security. Instead, The Netherlands, where the power imbalance favours employers is less prone to provide public security, most similar to the flexibility approach adopted by Spain rather than to the flexicurity concept of the Nordic countries.

For the above reasons flexicurity is not useful under a "one size fits all" strategy as tackled by the EU. Labour problems may be similar, but their solution needs to be tailored to the particularities governing the relations between the parts to the labour relation and the values shared by the actors. These two factors may develop differently thus creating distinctive areas within the same country. In this sense, a unique strategy does not only impair the efficiency of labour policies but might result in a boomerang effect for particular areas.

Another argument suggesting flexicurity as an unappropriated labour policy weighs the multiple and cross-cutting effects beyond the organisation of the labour market, especially within the economic and social spheres. In this sense, labour policies are never neutral and flexicurity, defined as the balance between labour flexibility for the benefit of companies and worker security, is not an exception. Ideally, the relationship between flexibility and security should be on an equal basis, i.e. the benefits to one group should offset the damages to the other. But neither companies nor workers are groups with homogeneous interests, so any decision can potentially have a negative impact within the same group or cause wide-ranging effects on the economy.

To choose a model focused on job security assumes that the rights of workers who are already within the labour market shall be granted. This option reduces flexibility for companies as costs rise and limit chances for outsiders, especially young people, unskilled workers, and older workers. On the contrary, employment-based security opens up opportunities for access to the labour market by making

working conditions more flexible, but the challenge is to avoid job insecurity for all active workers as well as the removal of some groups from the market, for example, workers of a certain age, or the least qualified. Neutralising the effects of flexibility in this case, through social protection involves an additional cost in the form of benefits and/or employment policies that have to be publicly absorbed by the State. Accordingly, flexicurity policies are limited to states having good economic health or not subject to economic constraints.

One of the most relevant problems posed by flexicurity is its ineffectiveness in times of crisis<sup>2</sup> precisely because the relationship between security and flexibility through social public policies (benefits and training) requires more public resources given that flexibility increases the number of unemployed workers. And it is in these situations that resources decrease. However, even in stable situations the study shows that flexicurity is a policy that involves high levels of public spending and provides minimal levels of protection. The clearest example is provided by Denmark, where flexicurity has achieved permissible security during non-crisis periods, but it is the State who allocates most of the resources. On the opposite side, Spanish flexibility with low budget devoted to security policies has been unable to curb unemployment, mainly for unskilled workers, youth and women.

Flexicurity is aimed at activation rather than providing benefits. This does not mean lower public expenditure; it only indicates a change of mentality: from *welfare* to *workfare* and therefore a change in the destination of resources: they are no longer earmarked for subsidies but for policies that create employment. This is not necessarily a negative factor of flexicurity. On the contrary, it should be viewed as positive in the sense that it contributes to promoting people's independence. For Southern Europe, however, it involves rolling worker protections' back, but from a Nordic or social democratic perspective, it implies fostering individual responsibility towards the community.

Perhaps the most relevant argument against flexicurity is not only linked to work but to the public-private relationship. Flexibility means the collectivisation of corporate risks and the privatisation of profits. Making the labour market more flexible entails that the State favours businesses' interests, either through legislation or through collective bargaining, enabling this party to assume the risk without facing the consequences. When the employer is weathering a delicate economic situation,

whether or not resulting from its own decisions, flexibility comes as a relief: it reduces labour costs by reducing the workforce, working hours or wages or all of them together. In order to prevent workers from assuming risk that they have not created; the State takes charge in the form of welfare benefits or activation policies. However, the abstract entity that is the State is using collectively funded resources, which as such should be allocated exclusively to public interest, but which are being used to cover a private risk.

In a nutshell, flexicurity adversely affects wealth redistribution as well as shared efforts: workers must strive to stay trained constantly, which is positive for them. Flexicurity does also oblige the state to make the effort to adapt the budget and the support services, which is not neither a negative action. But what effort does the employer make? Flexicurity does not demand anything in return: neither investment in business nor investment in human capital.

However, not all flexicurity implications fall within the negative side. Of course, the changing labour market dynamics may call for flexibility measures for the benefit of companies and of workers alike. The introduction of new technologies within the world of work is increasing the flexibility but also precarity. Flexicurity might contribute to fill the gap of security by involving state's organizations and bringing labour parties to the negotiation table. In fact, some kind of security will always be needed to counteract the socio-economic effects of flexibility. To this end, the Spanish figures appear as an example of unsuited practices to foster employment and social development.

<sup>2</sup> EUROPEAN COMMISSION, "Flexicurity in Europe, Administrative Agreement JRC N°31962-2010-11 NFP ISP - FLEXICURITY 2", Tangian, Not for bad weather: flexicurity challenged by the crisis.

## 6. Conclusions and recommendations

Probably the clearest idea that is drawn from this study is that flexicurity as a labour policy depends on the structure of the labour relations. This determines the form and the social effects of flexicurity. It is worth remembering that quality of employment can have a dual social effect: it is a cohesive factor if the conditions are appropriate, but it produces the opposite effect when conditions are precarious. Insofar as it tends to liberalise the labour market by definition and, therefore, poses a potential risk of increased insecurity, flexicurity requires a highly cohesive substrate to prevent such insecurity. Social partners and especially trade union organisations are responsible for carrying out this task, so it comes as no surprise that the states where the socio-political involvement of trade unions is most developed are those that provide the best results in terms of striking a balance between flexibility and security. In other words, there is a direct and gradual relationship between the power balance of political, economic and labour forces, and the scope of flexicurity.

Balanced flexicurity is possible thanks to the fact that a series of conditions merge in these contexts. Following are some of the most salient:

- The State is responsible for establishing channels of continuous and ongoing dialogue with employers' organisations and trade unions and facilitates cooperation between them in order to create a climate of mutual trust, bargaining equality and shared objectives.

- Sharing the values expressed in politics and in society. The fact that the players involved in flexicurity have the same or similar objectives helps negotiation, conveyance and application of social and labour policies so that workers do not feel negatively affected by decisions that are not in line with their needs.
- Trade unions do have the function of representing the interests of all workers and thereby of a social majority. To do their task they must be able to act autonomously. This means having economic independence: Today, obtaining the necessary funding for any activity is an indispensable skill. Only unions with the ability of self-financing enjoy the necessary autonomy to represent workers and lobby with freedom. Financial independence also grants greater stability and makes them more committed to the environment when it comes to seeking support. If it is accepted that trade unions are to mobilise society and act as a limit to the political and economic powers, independence is fundamental.
- Society is becoming increasingly diverse and work more technologically advanced. Labour relations are also becoming more complex and dynamic. This means that workers' representatives must have the necessary capacity to permanently adapt to the changing world of work and to workers' needs. Flexicurity is a clear example, since it involves a paradigm shift in working conditions with cross-cutting effects. The training and preparation of workers' representatives becomes an essential condition for interacting, decision making and solving complex situations.

As it has been repeated along this study, the effectiveness of flexicurity strategies is highly contingent on the context fulfilling the requirements that could ensure a minimum balance between security and flexibility. Having the capacity to decide socio-economic strategies and to establish objectives, is a necessary but insufficient condition, for the design and implementation of labour policies, it must be supplemented with a comparable organisational tradition. Trade unions should have the adequate levels of strength and coverage to drive workers' cohesion. Without these two requirements, it seems advisable to discount this policy in the short term as a viable measure for job creation and minimising precariousness at the same time.

This notwithstanding, the study shows some opportunities for improvement or good practices in the field of industrial relations which could benefit the labour market in the medium to long term in European regions or areas that, lacking regulatory capacity, seek to improve the negotiation climate and employment quality. One of the most positive facets of the study is that it reveals the importance of building an adaptable labour market to face future challenges. The second positive, perhaps

more obvious side, is that it demonstrates the cross-cutting nature of employment policies and their effects. A complexity that cannot be underestimated.

With these two elements in mind, but without losing sight of the fact that the labour management capacity of regions is limited, the following potential actions are proposed in order to strengthen a stable organisational context, which is the basis for socio-labour progress.

### **1. Launching an information campaign to raise awareness about the welfare state**

One of the conditions for a sustainable welfare state is its collective financing through labour contributions. Conversely, non-participation in the labour market causes the system's resources to decrease. Southern European territories belong to the so-called Mediterranean welfare culture that features late modernisation, low societal involvement and a low level of social transfers.<sup>1</sup> In this model, social policies are paternalistic and clientelistic oriented, making it the least efficient of the existing model. In contrast, the Nordic model returns more equity and efficiency through incentives for the active population.<sup>2</sup> In other words, the current Mediterranean welfare model, except for pensions, is the one that provides the lower benefits but more assistance measures to secure subsistence, in line with its passive character.

The task, therefore, is twofold. The first step would be to make the population aware that welfare is not for free. It is an issue that affects everyone and in which everyone is obliged to participate. Reference should also be made that welfare is not to be conceived as a charitable measure, emphasizing that personal dignity is linked to the participation in society on equal grounds. The more people there are in the labour market, the more resources can be devoted to welfare universalization and to increasing the standard of living. Clearly, the objective in the long term is to achieve greater individual responsibility that discourages people from leaving the labour market. Effectiveness is necessarily and largely related to the fact that jobs are decent in terms of wages, working conditions and work environment. In any case, raising public awareness is a necessary future measure that should be established with a vocation for continuity.

<sup>1</sup> Ferrera, "The 'Southern Model' of Welfare in Social Europe; Leibfried, "Towards a European Welfare State?".

<sup>2</sup> Sapir, *Globalisation and the Reform of European Social Models*.

The second step should be the reduction of dependence on welfare allowances. Clearly, the objective should not be subsidizing citizens but to strike to have many people actively participating in the economy. It must be ensured that people can live independently and empowered within their own group or community, and in this sense, welfare benefits often have the opposite effect. In addition, they carry the risk of increasing social division because they lead to class differences. The rich do not need them, the middle and working classes are not the targeted group, and people at risk of exclusion often find them insufficient to escape exclusion. This is a problem that could increase and should be avoided. If the aim is to increase social cohesion and the sense of belonging to a community, living conditions should be as equal as possible. Therefore, it is necessary for the welfare state to be designed so as to make unemployment periods less traumatic, but also as short as possible.

### **2. Tripartite dialogue**

Achieving a labour market adaptable to continuous changes requires the involvement of unions, employers and institutional bodies to build a system of fluid and consistent communication in order to share objectives, interests and problems and to find joint solutions. For the dialogue to achieve good results, an appropriate climate must be created, particularly between unions and employers, something which can be achieved only in the long run. That is why government or institutional intervention is highly recommended as the first step to create the necessary conditions of trust. When such climate is reached, government must remain involved to facilitate constant understanding between the parties.

Anywhere, the future success of collective bargaining largely depends on public policies and the attitude adopted by the State. If the government chooses a participatory role in the elaboration of formal or substantive aspects of labour relations, employers have more incentives to adopt a positive approach in the negotiations. This is especially useful within a context of small and medium-sized enterprises, because collective bargaining, far from being a problem, can be viewed as a facilitating measure that saves time and alleviates the burden of individual negotiation with each worker.

In this sense, lack of sovereignty should not be a limiting factor since the conditions of negotiation and understanding depend on the capacity and willingness of the actors involved to generate a stable structure that enables dialogue.

### 3. Establishing a dialogue channel for the coordination of public policies

Beyond the tripartite dialogue, any decision that affects the labour market should have the consensus of the bodies that govern the country's economy; and vice versa, economic policy decisions have effects on the labour market that should be discussed with the leaders thereof. This is an often complex facet because the cross-cutting interests at stake are many and divergent, but it is a distinctive feature of advanced societies that all regions or communities should pursue.

On the other hand, the labour market today is changing and faces challenges that are still largely unknown. Technological progress generates new job needs and the constant adaptation of workers in terms of training. The obvious risk is that a significant segment of the population is excluded from the labour market and, in turn, companies' needs cannot be covered. Flexicurity demonstrates some of these risks but serves to highlight the cross-cutting nature of labour policies.

Given that, most probably, labour policies *strictu sensu* do not exist, decision-making should adopt a broad approach. In this sense, it seems advisable to establish an intra-governmental dialogue channel not limited to crisis situations, but permanent. The objective should be the coordination of public policies having an impact on the labour market with the aim to minimise the negative effects on society on the one hand, and on the other, to promote the economic and technological development of companies to strive for a balance between needs and availability. In other words, to adjust labour market supply and demand. This dialogue channel, should integrate the highest level of government's representatives of involved areas together with the social partners in order to be able to transfer the respective strategies and expectations. Transparency is also a decisive element for market's improvement.



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# A message from Coppieters Foundation

Since its creation in 2007, the Coppieters Foundation has been developing new ideas and producing knowledge on recurring subjects in the European public debate. Those include self-determination, multilevel governance, geography, diversity, gender equality, migrations, economic development, peacebuilding and the protection of human and minority rights.

As a research centre, we have always strived for high quality books and policy papers which contribute new reflections and visions for an inclusive and sustainable Europe. Our publications benefit from the knowledge and experience of a wide range of contributors with diverse backgrounds and fields of expertise.

With this in mind, we released this publication, of which I am particularly proud because it represents a new and important contribution to European public policy debates. I am certain that it will have a significant impact on European policymakers, academics, activists and citizens.

I would like to thank and acknowledge the authors, editors and coordinators of this study for their excellent contribution to the Foundation's work. And I also thank you, the reader, for your interest in our projects.

Antonia Luciani  
Secretary-General of the Coppieters Foundation  
[www.ideasforeurope.eu](http://www.ideasforeurope.eu)

## The aims of the Coppieters Foundation

- To develop new ideas and produce knowledge on the management of cultural and linguistic diversity, collective rights, multilevel governance, decentralization, state and constitutional reform, statehood processes, self-determination, migration, conflict resolution, peace studies, and the protection of human rights in Europe;
- To raise awareness on issues of special interest for the foundation and its members;
- To influence decision-making process at the European level and create a legal framework that allows for an enhanced implementation of the principle of subsidiarity, the right to self-determination, better protection of diversity and minority rights, and a stronger respect for human rights in Europe;
- To drive the EU towards an alternative institutional structure that is more democratic, more respectful of collective rights and more aware of complex (multi-national and multi-cultural) realities of EU Member States;
- To play a role as a platform for dialogue between academia, European institutions (the European Parliament, the European Commission and the Committee of the Regions) and other political actors;
- To transform scientific knowledge in the fields of political science, economy, sociology, philosophy and history into usable concepts for political action;
- To feed the European Free Alliance with politically relevant concepts, ideas, data, and knowledge, both in the institutional sphere and in EFA's action sphere outside European institutions.

Coppieters Foundation takes all necessary actions to promote and achieve the above stated goals by observing the principles on which the European Union is founded, namely the principles of democracy, respect for human rights, fundamental freedoms and the rule of law.

The geographical scope of the Coppieters Foundation is the European Union together with EU candidate and potential candidate countries. The partners of the organisation are based in 8 member states of the EU and active in 14 regions or stateless nations.



## Maurits Coppieters (Sint-Niklaas, 1920 – Deinze, 2005)

The Fleming Maurits Coppieters studied history and later became a Doctor of Laws and obtained a Master's degree in East European studies. During the Second World War, he refused to work for the German occupier. After many years as a teacher, he worked as a lawyer for a while. He was one of the people who re-established the Vlaamse Volksbeweging (Flemish People's Movement), of which he was the President from 1957-1963.



Coppieters' political career began when he became a member of the Flemish nationalist party Volksunie (VU), which was formed in 1954. With the exception of two years, Coppieters was a town councillor between 1964 and 1983. He was also elected as a member of the Belgian Chamber (1965-1971) and Senate (1971-1979). At the same time, Coppieters became President of the newly formed '*Cultuurraad voor de Nederlandstalige Cultuurgemeenschap*' (Cultural Council for the Dutch-speaking Community), from which the Flemish Parliament emerged, when the VU formed part of the government. In 1979, Coppieters was elected during the first direct elections for the European Parliament.

As a regionalist, he became a member of the Group for Technical Coordination and Defence of Independent Groupings and Members in the European Parliament (TCDI). Among other things, he made a name for himself when he championed the cause of the Corsicans. In the meantime, Coppieters also played a pioneering role in the formation of the European Free Alliance, of which he became the Honorary President and continued to play a role in its expansion, even after he said farewell to active politics in 1981. In 1996, Coppieters joined forces with the President of the Flemish Parliament, Norbert De Batselier, to promote 'Het Sienjaal', a project with a view to achieve political revival beyond the party boundaries. Coppieters died on November 11, 2005.

Among other things, Coppieters was the author of: '*Het jaar van de Klaproos*'; '*Ik was een Europees Parlements lid*'; '*De Schone en het Beest*'. He was an honorary member of the EFA.

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- ✿ Le Peuple Breton. Rue Pinot Duclos 9, 22000 Saint-Brieuc Breizh (Brittany) [peuplebreton.net](http://peuplebreton.net)
- ✿ Welsh Nationalism Foundation. Department of Humanities, University of Wales, Caerdydd (UWIC), Western avenue, Caerdydd, CF5 2SG, Cymru (Wales) [welshnationalismfoundation.eu](http://welshnationalismfoundation.eu)

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